

Thesis
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**The Development of the UK Television News Industry
1982 - 1998**

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by

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Abstract

This thesis examines and assesses the development of the UK television news industry during the period 1982-1998. Its aim is to ascertain the degree to which a market for television news has developed, how such a market operates, and how it coexists with the 'public service' goals of news provision. A major purpose of the research is to investigate whether 'the market' and 'public service' requirements have to be the conceptual polarities they are commonly supposed to be in much media academic analysis of the television news genre.

It has conducted such an analysis through an examination of the development strategies of the major news organisations of the BBC, ITN and Sky News, and an assessment of the changes that have taken place to the structure of the news industry as a whole. It places these developments within the determining contexts of Government economic policy and broadcasting regulation. The research method employed was primarily that of the in-depth interview with television news management, politicians and regulators: in other words, those instrumental in directing the strategic development within the television news industry.

Its main findings are that there has indeed been a development of market activity within the television news industry, but that the amount of this activity has been limited by the particular economic attributes of the television news product. What makes the provision of television news a worthwhile venture for news organisations is the degree to which television news confers status and political legitimacy upon its provider. To this end, 'public service' programming goals continue to be present in commercial news outlets.

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Chapter One

Introduction

[At a Royal Television Society conference six years ago] Bob Phillis and I were the only two people in the room who believed that you could create a business out of television news. All the great minds of broadcasting ... stood up and said no, it's a crazy notion ...

It was thought to be distasteful to have news commercialised, but how else was quality news going to survive into the commercial era if it wasn't commercialised?

(Stewart Purvis, Chief Executive ITN, interviewed 17 February 1998)¹

This thesis documents the growth of the UK television news industry since the early 1980s, focusing upon how the 'business' of television news has developed during this period. In 1982 the only two television news providers were the BBC and ITN, whose output was broadcast on the two BBC channels and ITV respectively for a combined total of 15 hours, 50 minutes per week. By 1998, news output on terrestrial channels had doubled to over 30 hours per week².

Part of this increase was due to the fact that by 1998 there were two more channels broadcasting, and that broadcast hours had expanded to include breakfast news and overnight news services. Nonetheless, the overall number of news bulletins or summaries on any weekday had also increased significantly - on ITV there were 8 scheduled breaks for news in 1998, compared to 5 in 1982, on BBC1 there were 9 in 1998 compared to 5 sixteen years previously, and on BBC2 there were 4 in 1998 compared to 2 in the early 1980s. Additionally, by 1998 there were a number of

¹ All quotations are from interviews conducted by the author unless otherwise indicated. A full list of interviewees is contained in Appendix A.

² According to television schedules in the Radio Times during one week in February of each year.

news channels available for cable and satellite viewers to watch: Sky News, BBC News 24, CNN International, CNBC, Euronews, and Bloomberg Television.

Figure 1.1: Growth in the number of television news outlets in the UK 1982 - 1998

Year	Terrestrial	Cable and Satellite*
1982	Channel Four News bulletin	
1983	ITV Breakfast news bulletins BBC Breakfast News	
1984		
1985		CNN International channel
1986		ITN World News bulletins
1987	ITV and BBC summary bulletins	
1988	Channel Four Business Daily lunchtime magazine, no longer operational	European Business Channel, no longer operational
1989	Channel Four Daily (breakfast bulletin) - replaced in 1993 by Big Breakfast summaries	BSB news summaries - until 1990 Sky News channel
1990		
1991		BBC World Service Television News channel (renamed BBC World 1995)
1992		Euronews
1993		Channel One - until 1998
1994		
1995		European Business News channel (EBN), merged with CNBC 1997 Bloomberg Television channel
1996		
1997	Channel Five news bulletins	BBC News 24 channel
1998	BBC News 24 overnight on BBC1	

* Includes those channels uplinked from the UK, not necessarily all of which have UK reception - e.g. BBC World, and those which are targeted at a UK audience in some way - e.g. the English language version of Euronews

There are a number of ways that such growth can be examined, for 'television news' can be assessed according to a number of perspectives. It is simultaneously a content provider of information and/or entertainment, a profession, a political tool, an economic entity, an industry, and a political and cultural force. It is obviously impossible - or at least, beyond the scope of a single PhD thesis - to conduct empirically-based research which adequately examines *all* these features of the genre.

As Dahlgren has noted on the subject of television in general: 'Trying to get an analytic hold on television, an overview of its institutional features, its economic dynamics, its programming output ... is to risk perpetual frustration' (Dahlgren, 1995: 24). When academic research selects only one or two aspects from the range of options, it must be accepted that what is thus delineated is only ever a part of a larger whole, and that the project must be read and understood in conjunction with others' analysis of the subject area.

This caveat is important, as this research does not seek to claim that its approach gives a definitive statement about television news. Rather, it focuses upon one particular area that has hitherto not been examined in detail during this period: how the television news *industry* has developed. This subject area comprises a number of research strands. Firstly, the thesis examines the type of market activity that has occurred in the television news industry over the period of research enquiry, and describes the catalysts and brakes upon its development from political, technological and regulatory forces. Secondly, it examines whether this increased industrialisation or 'marketisation' of the television news industry has diminished the likelihood that 'public service' or 'quality' oriented news can be provided.³ Thirdly, the research assesses the extent to which the economic characteristics of other types of broadcasting product are present in television news product.

³ It should be noted at the outset that this research does not set out to measure in terms of output or production norms whether such 'quality' news exists; what the thesis is concerned to address is whether the structural conditions for such output are present (see Chapters Two and Three for further discussion of this point).

The research method employed was primarily that of the in-depth interview with television news management personnel, politicians, and regulators: in other words, those instrumental in directing the structural development within the television news industry. Further data came from trade and newspaper press articles, parliamentary legislation and debate, and conference proceedings (see Chapter Three for details).

Explanation for the research focus

There are a number of reasons behind the decision for the focus of enquiry. Firstly, the period under review marks the transition from a non-market-oriented, or 'public service'-focused television news industry to one where all television news organisations made far more use of market techniques and processes for the development and expansion of their product. It has been a period of often bitter battles between the proponents of new management techniques and organisational structures, and the journalists whose working practices have been greatly altered. This development has largely mirrored what has happened to other cultural industries, as market principles have spread throughout society. Before the market paradigm becomes completely ubiquitous, it was felt timely to assess this transitional phase from a contemporaneous vantage point, and examine the catalysts for the growth of a television news market, the degree to which it has taken hold, and the strengths and weaknesses of such an organisational system.

A further rationale for the study was the desire to provide a counterbalance to many academic studies of the television news sector which have characterised the rise in market orientation within the industry as unreservedly detrimental to the quality of

news output (see Chapter Two for more details). Such studies use an axis, be it explicit or implicit, of an ideal television news system, whose information informs all strata of society, whose rights of access to material is unchallenged, and whose production methods prioritise editorial care to the exclusion of any other imperative. Current television news output and its background industrial practice is plotted along this axis and unsurprisingly found to be wanting. The research which follows was partly conducted in order to move away from this normative straightjacket. If the television news sector of the last 17 years is reviewed without the backdrop of this phantom ideal, then degrees of synergy between market and public service factors emerge, providing a more complex picture. A major purpose of this thesis, then, is to investigate whether 'the market' and 'public service' requirements have to be the conceptual polarities they are commonly supposed to be in much media academic analysis of the genre.

The reason for the focus on management perspectives within the area of organisational development was again to document a different angle from the one often covered by media academic research. Much academic enquiry into television news has focused upon the voices of production and editorial staff within news organisations (see Chapter Three for details). These practitioners have largely been critical of the increasing impetus to generate a commercial return. This thesis has focused mainly upon the perspectives of television news management, in order to understand how industrial change has been characterised by them, and obtain their own assessment of the degree of tension and synergy between the goals and practices of 'public service' provision and economic return. The focus on management was

also a result of the research issues to be examined: this thesis is concerned with questions of strategic development and structural conditions for change, neither of which could be directly addressed through a study of journalist practice (see Chapter Three for more discussion).

Finally, there was a desire to assess the comparative strengths of regulation and economics within the industry. As will be traced throughout the thesis, the role of regulation in the television news environment has been instrumental in the maintenance of its 'public service' attributes. It is noteworthy that while the Conservative governments of the 1980s and 1990s moved increasingly towards liberalisation in terms of the economy as a whole, they retained a firm hold of broadcasting *content* legislation, and in the case of television news, of its organisational structure as well.

Thus, the research questions that this thesis addresses are as follows. Firstly, to what extent has the television news industry developed according to market principles? Secondly, what impact did broadcasting legislation have upon the development of the industry? Thirdly, and as an outcome of the evidence provided by the answers to the first two questions, how compatible are the goals and practices of public service and economic return in the case of the provision of television news?

Structure of the thesis

The thesis addresses these issues in the following way. Chapter Two develops the theoretical framework for the enquiry by examining how the relationship between the

market and public service imperatives has been characterised in selected media academic literature. The chapter positions these debates within recent academic literature about television news, and discusses the issue of 'news quality' which underpins such discussion. An appraisal of the different ways that 'the market' can be defined is given, and the particular definition of 'marketisation' used for the purpose of this thesis is set out. Finally, the research issues of the thesis are described.

The following methodology chapter firstly assesses the types of production and observation study of television news organisations that have been conducted by UK academics over the last 20 years, as these studies are closest in both methodological and conceptual terms to the scope of the thesis. The second half of the chapter provides an explanation for the methodology used for this research, and gives a detailed description of how it was carried out.

The next two chapters provide details firstly of the overall development of the television news industry, and secondly of the political-regulatory environment, which both act to frame the subsequent case study chapters. Thus, Chapter Four documents the overall development of the television news industry during the period in question, showing the extent of and limits to its 'marketisation'. It also assesses the catalysts to growth from Conservative government economic policies and from technological processes. Chapter Five examines the broadcasting regulatory policies of successive Conservative governments between 1982 and 1997, and argues that while the regulation of broadcasting as a whole moved increasingly towards an

emphasis on commodification and economic return, the regulation of news broadcasting remained largely protectionist and oriented to the imperatives of 'public service' provision.

The following three chapters are case studies of particular facets of the development of the BBC, ITN and Sky News respectively. The BBC chapter focuses on the development of the international news channel BBC World, highlighting the issue of how a public service broadcaster negotiates the commercial world. It describes the development of the relationship between the commercial and licence-fee funded sections of television news output; as the two moved closer together in terms of production, their finances were kept increasingly separate. The ITN chapter examines the growth strategies of the company, and the ways in which expansion of its news contracts brought conflict of interest problems between its clients and its shareholders. Its recent history exemplifies both the difficulties and necessities of employing economies of scope. The chapter also examines the changes made to ITN's ownership structure, and reveals how the legislation that altered its structure from cost centre to profit centre was a result of internal ITN lobbying rather than the liberalising ideology of the Conservative Government. The Sky News chapter details the way that its development has been dependent upon its funding relationship with its parent company BSkyB, and shows the extent to which its existence was predicated upon the need for BSkyB to produce programming which could be described as oriented to public service goals.

The Conclusion summarises the findings, and provides an assessment of the degree of compatibility between the goals of market and public service based upon a comparison of the economics of the television news product and other broadcast product genres. Finally, the Afterword speculates upon the future of television news broadcasting in the digital age, describing some of the most recent developments in the television news industry which occurred after the research-gathering period of the thesis had come to an end.

Chapter Two

The Theoretical Context: Public service broadcasting in the market

Although this thesis consists largely of empirical research, the choice of research area was the result of a desire to assess the validity of certain academic theories about public service broadcasting and the television news media - in particular those which examine the juxtaposition of market imperatives and public service goals. In other words, while the main body of the thesis is concerned with constructing an empirical documentation of the extent to which the television news industry has developed as a market, of the role of regulation, and of the degrees of tension and synergy between the two goals of public service and economic return, it is important to ground this investigation within the intellectual debates that exist around these issues. This chapter outlines these debates and sets out the research questions arising from them which this thesis investigates. While the overall focus of this thesis is on television news organisations, it is useful to provide a wider contextual framework within which to position the particularity of the television news case. Therefore, this chapter discusses public service broadcasting and the market in general terms in addition to the specific example of television news.

The chapter begins by signalling the key issues for examination, namely the range of ways that public service broadcasting can be described. Although the major concern of this chapter is the assessment of debates about the type of *structural conditions* necessary for public service content to exist - in short, whether public service programming can be provided by 'the market' (variously defined, as will be shown below) - these structural conditions are connected to other core principles of

public service broadcasting which need to be described. To this end, the chapter describes the early history of the BBC and of ITV, in order to show the original development of the concept of public service broadcasting. This historical section has two aims - to illustrate the core attributes of public service broadcasting, and also to draw attention to the historical contingency of debates about public service broadcasting. In other words, the history of the development of debates about public service broadcasting is anchored to the actual practice of broadcasting institutions, themselves operating in accordance with the dominant socio-political consensus of the time.

The chapter then moves on to an assessment of the contemporary debates about public service broadcasting which have occurred during the period of the research enquiry - that is, from the early 1980s to the late 1990s - focusing in particular upon the issue of the compatibility of public service and market goals. The use of television news as an exemplar for many of the attributes of public service broadcasting is discussed, and an analysis of the issue of news quality is set out. An appraisal of the different ways that 'the market' can be characterised is then given, in order to underpin the particular definition used for the purposes of this thesis. Finally, the chapter outlines the contribution that this thesis makes to the debate about how public service news programming can be provided.

2.1 The key issues in debates about public service broadcasting

Only a public service model - investing heavily in news and current affairs resources, seeking substance and not just spectacle in political conflicts, and resisting the temptation to tell only the tactical story - can aim to ... keep the torch burning for the role of reasoned argument in electoral choice.

(Blumler, 1993: 406)

The media should be for the public use and enjoyment of all citizens and not for the private gain or profit of either political rulers or businesses.

(Keane, 1989: 293)

The two statements above are resonant examples of common characterisations of public service broadcasting. The former focuses on conditions of content, the latter upon conditions of structure. There is a critical distinction between the two; and one of the main purposes of this thesis is to query whether *structural* conditions of public service - non-market, non-state - are necessary in order to provide the possibility of public service *programming* described above by Blumler.

It is also important to note the conceptual distinction between the ideals and the practice of public service broadcasting, even though - or indeed because - many media scholars make the one dependent on the other. As Golding and Murdock have argued, '[the] general idea of a communications system as a public cultural space that is open, diverse, and accessible, provides the basic yardstick against which critical political economy measures the performance of existing systems and formulates alternatives' (Golding and Murdock, 1996: 18). According to Barnett and Docherty (1989), while much of public service broadcasting remains ideal and conceptual, a number of its tenets are materially achievable, such as that of universal provision, and these materially-achievable principles then foster its more intangible aspects.

Burgelman argues that the entire debate about public service versus commercial broadcasting is predicated on the false assumption that public service broadcasting is a discrete, independent, abstraction, which can then be anchored in reality by a singular type of organisation structure (Burgelman, 1997: 129-30). As he points out, the dangers of this approach are that it ignores the readiness with which commercial and public broadcasters can copy each other's best or worst practices. He asserts that there is in fact no core type of institution which can ensure public service output, but rather that the ability to provide public service programming is dependent on a range of economic and political factors that are not specific to any one type of organisation.

As will be traced below, this view remains quite rare in media academic literature. Although there are an increasing number of scholars who acknowledge that there is very little likelihood that a wholly public-funded public service system will survive in the medium to long term, their perspective is one which registers concern over this development, rather than Burgelman's assertion that the divide between 'public service' and 'commercial' organisations is essentially spurious.

The central debate, then, is whether public service programming, and specifically television news programming, can exist without *public* funding for its production. In other words, for proponents of the view that public service content can only be provided by a non-market model, public service broadcasting is predicated upon its *funding structure*.

In addition to this way of defining public service broadcasting, there are a number of other key principles upon which public service broadcasting is based. The first is that public service programming needs to be *prescribed*. Public service broadcasting is often defined as that which the market will not provide because there is little visible sign of mass audience interest. This lack of market provision entails public service broadcasters taking on the responsibility of providing programming which is assumed to be of benefit to viewers rather than that which is measurably popular with them. Furthermore, the importance of broadcasting for government and for politicians means that there is an inherently normative, or proselytising, function to programme provision. As will be shown below, this 'needs-based' rather than 'wants-based' definition of public service programming is one which is particularly prevalent in the case of television news analysis.

The second public service principle is that of the *universality* of reach, which is tied to an emphasis upon serving *general interests* in terms of the types of programmes made. Again, this principle is partly predicated on the importance of broadcasting as a socio-political tool, in that broadcasting offers governments a way of controlling mass society, however indirectly (see below). Additionally, it is based upon harnessing the 'public good' attribute of free-to-air broadcasting, namely that it is non-rivalrous in its delivery - one person's viewing does not deprive others of their ability to view. In other words, the public service requisites of universality of reach and general interest programming emerged from the way that free-to-air broadcasting was, in structural terms, a public good. As is discussed later, making public service broadcasting synonymous with universality and general interest programming is under contemporary review.

These principles of public service broadcasting have their origins in the early histories of the BBC and of ITV, which will now be briefly¹ outlined. The historical conditions under which public service broadcasting began, and how it was initially defined, provide a context for the more recent debates, illustrating the abiding nature of some aspects of public service broadcasting as well as the gradual modification of other principles. The following section shows the way that definitions of public service broadcasting were initially based upon a paternalist or 'needs-based' view of broadcasting, which was modified by the arrival of ITV. It shows how the adoption of universal reach and generalist programming was politically engendered. It also illustrates the way that notwithstanding widespread political concern over the possibilities of broadcasting and the need for a regulated environment, the public service broadcasting systems which emerged were given significant degrees of regulatory autonomy from government. Finally, and most importantly, the setting up of ITV illustrates how public service programming was seen as able to be provided without the need for a public-funded organisation to be producing it (even if such a view was continually under critical scrutiny).

2.2 The early development of public service broadcasting

Public service broadcasting in the UK was initially shaped by the paternalist, nation-building vision of John Reith, the BBC's first Director-General. He was concerned to develop a national structure of broadcasting, available to all, which would provide programming that would cohere rather than divide the national community.

¹ For detailed accounts see Briggs, 1960; Burns, 1977; Curran and Seaton, 1997; McDonnell, 1991; Murdock, 1992; Scannell, 1996; Scannell and Cardiff, 1991; Sendall, 1982.

The socio-political situation of the late 1920s and early 1930s, the period in which the BBC's remit was being developed, was marked by a heightened political concern about the potential power of a newly enfranchised mass public, and the influence upon such a public firstly from Soviet communism and secondly from a weakened economy which had resulted in severe mass unemployment. These threats fostered a perceived need for an inclusive, prescribed-from-above system of broadcasting. The decision was made not to follow the example of the United States, where the medium of the wireless was used largely as a commercial tool.

As Scannell notes, the origins of public service broadcasting were thus based upon the need to develop an 'audience-as-nation', which was 'a radically new kind of public, one commensurate with the whole of society - all members of the newly-extended, now fully representative, nation-state' (Scannell, 1996: 26). And the purpose of developing an 'audience-as-nation' concept was in order to maintain social control. Humphreys describes how 'from its earliest days public service broadcasting has played an important role as an agent of national and societal integration and stabilisation. During the dangerous 1930s ... the BBC pursued a deliberate paternalistic mission to maintain public confidence in the values of the liberal British Establishment' (Humphreys, 1996: 122). In other words, the development of public service broadcasting was based upon its potential to form a unitary environment of social cohesion.

Decisions about the type of content that such a service should produce were made according to the principles of 'benevolent paternalism'. As Harvey points out, the British acceptance of interventionist government (in contradistinction to the US

case) meant that public administration was permitted to play an active part in defining norms for the rest of society. This was something which the BBC did assiduously: 'If British broadcasting in the 1920s reflected a world in which the servants remained silently "downstairs", and where working-class voices were not permitted to approach the microphone, it equally embodied a commitment to the principles of public trusteeship and to the creation of a cadre of (at least theoretically) neutral and expert civil servants acting in the national interest and for the common good' (Harvey, 1998: 543).

This original concept of public service broadcasting as fundamentally prescriptive began to be modified during the 1950s. When the ITV network was set up in 1955, a new definition of public service broadcasting started to position the wishes of the audience as being of more central concern. Viewers and listeners, and not solely the 'neutral and expert civil servants', were felt to be legitimate arbiters of the public interest; 'wants' as well as 'needs' were permissible guides to programme output.

ITV programming catalysed changes to the BBC's broadcast output. Scannell describes how, by the mid-1960s, 'the new techniques of scheduling primetime to win and keep a large audience share - first developed by ITV - were now practised by both sides. In all areas of production - from news to "serious" drama - new styles and techniques were implemented to make the "feel" of television output more professional, more friendly, and more for the viewers. Television became popular and has remained so. Commercial television - within a PSB remit - made it so and compelled the BBC to do so too' (Scannell, 1996: 28-9).

The impact of ITV was not solely that it resulted in changes to BBC output, however. Of key significance was the fact that it was created as a commercially-funded *yet* public service broadcaster.

The ITV network was set up as a response to increasing concern - stemming initially from influential Conservatives but widening to include 'the creative contributors to broadcasting' - over the BBC's monopoly of broadcasting (Sendall, 1982: 7). Although the Beveridge Report of 1951 rejected the prospect of opening up the BBC to competition, once the Conservatives came to power later that year, the requisite steps of legislating for a new channel were put into motion - a Green Paper in 1952, followed by the Bill in 1953 and the Television Act passed in 1954.

While the channel was to be financed from spot advertising, and to compete with the BBC for audiences, the legislation which brought it into being aimed as far as possible to ensure that such a channel would not result in any lowering of programme standards. It did this not through the setting of tight prescriptions for programme output² but by giving the Independent Television Authority (ITA) devolved powers to decide for itself what constituted sufficient proportions of programming.

Thus, ITV from the outset operated within a regulatory framework which permitted the organisation responsible for broadcasting - the ITA - freedom to draw up its own guidelines of programme output. There are two points to make about this decision. Firstly, that it was seen as possible by the Government of the time to impose public

service broadcasting requirements via regulation rather than through organisational structure, for example the BBC model of a publicly-funded institution. Secondly, that these regulations did not need to be explicitly laid out by statute. The devolution of regulatory power onto professional administrators or 'social doctors' (Beveridge's term, quoted in Curran and Seaton, 1997: 161) had already been tried and tested in broadcasting through the BBC, and explicit, highly-quantifiable requirements were seen as unnecessary. Rather, the ITA would be responsible for the translation of general requirements into the actual practices of the ITV companies.

Initially, it was believed that public service programmes could only be provided from public, or, in the case of ITV, state funds. The Conservative Government proposed a £750,000 'top-up' fund in order to help the programme companies broadcast 'public service' oriented programming. As the Conservative Minister responsible for the passage of the Television Bill described:

We are laying on this Authority certain definite obligations of impartiality in the presentation of religious matters, in the presentation of the news and in other directions. It is no use doing that if we are not prepared to give it the money to carry out these obligations. There are two objectives. The first is to maintain a proper balance in the programmes ... The second objective is to put on programmes with which we should not want advertising to be associated, such as state occasions and Royal events ... and maybe even the children's hour.

(David Gammons, quoted in Sendall, 1982: 43)

Public service broadcasting was thus initially equated with non-commercial funding, although such programming did not have to come from an organisation which was publicly-funded in its entirety. However, this top-up grant failed to materialise (see Sendall, 1982: 160-82 for details), and ITV contractors were made

² An amendment had been introduced during the Bill by the Labour Opposition to include a 'prescribed quota of named programme categories', but this was rejected (Sendall, 1982: 50).

to pay directly for the production of programming which was adverse to their short-term economic interests of audience-maximisation.

It is of note that public service requirements were not seen during this period as the small price that the ITV contractors had to pay for valuable spectrum. There were two reasons for this. Firstly, the ITV companies at this time were not yet making the enormous profits which became apparent at the end of the 1950s (see Sendall, 1982: 293-302). Secondly, at the outset of the network's development, it was expected that there would be more than one ITV contractor for each region, and that this would result in a pluralist broadcasting system rather than an effective revenue monopoly for each ITV company. As the ITA's Chairman Sir Robert Fraser wrote in 1955: 'What is appearing among us is the beginning of a system of free television. When I use the word free in this sentence, I mean what everyone means when they speak of a free press' (quoted in Sendall, 1982: 64).

This outline of the early development of the ITV network shows that firstly, the need for (devolved) public service regulation on the new commercially-funded channel was unquestioned; and secondly, that competition for revenue as well as audiences was seen as reconcilable with overall public service aims and objectives. As such, the development of the network involved setting up operational characteristics of public service broadcasting rather than funding-based ones - in other words, separating the regulatory requirement for public service programming from the need for such programming to be embedded in a publicly-funded institution. The viability of this separation, which remained continually under question, became particularly acute during the period that this research examines.

2.3 Recent debates around public service broadcasting

Over the last 17 years - from the early 1980s to the late 1990s - debates over what constitutes public service broadcasting and how it should be funded or structured have intensified, catalysed by developments in the broadcast industry, in turn a result of a changed political ideology (for fuller details of changes to the broadcasting industry during this period, see Chapter Four). Broadly, these debates can be classified into the two main issues mentioned above: the degrees of tension or synergy between a 'wants-based' and a 'needs-based' approach to the provision of programming, and secondly, the relationship between public service broadcasting and the development of a market-oriented broadcasting environment. This section describes the development of the former debate, showing how definitions of public service broadcasting are increasingly varied and contradictory, and illustrates this with reference to the ways in which public service or 'quality' television news programming has been defined. The latter debate, about the relationship between public service and market imperatives, is addressed in detail in the subsequent sections.

'Wants' versus 'needs'

In 1985 the Peacock Committee was given the task of assessing what the effects would be upon the broadcasting environment if the BBC took advertising or sponsorship. The Conservative Government was particularly hostile to the BBC at this time due both to the BBC's 'privileged' position as a publicly-funded institution, and also due to the BBC's resolute impartiality in certain key political matters such as Northern Ireland and the Falklands War (see below, Chapter Five, plus Leapman, 1986; Milne, 1989; Walters, 1989), and it was an open secret that the

Prime Minister Margaret Thatcher advocated the introduction of advertising onto the BBC.

However, notwithstanding the Committee's ideological commitment to the prospect of a free market in broadcasting analogous to that of publishing, its Report (Peacock, 1986) acknowledged that the technology was not yet in place for such a market to exist, and therefore that the licence fee was the least-worst way of enabling quality and diversity in programming to continue.

The most significant aspect of the Peacock Committee's thinking for the purposes of this chapter, however, was the priority given to the concept of 'consumer sovereignty'. In other words, the Committee saw choice as an enabling factor in the satisfaction of viewer wants. This 'wants-based' approach (although modified through Peacock's belief that some programming ought not depend for its existence on consumer choice (see *ibid.*: para 563)) was a defining aspect of the market ideology which developed during the Thatcher governments of the early 1980s and has become increasingly dominant as an organising principle (see Chapter Four).

There is a complex tension between the 'needs-based' approach, whose detractors make it synonymous with the type of paternalism evident in the early history of the BBC, and that of the 'wants-based' approach which can be classed as pandering to lowest common denominator tastes, but can also be seen as democratising the viewing experience (see Pratten, 1998, Stevenson, 1993). Debates around this issue are particularly prevalent in literature about television news provision, as 'wants-based' news programming - i.e. that which is populist in tone - is increasingly

categorised as ‘dumbing down’, and only rarely examined in terms of potentially being a method of democratisation (see McNair, forthcoming, for the latter approach). This issue will be dealt with in more detail later in the section.

Universal versus minority programming

Since the early 1990s the debate over ‘wants’ and ‘needs’ has manifested itself through a long drawn-out argument over the types of programme the BBC should show. Should the BBC retreat from generalist, popular programming, and only show programming which other (commercial) channels would not - a policy which the Pilkington Committee in 1962 had termed ‘classification by height of brow’ (Pilkington Report, 1962: para 469, quoted in Pratten, 1998: 398)?

The conclusion, expressed though a number of BBC policy documents, Government discussion papers, and academic literature,³ has been broadly that the BBC should retain its generalist programming stance. As Hall argues, if public service broadcasting can be taken to mean that there is such a thing as the ‘public interest’ or ‘social interest’, then this has to mean that the conception of the audience which public service broadcasting ought to serve is ‘wider than, and irreducible to, the numerically aggregated sum of the needs, interests, choices and tastes of individuals, however “sovereign”’ (Hall, 1993: 25).

This is not to say, however, that programming aimed at minority interests is extraneous to the public service cause.⁴ The setting up of BBC2 in 1964 and

³ See, in particular, BBC, 1992b, 1993; BFI/Bafta 1993; Department of National Heritage 1992; Goodwin and Stevenson (eds), 1994; Mulgan and Paterson (eds), 1993; Stevenson (ed), 1993.

⁴ This is an issue which is in active debate in Europe, and in particular in Germany. The universalist programming remit of the public service broadcasters is held to be paramount, and recent policies by

Channel 4 in 1982 made manifest the argument that public service-oriented programming ought to cater for particular minorities *in addition to* providing generalist programming output. Definitions of public service broadcasting have increasingly involved an adherence to both the principles of generalist, universally-targeted provision, and to the need for programming that caters both for minority tastes within the general population and for demographic minorities.

There are thus a wealth of purposes that public service broadcasting is expected to encompass. As the often-quoted set of public service broadcasting principles from the Broadcasting Research Unit (BRU) in 1985 laid out, the public interest in broadcasting is composed of a variety of components. The eight principles, in order of exposition, were:

- Geographic universality
- Universality of appeal
- Provision for minorities
- A concern with national identity and community
- Distance from vested interests
- Universality of payment
- Separate forms of revenue stream
- Liberating rather than restrictive legislation

(BRU, 1985)

Many of these are in practice in competition with each other. For example, 'universality of appeal' and 'provision for minorities' are in mutual tension, as are the requirements of 'geographic universality' and 'universality of payment' when compared with 'distance from vested interests' and 'liberating rather than restrictive legislation'. In the empirical as distinct from the theoretical world it is difficult to imagine how the former universalist principles of geography and payment can be supplied without some sort of oligopoly and/or state-sanctioned investment and

ARD and ZDF to set up themed arts and children's channels have been heavily criticised for thus attempting to move beyond the commitment to universality.

involvement, which are implied by the latter principles to be in opposition to the public service cause.

Television news provision

These increasingly contradictory goals of public service broadcasting can be illustrated by reference to the television news case. Indeed, television news can be seen as the main exemplar of public service broadcasting, as evidenced by the central position that information provision is given in many assessments of the principles of public service broadcasting.

A key aspect of public service broadcasting is its role as a democratic tool, and the normative consequence of this is that public service broadcasting must encourage active citizenship. As Keane urges, 'public service media should aim to empower citizens, to develop full and active citizenship' (Keane, 1989: 293). 'Communication for citizenship' is the first of Blumler's four 'tasks' for public television, which he defines as 'bearing "a sense of some responsibility for the health of the political process and for the quality of public discussion generated within it"' (Blumler (1990) 'Television and Politics: The British Public Service Model'. Paper presented to an Aspen Institute Conference on Television Coverage and Campaigns, Wye Woods, Maryland. Quoted in Blumler, 1993: 405).

There are a number of facets to such optimum information provision, each involving a different principle of public service broadcasting. Firstly, information should be *diverse*. As Keane has often argued, public service '[sh]ould no longer base itself ... upon supposedly absolute principles ... On the contrary, a new public service

model would be guided ... by a form of democratic scepticism which ... harbours doubts about whether any one person, group, committee, party or organisation can ever be trusted to make superior choices for other citizens' (Keane, 1989: 295). Thus, a variety of forms of information is necessary. Secondly, information should be *accessible*, which means tailoring output to the horizons of the viewing public, making news relevant to viewers' daily lives. This approach to news provision requires some sort of acceptance of a 'wants-based' perspective. Thirdly, information should arm viewers in their role as citizens to make reasoned and rational electoral choices, which means ensuring that output addresses debates and issues that viewers may not be overtly interested in receiving.⁵ In other words, information should *proselytise* or be based upon a 'need-based' perception of the role of news broadcasting.

That such principles of news provision contradict each other is inevitable given the extended parameters of public service goals. Public service news broadcasting must simultaneously aim to please the majority and the minority; to provide programming that is challenging and enjoyable; to lead and to follow public tastes; to further democratic participation by citizens - i.e. encourage interest and respect for political institutions - and to act as watchdog - i.e. investigate and criticise the workings of daily government (see especially Curran, 1996 and Wernick, 1991 for analyses of the myriad, changing roles of the news media).

⁵ Although public service broadcasting is seen as vital to the maintenance of democracy, the likelihood of this informational content having the 'desired' effect upon citizens is treated with some scepticism: Keane rejects the 'conventional view that citizens who are informed about the world can more effectively protect and promote their own interests and the public interest. This conventional view, common in democratic theory, mistakenly takes for granted a world of facts which have a determinable meaning and a world of (potential) citizens who react rationally to these facts' (Keane, 1989: 295). The link between public service provision of news information and the utilisation of that information by rational citizens is not proven.

Quality

These goals of public service news broadcasting, if at least partly carried out, result in what is often termed 'quality' news provision. It is useful to outline the ways that the term is used in relation to news broadcasting, as it reveals the range of quantifiable and non-quantifiable factors which constitute optimum television news output.

There are three main observations to make about the term 'quality'. Firstly, it is largely synonymous with the positive attributes of public service programming. Programmes that are 'quality' or 'high quality' (the intensifier is essentially redundant: there are no references in regulatory codes or legislation that spell out how to distinguish between the two) are those which then carry the kitemark of 'public service' programming. In other words, a tautologous process takes place, whereby that which is public service broadcasting is of high quality, and vice versa. Therefore, the term 'quality' carries the same loaded value as 'public service broadcasting': it can either be defined as a benign, intrinsic good or benchmark, or as a paternalistic, subjective assessment of dominant societal mores.

The second point to make is that 'quality' is both an abstract concept *and* a quantifiable attribute. Part of the reason for the use of the term in debates and legislation is to avoid precise (and therefore, it is argued, reductionist) requirements and prescriptions of broadcasting duties. Yet at the same time, operational definitions of 'quality' *are* required: regulators must end up by pinning down its (contested) constituent parts.

This point can be illustrated with reference to the work of the Independent Television Commission (ITC). In its 1991 'Invitation to apply for Regional Channel 3 licences' (ITC, 1991), the ITC made it clear to prospective ITV companies that there was no overarching definition of 'high quality programming'. Rather, the ITC underlined that such programming 'cannot be reduced to a single formula' (ITC, 1991: para 105), and did not mean programming only aimed at minorities (ibid.).

However, the fact that the ITC was charged with ensuring that programme output did cross a 'quality threshold' meant that it did indeed have to draw up a quantifiable list of attributes against which it could measure each applicant's proposals. For news broadcasting, these included stipulating the length and time of bulletins; the commitment to pay for ITN; the provision of accurate, impartial, authoritative and comprehensive regional news programmes; and the agreement to carry news flashes at times of crisis (ibid.: paras 83-87).

Thus, 'quality' was delineated both as a subjective, irreducible attribute, and a tightly-defined set of output criteria. In other words, 'quality' is both normative *and* pragmatic. It is best to see these characteristics as at either ends of a continuum rather than as conceptual polarities which mutually exclude - for quantifiable attributes could only have emerged as a result of conceptual thinking about what to measure.

Thirdly, the attributes of quality news broadcasting can be broken down into two broad areas for measurement purposes - those of the *structural conditions* of the organisation and those of *programming standards*. Programme standards vary between those that are largely uncontested in the UK - impartiality and accuracy of provision, high production values except at times of breaking news - and those about which there is more dispute - populist presentational styles, critical interviewing of public figures, coverage of minority news agendas. The range of attributes is summarised below:

Figure 2.1: Attributes of 'quality' television news programming

<i>Structural attributes</i>	<ul style="list-style-type: none"> • Competitive environment for newsgathering and news provision • Editorial independence from shareholders, government or other vested interests
<i>Programme standards attributes</i>	<ul style="list-style-type: none"> • Impartiality and accuracy of reporting • High production values for technical operations and studio presentation • Commitment to reporting foreign affairs • The use of own reporters and crews at the scene of a news event instead of reliance upon news agency or other provider's material • Space given to minority views • Critical approach to coverage of political issues • Coverage of arts and culture • Informality of presentational style • In-depth, explanatory coverage

While it may at first sight appear that structures and standards can be bracketed as 'objective' and 'subjective' criteria respectively, this is not the case. It is important to stress that the types of organisational structure deemed necessary for quality news broadcasting to exist can be as disputed as those of programme standards. In particular, although in theory the pressure of a number of competing news organisations would further democracy through enabling a greater diversity of perspectives to exist, in practice it would appear that the economics of television

news makes an overall oligopoly of news organisations a firmer basis from which to generate diversity of output within the organisations. As Collins and Murrone argue, 'some concentration of economic power can be desirable: risky new media markets require venture capital and market power in order to launch new products. And the public interest in authoritative and accurate reporting seems to be better achieved by media which dispose of significant resources' (Collins and Murrone, 1996: 58). The empirical evidence for this view is to be found throughout the chapters which follow.

Finally, it should be noted that the presence or absence of 'quality' standards within television news programmes is not dependent upon an explicit editorial decision to make a given type of bulletin 'high' or 'low' quality, but rather is an outcome of the logistics of the newsgathering and production process. As is mentioned in the following chapter, 'quality' is seen by practitioners as an ever-present goal for news output, and is only modified as a result of logistical factors such as available time, budgets, and the type of target audience being addressed. In other words, 'quality' as a *principle* is ever-present in news production processes.

In summary, public service or quality broadcasting is a field of activity which continually shifts between the planes of the ideal and the actual, between structural conditions and programming content. The main reason for this flux is that public service broadcasters are not autonomous organisations operating in a closed, fixed environment. Throughout their existence they have been modified according to the prevailing political philosophy of the time, which since the mid-1980s has been one which has furthered the development of the market model. The key current debate

about public service broadcasting - whether public service goals can survive in a market environment - is therefore predicated on particular socio-political circumstances. This debate is now examined, with reference firstly to the literature which offers a degree of acceptance of the market paradigm, followed by an assessment of the literature which characterises the market as being antithetical to public service norms.

2.4 Can public service broadcasting co-exist with the market? - The case 'for'

It is important to underline the fact that when the actual practice of public service broadcasters is examined, many commentators have noted that the ideals or principles of public service broadcasting become somewhat tarnished. As Garnham has expressed, public service broadcasting in practice comprises 'manifold failings' (1990: 121). Raboy notes how the practice of public service broadcasters since the early 1980s has increasingly involved an aping rather than a rejection of commercial broadcasting policies; an increased reliance on the state as public funding has become more uncertain; and a tendency towards a management focus, centralisation and elitism. He argues that this is largely a result of pressures from the state: 'legislators and policy makers are more to blame than broadcasters for this state of affairs. By obliging public broadcasters to compete with private broadcasters on their terrain - the quest for the mass audience - we have flattened the difference' (Raboy, 1996: 13). Similarly, Mosco outlines how 'depending on the jurisdiction, public service broadcasting depends on user fees, government grant, commercial advertising, and government appointment of major management personnel, who are

often required to demonstrate their ability to meet either political or market criteria of success' (Mosco, 1996: 170-1).

In other words, public service broadcasters now have to operate in a multi-channel broadcast environment, with diminishing revenues and smaller audiences. This means that public service broadcasters face the prospect of existing *within* market strictures rather than being placed to varying degrees outside them. For Corner et al (1997), the trend is unstoppable, with public service programming to be supplied in the future as a result of regulatory interventions in the market rather than through separately-funded media: 'requirements of "public" responsibility have regularly been made of "privately owned" media and this looks likely to become the dominant mode by which any public requirements on the media might now conceivably be made' (Corner et al, 1997: 6). McQuail argues that across Europe, public service broadcasting ideals 'are no longer held together by the cement of widespread anti-commercial beliefs and attitudes' (McQuail, 1998: 111) but are now fragmented, with pieces of the whole being able to be supplied by the commercial players: 'maintaining the original goals of the public sector are not seen to require a position which is anti-commercial as such' (ibid.: 113).

Other commentators echo these views. Collins (1998) describes how an examination of the development of the EBU's Eurosport channel highlights the way that 'a categorical distinction between public service and commercial broadcasting is difficult to sustain' (Collins, 1998: 659). He points out that the 'established academic paradigms' which 'drew sharp distinctions between public service and the market' are challenged by such empirical examination as he conducted in the case

of Eurosport, which revealed the extent of interchangeability between the two systems (ibid.: 660).

Corner et al go further than Collins in asserting that academic media research which ritually condemns the market is unhelpful. They argue that an engagement with the practical possibilities of salvaging public service ideals *within* the dynamic of commodification is a more fruitful approach than the 'search for non-commodified alternatives or the repetitive denunciation of commodification per se' (Corner et al, 1997: 7). For as Burgelman points out, thinking which tries to position public service broadcasting as something which ought to exist outside both the market and the state 'clearly overlooks the empirical reality and the constant and dynamic uncertainties and contradictions of everyday life. But more importantly, it overlooks history itself ... The state has never been and never is absent, not even in the most liberal regimes; public service and universal service are time-specific and context-specific compromises between different actors and not idealistic categories' (Burgelman, 1997: 143).

The 'reverse case' is also articulated - that commercial broadcasters do not operate in a free market, but according to very real boundaries which have been set both by regulation and cultural practice. These boundaries are delineated by Keane. He notes that most markets operate with little freedom: 'The actual or optimal shape of a market transaction must ... always be crafted by political or legal regulations. It never emerges spontaneously or grows without the benefits of non-market support

mechanisms provided by other institutions of civil society and through the state itself' (1993: 238).⁶

2.5 Can public service broadcasting co-exist with the market? - The case 'against'

In opposition to the views set out above, there remains a sizeable body of media academic literature which argues that public service programming cannot, and ought not, be provided by the market. The existence of the profit motive within the private sector is for these commentators a factor which squeezes out the possibility that commercial broadcasters could ever produce content which satisfies public service requirements. Herman and McChesney state the case clearly and emphatically: '[The commercial model] is incompatible with a democratic order. Media outputs are commodified and are designed to serve market ends, not citizen needs' (Herman and McChesney, 1997: 9). 'The very logic of private media control is antithetical to the cultivation and nurture of the public sphere ... In economists' lingo, the benefits of the public sphere, such as a more politically informed citizenry, are "positive externalities". But those benefits accrue to the community at large and do not add to commercial media income, and hence will be ignored under competitive market conditions' (ibid.: 7). Likewise, McManus argues that 'given the actual news market and the peculiar nature of news as a commodity, the logic of maximising return often conflicts with the logic of maximising public

⁶ Therefore, his often-expressed concern that 'communications media should not be *at the whim of market forces*' (1993: 239; my emphasis) uses a polarity which he has accepted here is not a reality.

understanding' (McManus, 1992: 802).

Such commentators refuse to accept that commercial broadcast companies like the ITV companies can shoulder regulatory requirements and be redefined or 'co-defined' as public service broadcasters. As Blumler and Nossiter wrote in 1989, 'most licence fee supported television systems have aimed to provide a balanced and all-round service, catering for many interests and gratifications' while 'advertising-supported systems have been more straightforwardly majoritarian, aiming at mass satisfaction of the largest audience possible' (1989: 5). Keane (1989) put the case more strongly: 'Communication markets reduce press and broadcasting freedom by generating barriers to entry, monopoly, restrictions upon choice and by shifting the prevailing definition of information from that of a public good to that of a privately appropriable commodity' (Keane, 1989: 290).

Furthermore, the market as characterised by competition for audiences is widely seen as producing low quality output. Blumler and Gurevitch categorise 'media abundance' negatively, portraying it as leading to an increased competition for audiences, which in turn 'favours populist cultural forms and appeals ... it also reduces leeway for pursuit of policy goals other than audience building, revenue earning and long-term competitive positioning' (Blumler and Gurevitch, 1996: 125). Similarly, Franklin argues that 'since the late 1980s the pressures on news media to win viewers and readers in an increasingly competitive market have generated revised editorial ambitions. News media have increasingly become part of the entertainment industry instead of providing a forum for informed debate of key issues of public concern' (Franklin, 1997: 4). Attracting audiences is, he states, the

obverse of public service broadcasting: '[There is, by executives] a revised perception of the role of the reporter which reflects a lesser emphasis on public service commitments and a greater stress on the need to provide stories which interest viewers - a market consideration' (ibid.: 256).

Finally, the condition of market competition leading inevitably to oligopoly is characterised as detrimental to the public service cause. Garnham describes how the development of capitalist modes of production have led to corporate control over communications. Because of the high returns payable to those able to employ economies of scale, the 'culture industries' are 'characterised by a high level of oligopolistic control ... and a high level of horizontal integration' which limits diversity of provision (Garnham, 1990: 121-2). Curran agrees: 'Market dominance by oligopolies has reduced media diversity, audience choice and public control' (Curran, 1996: 92).

Key concerns about market provision of television news

These concerns are, as already illustrated, particularly prevalent in literature which discusses the development of television news. The first concern about such market development is that viewers will have to pay for information rather than get it for free. For example, Graham and Davies argue that 'almost anyone would agree that anyone is entitled to know *without having to pay for it* [sic] such basic things as the key items of news ... It is immediately obvious that the market makes no provision for this ... Moreover there is a danger that ... the new technology ... will create a world in which on the one side there is high quality commercially provided

information and on the other side, in the public domain, only poor quality information' (Graham and Davies, 1997: 27).

The second concern about market development is that it results in a fragmentation of audiences which is detrimental to news broadcasting in two ways: firstly, it ultimately leads to a loss of national identity, and secondly, that smaller audiences mean less revenue which means lower quality news production. Seaton makes the case that 'cable stations with small budgets and instant commercial targets are scarcely likely to widen the range or deepen the level of discussion ... cuts in budgeting are bound to have a deleterious effect on quality and, in particular, originality' (Seaton, 1997: 206). Likewise, McNair argues that 'the real economic threat to journalistic quality is not in "tabloidisation" ... but in the potential effect of the proliferation of organisations, and the reduction of audience share, on the resources available to each. New technology allows greater pluralism and diversity in news provision but reduces the resources available to any single producer, thus threatening quality' (McNair, 1998: 123).

Thirdly, in contradistinction to the above concern, the practice of market forces in the broadcasting environment results in private oligopoly of ownership, which is detrimental to diversity of choice. Information must be provided from different sources, the more diverse the better. As Congdon et al argue, 'while a highly-concentrated media industry might be more efficient ... than an atomistic media industry in transmitting news and public affairs programmes', this is not a desirable outcome: 'there is considerable public-policy interest in having highly-differentiated political broadcasts' (Congdon et al, 1995: 20).

The fourth point follows on from the third, addressing the impact of concentration of ownership and oligopoly upon the standards or quality of news programming. The concern over a drop in the quality of news output is generally focused upon the notion that television news has become more 'tabloid' in its orientation, being more concerned with personalities and entertaining stories than 'hard' news; what Franklin calls 'newszak' (1997) and McNair 'bonk journalism' (1996).⁷

What can be seen from such literature is that a conflation is made between the presence of a market system, which thereby involves a more competitive environment than hitherto, and the presence of a free market philosophy. Some of the claims made by academics about the impact of the market within news broadcasting can be seen as exaggerated in the light of the strictly policed nature of the existing market. Franklin talks of the 'anarchic logic' of the competitive market as a practice, ignoring the fact that it is bounded by regulation (Franklin, 1997: 271). Madge imagines a near-future of the 'nightmare ... of a Babel of commercial pap, in large part served out by the monstrous regiments of the few multinationals', again ignoring the empirical evidence to the contrary (Madge, 1989: 222). Such academic analysis of the impact of the market upon broadcasting has assumed a 'worst-possible-scenario' case of an unregulated broadcasting environment, and focused on

⁷ However, there is a contradictory perspective displayed on this subject by some commentators. As Franklin's work highlights, there is a lack of clarity about the commercial profitability of such news programming. On the one hand he argues that tabloid television news is a profitable enterprise, being produced in order to generate commercial return; on the other that it requires significant cross-subsidy from parent organisations like the Mirror Group in the case of Live! TV, and News International in the case of Sky News; hence only large media corporations can afford to produce it (1997: 17).

what would happen in the light of such an event. The consensus is that commercial broadcasters would use the criterion of profit in order to decide the parameters of their news coverage (c.f. Congdon 1995; Keane, 1989, 1991, 1993; McManus, 1992).

As stated earlier, these positions ignore the real boundaries which have been set both by regulation and cultural practice. The experience of the 1980s shows that within the area which concerns this thesis, that of news provision, there was very little evidence of neo-liberal deregulation, because of the particular relationship between politicians and the television news media. This is described in depth in Chapter Five below; for now it is sufficient to note that in 1984 the classical free market Adam Smith Institute argued *against* deregulation of the television news sector, and subsequent broadcasting legislation did not dismantle regulatory requirements.

This description of the debates about the legitimacy of using the market as an organisational mechanism for the television news industry reveals the need to clarify the meaning of the phrase 'television news market', both to ensure that the particular way it is used in this thesis is thoroughly understood, and also to make clear the range of ways it is utilised by the media academics writing about its development. As has already been demonstrated, definitions encompass a generic description of the practices of commercial companies, a conflation with free market norms, and the particular economic market structure of oligopoly. These definitions are detailed below. This thesis uses the term in another way, much more limited in scope, which is outlined first.

2.6 Defining the market and the process of 'marketisation'

This thesis defines the television news 'market' narrowly. In its examination of the extent to which a market has developed in the television news sector, and the extent of its compatibility with public service norms, the thesis is examining primarily *the existence of a market's determining conditions* - in other words, the necessary components of *any* market infrastructure, regardless of its degree of competitiveness or extent of market failure. Such fundamental requisites of any market system are a discrete product which can be exchanged for other goods, services or money⁸; the presence of potential buyers of this product; and the existence of (at least one) producer. The dictionary definition underlines this basic formula:

[A market is] a collection of homogenous transactions. A market is created whenever potential buyers of a good or service are brought into contact with potential buyers and a means of exchange is available. The medium of exchange may be money or barter.

(Bannock et al, 1991: 274)

Moschandreas agrees that 'a market can be defined as a group of buyers and sellers involved in exchanges', although she argues that this terminology is rather vague

⁸The development of 'countability' or 'measurability' is an issue that is worthy of further exploration. Power (1997a, 1997b) has written persuasively of the significance of the development of audit techniques across a range of institutions. The audit exemplifies the idea that information is quantifiable, and can be used arithmetically to arrive at an evaluation of a given area. This evaluation tends to be produced in economic terms. The very purpose of an audit is to check value within an organisation, and the currency even in so-called 'quality audits' is increasingly financial cost-benefit analyses. If not the currency, then the prize: university research assessment exercises (RAEs) which audit the research quality of a given department are undertaken in order that research monies are allocated according to departmental strength - higher-scoring departments get more money. Audits are rarely unattached to funding allocation.

In addition to this financial functionality of the audit process, however, there is a normative angle to its development. Power argues that it serves as a new form of 'administrative control', a 'pervasive logic which has a life over and above specific practices, as ever more individuals and organisations come to think of themselves as subjects of audit' (1997a: 288). Like the concept of information, auditing has become less concerned with the *content* manufacture of the organisation, and more with its *structural* processes: 'Audits are often not directly concerned with the quality of performance, whether environmental, educational or financial, but rather with the systems in place to govern quality ... [a] "policing of policing..." (1997a: 291). Both the BBC and the NHS have come under widespread criticism in this regard for having seemed to prioritise organisation management over the production or service process.

because it does not indicate the ways in which the boundaries of the market can be identified (Moschandreas, 1994: 11). In the case of the television news industry, the television news 'product' can be defined variously. There is the *news facilities* product - the crewing, editing, and overall logistical infrastructure required to generate news items; there is the *newsgathering* product - either unedited footage or more polished news story items; there is the *bulletin* product - a discrete news programme; and there is the *channel* product - an entire channel composed of news programming. The sellers, or producers, of such material or services are either independent newsgathering organisations (e.g. news agencies), television news providers (e.g. ITN), or broadcasting companies (e.g. the BBC). The direct and indirect buyers of the product or service are television news providers (e.g. ITN again), broadcasting companies (e.g. Channel 4), platform operators (e.g. cable operators like NTL or Telewest), advertisers, in the case of advertising-funded news programming, and viewers, in the case of pay-television channels like Bloomberg or CNBC. The thesis focuses primarily on the relationships between news companies in its assessment of the growth of product buyers, although some reference is made to the relationship between product producers and the advertising industry, and between producers and consumers.

The thesis shows how these basic conditions for market activity - products, buyers and sellers - expanded considerably during the period of analysis. As is traced in detail in Chapter Four, in 1982 there was hardly any market activity in the television news industry. There was only one product, the bulletin: news facilities remained in-house, the newsgathering sector was composed largely of exclusive agreements

due to the ownership by the television news organisations of their respective news agencies, and news channels did not exist.

There was minimal replication, differentiation, and repackaging of the television news bulletin product. The available technology did not allow material to be either copied or disseminated quickly enough for buyers to be interested in purchase. In any case, there were very few buyers - the cable industry had only just begun in the UK, and international multichannel television was some way in the future. Even on terrestrial channels, scheduled breaks for television news bulletins or summaries at the outset of the research period were static.

It is the tracing of the development and expansion of the types of news product available for sale, the sales strategies of producers, and the strategies of buyers, that this thesis focuses on in its assessment of the degree to which a 'market' has grown in the television news industry. The term 'marketisation' is used to describe the *process* of becoming a market in this narrowly-defined sense. The marketisation of the industry describes the development of tradable product, and the development of a marketplace infrastructure comprising buyers and sellers.

However, before moving on to the research questions that arise from assessing the extent of 'marketisation' in the industry, it is necessary to describe both the type of market structure into which the television news industry fits - that of oligopoly - and the types of market failure that are present within the industry. It is important to note that the presence of market failure does not necessarily invalidate the market

system, but rather is an inevitable empirical consequence of almost any market structure.

Types of market structure

Once any product or service market is created, it can be evaluated according to the degree to which it corresponds to the efficiency-maximising theoretical structure of perfect competition. This type of market organisation is one in which individual firms have no power to set prices, in other words to influence the market. Firms are 'price takers' not 'price makers', and so have no need to compete with each other - nothing that any one firm does will have any impact upon the market. Therefore, perfect competition is characterised by an absence of competitive activity. Other factors that need to be present for a perfectly competitive environment to exist are a homogenous product, the availability of perfect information for customers (complete and without cost), and freedom of entry and exit for firms (see for example Lipsey and Chrystal, 1999: 140-1; Picard, 1989: 75; Sloman 1998: 106). Perfect competition in any given market is extremely rare, and is used in economic theory primarily as a benchmark, ascertaining the degree to which actual market behaviour diverges from this optimal goal.

At the other end of the spectrum from perfect competition, and almost as rare, are monopoly markets, which comprise one firm only, producing the industry's entire output. A monopolistic firm can set its own price for its goods, and freedom of entry into the market is highly restricted if not impossible. There are a number of barriers to entry which monopolists take advantage of in order to keep possible market entrants out, including economies of scale, product differentiation and brand

loyalty, lower costs for an established firm, and ownership of, or control over, key factors of production, wholesale or retail outlets.

Most firms are involved in activities and processes which involve intermediate behaviour between these two extremes. Their market structure is either that of monopolistic competition or oligopoly, grouped together as 'imperfect competition'.

Oligopoly is the market structure into which most sectors of the television news industry fit - namely the activities of news agencies, television news organisations, broadcasting companies and platform operators. Oligopoly comprises a few large firms which are in competition with each other. Such firms have to think and operate strategically, taking the likely reactions from their competitors into account when making decisions.

It could be argued that independent newsgathering and news facilities organisations, set up during the late 1980s as a result of cheaper technology, could be classified as a perfectly competitive sector of the television news market, but this would be erroneous. The amount of their output and consequent market size is insignificant compared to the major newsgathering players. In fact, a large number of small firms can also be present in an oligopolistic structure, as long as a 'big few' dominate production (Lipsey and Chrystal, 1999: 176).

Oligopolies use the same barriers to entry as monopolies to discourage small firms taking market share. One key technique, especially for the television news industry case is that of product differentiation, or 'brand proliferation', whereby a large firm

can produce a range of related goods, satisfying consumer desire for a variety of products, and so keep out newcomers:

The larger the number of differentiated products sold by existing oligopolists, the smaller the market share available to a new firm entering with a single new product.

(ibid.: 182)

In this way, oligopoly can actually serve the interests of consumer - or viewer - choice, by the provision of a range of products dissimilar enough from one another even though they are produced by the same entity. There is advantage for the viewer in a large news organisation behaving in this way, because there is potentially more choice from such a system than from one composed of a number of competitive firms. No single smaller firm would be able to afford the critical mass of newsgathering infrastructure necessary to produce the news product to the right quality standard.

The benefits and drawbacks of oligopoly within the television news industry are discussed throughout the thesis, and summarised in the Conclusion, although it should be borne in mind that the discussion of industry 'marketisation' does not of itself refer to the presence of oligopoly *per se*, but to the presence of a marketplace infrastructure, as described above.

Types of market failure

The particular criticisms of many media academics, outlined earlier in the chapter, show how 'the market' is often defined polemically. There is often a conflation of 'the market' with the 'unregulated free market', which results in the assumption that any given media firm operating within a market system will by definition behave as

a profit-maximising, short-term strategist, ignoring negative externalities, welfare considerations, and so on.

However, firms do not necessarily seek profit first and foremost among their activities, as Porter has noted:

Industrial, commercial and institutional buyers sometimes resemble consumers in instances where their objectives are not solely profits or revenue growth. Buyers may value a supplier that provides satisfaction or prestige for executives or other employees even if it does not contribute to the profit of the company.

(Porter, 1985: 132)

In addition, these views which equate 'the market' with the 'unregulated free market' ignore the existence of the concept of market failure as an *intrinsic* part of market structure. Market failure, or 'allocative inefficiency', occurs in some form across most if not all industries. It comes about for a number of reasons, including:

- The existence of common property
- The way that producers with spare capacity set positive prices
- The existence of public goods - non-rivalrous and non-excludable
- The presence of externalities
- The asymmetry of information
- The existence of substantial monopoly power

(Lipsey and Chrystal, 1999: 288-9)

The work of McManus (1992, 1994) is an illustration of how certain media academics assume that the presence of market failure within the television news industry means that the market has been proved illegitimate as an organising principle for such an industry. He notes the various ways in which the 'television news commodity' does not operate according to perfect competition criteria, through an assessment of the relationship between the provider of the news product and the viewer, highlighting the market failures of the product. Consumers of television news cannot be 'self-interested rational agents', for 'there is a fundamental inequality in the available resources for recognising and analysing self-

interest that organisations bring to the exchange with the individual' (McManus, 1992: 792, 793). Furthermore, consumers do not have the information to assess whether what they are told by television news is accurate, a fair selection of the available news of the day, and so on. Therefore they cannot evaluate the market and the quality of the commodity adequately - the information is asymmetric. Thirdly, there are few firms involved in television news delivery, and so competition is fierce between them (classic oligopoly), which results in little choice for news consumers (McManus, 1994: 69-70). He concludes that market-produced news cannot provide content that is of high quality (ibid.: 88). Thus, he argues that the market and quality news are structurally antithetical.

This view is predicated on the fact that in the US, television news market failures are not corrected. As he states, in the US there is minimal government regulation of the television news market, and minimal content requirements:

... News quality is largely exempt from government regulation. Stations are federally licensed to operate in the public 'interest, necessity and convenience', but there is little inquiry into the quality of journalism, particularly since the Federal Communications Commission dismantled the Fairness Doctrine.

(McManus, 1994: 81)

However, one of the major purposes of this thesis is to show that the UK case is quite different, because of the role played by government regulation of the industry. The market failures of the television news industry are intrinsic to it, and cannot be removed. As the Davies Panel on the future of BBC funding notes, the market failures inherent in broadcasting include the fact that broadcasting is a public good (non-rivalrous and non-exclusive); quality broadcasting is a merit good; consumers do not have full, perfect information with which to make their choices; there are

important positive and negative externalities; and that economies of scale exist (Davies Panel, 1999: 202-204).

But in the UK, regulatory provisions go a long way towards minimising the impact of such failures, through the construction of political and cultural filters which act to maintain cultural or welfare-oriented rationales for programming. Thus, in the UK, the oligopolous television news market is able to co-exist with what have been labelled 'public service' norms.

In other words, the fact of market failure does not necessarily indicate that a market structure is an intrinsically illegitimate form of organisation for a given industry, as McManus and others suggest. Rather more prosaically, it is a sign that the particular market under scrutiny is a normal, imperfectly competitive one, which requires government intervention to minimise inefficiencies.

2.7 Research Issues

This chapter has described the ways that public service broadcasting has been variously defined, both at the outset of its development and since the early 1980s. It has shown how the *structural* features of public service broadcasting remain of dominant concern in academic literature. In the particular case of television news provision, many media scholars have argued that the funding and structure of an organisation defines its ability and motivation to provide meaningful and useful information to citizens. The perceived dangers are that in the multi-channel, market-oriented broadcasting environment, public service broadcasters will increasingly reduce their news output or alter it so that its primary rationale is

entertainment and hence high audience ratings; and that commercial broadcasters have already done this. That quality news provision, in summary, has diminished as a result of market development.

These concerns largely operate at a theoretical level. The research that follows attempts to provide an empirical counterbalance to these arguments. It is the purpose of the thesis to examine the recent development of UK television news organisations and extrapolate the extent to which the actual practice tallies with the theories and models outlined so far. It is incontestable that if television news were treated as a simple economic good and traded within a completely free market, which operated without any other imperatives except those of supply and consumer demand, then this would have a deleterious effect upon democratic norms of news quality, in other words public service-oriented news content. However, what this thesis is at pains to illustrate is that no such free market exists in the UK case. The television news 'market' is one which is limited by a variety of factors which are examined throughout the chapters which follow.

Furthermore, public service broadcasting goals, broadly defined, have in fact been instrumental in shaping parts of the commercial television news sector. The commercial sector *can* generate quality news provision - not only as a result of direct regulatory requirements, as in the ITN case, but also when those regulatory requirements are more indirectly applied and replaced instead by a complex set of political legitimacy issues as in the case of Sky News.

There are two ways to assess the presence or absence of such 'quality' or 'public service' television news provision. One way is to focus upon output in order to judge whether the goals of quality have been achieved - a *retrospective* assessment. However, this involves attempting to measure, and reach a judgement upon, the concept of news quality. The other way, which is the approach taken by this research, is to address the debate about quality news broadcasting in a market-oriented environment through an examination of the *structural conditions* which lie behind, or form the basis of, eventual news output. These conditions include the impact of the regulatory framework, and the degree of importance attached to the role of news broadcasting within an organisation. It is the analysis of these structural conditions which is used throughout this thesis to assess the extent to which 'quality news' norms continue to reside within the UK television news industry.⁹ In other words, this thesis examines not the content of the product on offer but the structural conditions that either enable or stifle the existence of quality or public service norms. To this end, the following arguments are developed in the subsequent chapters:

Firstly, the television news product has become tradable, finding new outlets and new buyers: the process of 'marketisation' defined earlier.

Secondly, notwithstanding this process of marketisation, there are a number of 'market failures' inherent within both the news product and within news organisations. In terms of the news *product*, these market failures include the way

⁹ The caveat must be inserted here that the thesis deals a specific country - that of the UK. The arguments which follow should not be generalised to other territories whose history and politico-regulatory background in the sphere of broadcast communications has been very different to the UK case (see Chapter Three for further discussion).

that its relatively low viewership and non-premium status has meant that independent financial viability is difficult to achieve. Furthermore, the news product is largely unable to take advantage of ancillary markets on a temporal basis - its 'shelf-life' is hours rather than the months and years of other broadcast products. In terms of television news *organisations*, market failures include the way that television's role as a primary method of political communication has meant that governments have been concerned to maintain a strong regulatory presence within the sector. Additionally, significant economies of scale and scope in news provision are necessary in order to offset the heavy capital costs of news generation.

Thirdly, these market failures mean that the orientation of the television news industry, albeit now an 'industry' operating as an oligopolous market system, is *not* primarily that of revenue *maximisation*. The gains that accrue to parent companies from ownership of 'quality' television news outlets are primarily political, in that such outlets legitimate the wider company, and as such enable a certain amount of political leverage to ensue.

To this end, the thesis maps the development of the three major UK news providers since the early 1980s in terms of their expansion strategies and structure of organisation. The belief driving this thesis is that there is room within academic research on television news for a study such as this, which examines the processes by which news is increasingly bought and sold as a commodity, without embedding such analysis within an appraisal of the substantive news content output. This is not

to dismiss a concern with content as an irrelevance,¹⁰ but rather to suggest that it was useful to write what in many ways is a developmental history of the television news industry in a way that focused upon structural conditions of development rather than upon the generated output.

Therefore, the study has placed issues relating to news content in the background, and the issue of strategic development of the news industry in the foreground, of this research enquiry. In terms of methodology, this has meant minimal use of journalists-as-witnesses, instead focusing upon the testimony of those responsible for news strategy - senior executives and marketing personnel, and at a broader level, the testimony of regulators and politicians. The following chapter describes the methodological process employed.

¹⁰ Indeed, as outlined in the following chapter, serious consideration was given to the prospect of including content analysis as a methodological tool.

Chapter Three

Methodology

Introduction

The previous chapter has described how the central research themes of this thesis were formulated as a response to recent academic debates about the abilities of public service broadcasting norms to survive within a market structure. In other words, it described *why* the thesis subject was undertaken. This chapter turns to an assessment and explanation of *how* the research was conducted. While the methods chosen for any study are in large part a consequence of the research questions that require answering, an examination of the methodology used can also serve to illuminate further the research questions. In particular, it can help illustrate the wider socio-political influences upon the researcher.

The chapter begins with a further contextual underpinning for the thesis. While Chapter Two outlined the theoretical debates which motivated the research, this chapter describes the literature which has sought to document the development of UK news organisations and their production practices. Particular emphasis is placed upon the methodologies employed by such studies of news production, in order to illustrate the ways in which this study is both a continuation of, and divergent from, such earlier work. The second half of the chapter turns to the methods used for this thesis, and gives a detailed description of why the methodology was chosen and how the research was carried out.

3.1 The study of television news organisations

Sociological investigation of news broadcasting organisations has been largely focused on the BBC. To some extent this is unsurprising. As a large, monolithic institution, with a bureaucratic, hierarchical structure, its working practices were compelling. In contrast, ITN until recently was a much simpler, much smaller organisation, without the same sorts of creative tensions. Yet it remains of note that although Sky News has been broadcasting for ten years, and ITN has a forty-year history, neither of them has been the focus of detailed output, production, or organisational analysis which has been published.¹ Sky News is still only rarely included in overviews of the UK news broadcasting environment, although exceptions include McNair, 1996 and MacGregor, 1997. Discussion of ITN's development tends to be limited to a number of key points - its initial impact in 1955; its introduction of an American-style 'News at Ten' bulletin in 1967; and its financial difficulties in the late 1980s and early 1990s, coupled with a move from cost to profit centre, resulting in a thinner, more commercially-vulnerable organisation.

In addition, the literature that does deal with their development is more descriptive than analytical. In ITN's case, such descriptions are divided between official histories (the five-volume history of ITV (Sendall, 1982, 1983; Potter, 1989, 1990, Bonner, 1998), memoirs of former personnel (Bosanquet, 1980; Cox, 1983, 1995; Day, 1961), or embedded in non-academic accounts detailing wider events or

¹ One possible explanation for this state of affairs is that access to broadcasting institutions for observational research was limited during the 1980s. The highly critical Glasgow University Media Group studies (outlined below) resulted in many news departments refusing to let academics come and study their working practices. However, news organisations have been increasingly open to media researchers, as is evidenced by recent Phd theses examining television news production (Harrison 1996, Paterson 1996), studies which examine the source-media dynamics within news

personnel (Davidson (1992) on ITN's failed co-bid for the breakfast time licence, and Snoddy's 1996 biography of Michael Green, ITN Chairman during the early 1990s). In the case of Sky News, there is even less analysis. The non-academic Dished! (Chippindale and Franks, 1991) contains some pages of reference to the setting up and initial extreme financial hardship of the channel, but apart from this there has been no substantive documentation of its development until Johnston (1995). It is only this latter study which gives an empirically-based account, using interviews with senior personnel. Johnston's study aside, the development of these two institutions has barely been documented from an academic perspective using primary research.²

However, some production and organisational studies do indeed exist by British academics about television news organisations. The major themes of their work are outlined below, followed by a discussion of their respective methodologies. These studies are important to highlight, as they are closest in research emphasis to this thesis, relying as they do in part upon participant accounts of the contemporary organisational practice of television news institutions.

production (for example Schlesinger and Tumber, 1994, Miller and Williams, 1998), and empirical analyses of political communications (see McNair, forthcoming).

² One exception being a short chapter by Flynn (1982) within a volume examining the output of Channel 4.

Organisational and Production Studies

Burns' 1977 study of the BBC is an early example of UK research which gave conceptual centrality to examining a broadcasting organisation *qua* organisation. He conducted interviews with personnel across the BBC in two waves - in 1963 and 1973 - and drew a picture of the overall organisational practice and ethos of the institution. His findings illustrate both stasis and change when compared to current conditions. He notes the late 1960s 'industrialisation' at the BBC, when financial pressures led to rationalisation of working practices, with producers being required for the first time to cost their programme proposals (Burns, 1977: 234). However, his overall conclusion and guiding focus for the study as a whole was that the BBC occupied a hermetically sealed 'private world'. There were outside pressures from politics, certainly, but apart from these the BBC's monolithic status was intact. At the time of his research the BBC's position was not threatened to any significant degree by ITV. Burns' methodology comprised conducting over 200 interviews in 1963, and 60 in 1973. Interviews lasted between one and three hours. He stressed that in his view, 'the term [interview] may be a little misleading' (Burns, 1977: x), for discussions did not follow any set series of questions, but were comprised of what Burns felt interesting or relevant to pursue at the time. He characterised his approach as being anthropologically motivated; in other words, he was not only interested in the organisation, but in individuals, and how they fitted in social terms to the BBC bureaucracy.

Schlesinger's 1978 examination of the BBC sought to ascertain how news is put together, and whether these processes of formation determined a particular type of reality which was then expressed on screen. The central theme of his work was to

assess how the production of news was controlled. He documented how the news product was produced according to professional norms of what constituted the agenda of BBC news output, which were embedded within structured working practices. It is again interesting to note the complementarity to and difference from the situation of BBC news production today: on the one hand, as currently, a number of news personnel felt themselves to be 'captives of the technology' (Schlesinger, 1987: 270); on the other, unlike the centralised newsgathering system in operation today, in the 1970s the outputs of radio and television news and current affairs comprised a four-way split of resources, with little help or pooling of material between the different divisions. Schlesinger's method involved three periods of 'direct observation' - between 1972 and 1974, when over 40 days were spent inside BBC newsrooms, a three-week period in the radio newsroom in 1975, and a similar period in the television newsroom in 1976. These observation periods were supplemented by interviews with over 120 BBC news staff.

Golding and Elliott's 1979 study examined radio and television stations in Nigeria, Sweden and Ireland, and asked two questions: 'What picture of the world is provided by broadcast news? How is this picture related to the routine demands of news production in broadcasting organisations?' (Golding and Elliott, 1979: 1). They addressed the 'social role of journalism, ... [its] ideological nature and, not least, the possibility of change' (ibid.). Their final chapter was entitled 'The problem of broadcast news', encapsulating the perspective of critical enquiry into the genre. The problems were two-fold: that there was an 'invisibility of the social process' and an 'invisibility of power in society' (ibid.: 1). In other words, news output did not provide a multi-dimensional view of events, nor did it make such invisibility explicit.

Golding and Elliott's study involved three periods of observation at each news organisation, plus formal interviews with journalists and content analysis of bulletins from two sets of fourteen-day periods in 1971 and 1972.

Cottle's concern was to examine how news organisation practices and journalists' norms produced coverage of the 'inner city' and crime during the 1980s (Cottle, 1993). His central focus was upon creating an understanding of how the inner city was portrayed across an eight-year period, with a particular emphasis upon one year when the Handsworth 'disorders' of 1985 took place. He chose to focus upon an ITV regional news operation - that of Central Television - because of its overtly 'popular appeal', and because of its proximity to the issues it was reporting: 'the regional news programme ... represents a long-established, distinctive and popular form of television news programme which, from a prominent position in the prime-time schedules, broadcasts daily to a mass audience' (Cottle, 1993: 31-2). His content analysis of Central's regional news output over eight years was informed by an 18-month participant observation period at the television station, during which time over 65 interviews were conducted with various news, current affairs and corporate personnel (Cottle, 1993: 32-3).

The historical contingency of studies of television news practice

These published production studies carried out by UK media scholars over the last 20 years can be seen as illustrative of the historical specificity of topics for media research. To put it another way, the choice of subject for research, and therefore the methodology used, is an outcome of a series of factors including the particular stage of a news organisation's development, the dominant socio-political ethos, and the type of access available, all of which then serve to modify to a greater or lesser degree the methodology used.

Thus, during the 1970s and early 1980s, news organisations were fairly static in terms of production procedures. Because of the lack of organisational change during this period, studies of television news organisations focused upon detailing the micro-production practices of news institutions, although reference was also made to the determining outside factors of politics and economics, particularly through the use of political economy perspectives (cf. Garnham, 1990). An illustration of the comparative stability of production practices in the 1970s is the fact that Golding and Elliott were able to use content analysis conducted seven years before publication to inform their arguments about the contemporaneous state of television news (Cottle's work also has a similar time-gap between content analysis and publication, but his arguments did acknowledge the time-specificity involved).

In terms of political ideology, media academics' concern revolved particularly around the issue of how different sides in industrial and political disputes were portrayed on television news programmes. The polarisation between the concerns and aims of working and middle classes was more acutely visible during the 1970s and early

1980s compared to the situation today, and the difference in the amount of 'broadcast voice' given to working class political concerns compared to those of the middle classes was more marked. The question that the Glasgow University Media Group (GUMG) posed and answered in its series of content analysis studies during the 1970s and 1980s encapsulated the desire to uncover the processes by which the status quo retained its dominance: 'What is it that takes place in British television news under the banner of objectivity, impartiality and neutrality?' (Eldridge, 1993:3).

Methodological approaches

These wider issues can be seen as having had an impact upon the methodological emphases of the studies of news organisations. The commitment to unravelling the processes by which news 'reality' was constructed by news practitioners required a methodological approach which tracked their working behaviours, hence the use of participant observation techniques by Schlesinger, Golding and Elliott, and Cottle.

Participant observation facilitated certain lines of research enquiry. Firstly, as Hansen et al have observed, participant observation is useful in terms of its ability to 'contradict or at least qualify' some of the more reductionist theoretical approaches relating to media production (Hansen et al, 1998: 45). Schlesinger also makes this point in his introductory essay to the 1987 re-publication of his BBC study. For him, ethnography provides empirical evidence of the 'mediatedness of the production process', which then undermines the 'simplistic notion that the routines of broadcast journalism can be explained largely by a systematic intention to mislead the public or by conspiracies between media and state' (Schlesinger, 1987: xxxii). Observation of daily practices reveals a complexity of demands placed upon the journalist - some of

which are internalised cultural pressures, some of which enable the journalist to carve out some autonomy of decision-making.

Thus, the participant observation approach can illuminate both how wider political and societal pressures have a role in shaping production processes, and also how seemingly intransigent structural operations are in fact open to some change and mediation. As Schlesinger argues, '[to] be sure, the production of news is, in general, highly routinised ... But as both external circumstances change and internal organisational structures shift over time, the routines are continually revised' (Schlesinger, 1987: xxxiii).

The studies conducted by Golding and Elliott and by Cottle shared a particular interest in examining how the news *product* was constructed. As Cottle points out, there are limitations to relying upon content analysis techniques alone. He argues that such an approach means that assumptions are made about the meaning of any given content output without reference to the actual practices of production. He notes that stand-alone analyses of content tend to 'read' output as propounding the dominant ideological position within society (as indeed was the case with the Glasgow University Media Group studies). Both Golding and Elliott and Cottle sought to reduce this danger by using participant observation, as mentioned above, in addition to content analysis.³ It is interesting to note, however, that while Golding and Elliott interwove their discussion of content with the comments of journalists

³ For Cottle, even the combination of content analysis and participant observation does not come up with adequate answers to the fact that there are often major differences between outlets in terms of their output. He argues that one way to address this gap is to examine the journalist's own 'programme visualisations' - the 'professional conceptualisation of the news product - which can help to underscore and partly explain the distinctiveness between outlets (Cottle, 1993: 227).

and notes made from newsroom observations, Cottle chose to 'section off' his content analysis, placing it in a separate chapter which made no explicit reference to the explanatory factors of news production. He is thus in danger of inadvertently perpetuating the stand-alone approach to content analysis which he elsewhere criticises.

Burns' study was the only one which did not employ a methodology based upon participant observation, and this was because his central concern was to understand the BBC in terms of its organisational *strategies* rather than documenting the production *processes* by which content was produced. Participant observation is a useful methodology to use in order to examine daily working practices, but less helpful when an assessment of organisational attitudes and developmental strategy is required.

This summary of the methodologies used by sociological studies of UK broadcast news organisations shows that the choice of method is, as stated at the outset, both a result of the particular focus of the enquiry - news content, professional norms, or organisational structure - and also illustrative of the dominant socio-political environment in which the researcher is working. This chapter now turns to a series of explanations for the methodology used by this thesis, applying the same analytical framework to the choices made before the final section which gives a descriptive account of the research process.

3.2 Explanations for the methodological approach of this research

Historical specificity

By the mid-1980s, the broadcasting environment outlined above had started to shift. A gradual growth in news outlets did result in an increased diversity of perspectives onscreen. Furthermore, the attacks by successive Conservative governments upon broadcasting organisations, in particular the BBC, resulted in liberal academics beginning to defend broadcasting organisations rather than treat them as ideologically suspect. During this period a (limited) market for television news emerged, in the form of new channels and an extension of broadcasting hours, with Conservative government policies starting to demand market-like structures within broadcasting organisations (see the following chapter for details).

The subject matter of this thesis is therefore an outcome of the particular stage of development which news organisations have found themselves in - that of the increasing dominance of the market paradigm - and the overall socio-political environment, which also prioritises market conventions. As stated in the previous chapter, it was felt to be important to examine how television news organisations have negotiated this increasing movement towards market structures.

There were a number of ways that such research could have been conducted, and explanations for the choices made are now given. Firstly, the reasons for an emphasis upon management perspectives rather than journalistic working practices are set out, followed by an explanation for the focus on the UK situation, and upon what are termed 'new news outlets' rather than a comprehensive analysis of all news

output. The final part of this section sets out the decisions behind the use of the interview method rather than that of participant observation or content analysis.

The management perspective

The reasons for the methodological focus on management perspectives within news organisations rather than those of journalists were three-fold. Firstly, I had already researched on a number of occasions the opinions of journalists as to the state of the television news industry. My MA dissertation had focused upon journalists' testimony for its assessment of the impact of technology upon television news bulletins (Preston, 1991). Work for a University of Leeds project on the television news coverage of the 1991 Gulf War had involved interviewing journalists to document their experiences of reporting and presenting during the war (see MacGregor, 1997). Involvement in a 13-country study of the television news coverage of the Bosnian War led to a series of interviews and meetings with journalists about their experiences (Gow et al, 1996).

Journalists' views on the state of their profession and the industry within which they operate have been well documented in other academic literature, and in the press at particular times of controversy. For example, in the mid-1990s the war in Bosnia brought a number of issues about the role of the news reporter to open debate (see for example Bell, 1995; Gowing, 1994; Hopkinson, 1995). It therefore seemed unnecessary to conduct a further series of interviews: instead, journalists' views have been inserted where necessary in this thesis through the use of secondary data sources as well as my own earlier primary research.

The second reason for moving away from a focus on journalists' testimony was a result of what journalists had themselves told me in the course of the earlier interviews. What had emerged (as a by-product) during discussions was the extent of their dissatisfaction with management. They characterised them as being largely uninterested in issues of editorial policy and practice, and more concerned with budgets and cost-effectiveness. While there is of course a perennial tension between what constitutes optimum conditions for journalism, and the realities of logistical and budgetary constraint, there was a widespread opinion among journalists that their own ability to perform had been severely tested since the late 1980s. This assessment by journalists of news executives was one that was worthy of further exploration. It was thought useful to examine how news executives would defend themselves, and in what ways they characterised the increased economic orientation of the news industry.

Thirdly, because the focus of this thesis is upon what lies *behind* journalism, i.e. the structural conditions of the industry, it was necessary to interview those responsible for the development of the strategy rather than those working directly upon the news product. Thus, journalism was placed in the background, and structural conditions at the foreground of the inquiry.

The UK situation

There were three main reasons for the decision to focus exclusively upon UK television news companies rather than attempt any trans-national analysis. Firstly, the regulatory and socio-political expectations of the television news genre in the UK - that it be accurate, impartial and high quality - are not directly matched in other

countries, yet were aspects of the genre that are central to understanding the development of the industry. Secondly, the study of the industry needed to be embedded within the particular economic and political background of the time, which would have been an unwieldy exercise if conducted for a number of countries. Thirdly, research I had conducted for other studies (see Gow et al, 1996; MacGregor, 1997) had underscored the difficulties of making non-territory-specific generalisations about television news: the particular socio-political circumstances of each country created very different environments for its role. Therefore, this thesis describes only the UK situation, and its arguments are relevant only to the UK. They are not in any way necessarily applicable to other countries.

'New news outlets'

The predominant focus of the research is upon 'new news outlets', which are defined as the areas of new activity in the television news sector. This is because the central themes of the research - the development of a market infrastructure and the degree to which such development has changed structural conditions of the supply of news programming - are predicated on *change* to the industry rather than stasis within it. The most visible manifestation of this change during the research-gathering period was in the non-domestic, non-terrestrial situation, hence the particular attention paid to the news channels of Sky News and BBC World.⁴

⁴ News 24, the BBC's domestic cable news service, was not in operation during the research-gathering period, and nor was Channel 5 News.

Content analysis

Consideration was given in the research design to the possibilities of conducting content analysis as a way of ascertaining whether the 'quality' or public service dimension to news output had indeed been retained; in other words, to 'test' the efficacy of the structural conditions documented. For a number of reasons, this approach was rejected.

Firstly, the logistical problems of conducting such content analysis were considerable. In order to answer the issue of whether news 'quality' had changed, an historical comparison of news output over the research period would have been necessary. However, there were significant gaps in television news archives. The British Film Institute's National Television Archive has recorded all BBC1 and BBC2 news output since 1990, but 1980s recordings of BBC news bulletins were sporadic, as were its post-1990 recordings of ITN material. It has no archive of Sky News material. ITN's own news archive database stores news items by event and date rather than by bulletin, as is the case with the Sky News archive. In any event, viewing videotapes of television news bulletins at news organisations would have been a costly and time-intensive exercise. Some university departments have archives of television news material recorded for specific projects, for example the University of Birmingham's holdings of bulletins during the 1984-5 Miners Strike, and the University of Leeds' archive of the Gulf War of 1990-1, but these holdings by definition comprise news bulletins which are atypical in their subject focus. Therefore, a comprehensive and comparative analysis was impossible to undertake.

Secondly, the primary aims of this thesis were to document the development of market practices and assess whether in broad terms 'the market' could co-exist with 'public service' or 'quality' news norms. These aims required a focus upon the structural development and strategic positions of news organisations. To attempt to provide detailed analysis of content would have shifted the research away from this focus and towards an emphasis upon the concrete, observable manifestations of the strategic decisions made.

Thirdly, conducting content analysis would have involved a detailed assessment of the constituent components of news 'quality', attempting to provide a definitive, comprehensive analysis of requirements. Such an approach would have entailed an explicit normative position to be developed vis-à-vis the aims of news broadcasting. Although this thesis obviously propounds its own normative position, that there are degrees of compatibility between public service and market goals in the case of television news, its aim is to provide a narrative history about the development of market structures in the industry rather than to examine the purposes behind the content of news *programming*. Therefore, the thesis assesses the degree of presence of news quality norms according to the definitions laid out by statute (see Chapter Five) rather than producing its own interpretations.

Participant observation

Although the benefits of participant observation or the ethnographic approach to understanding news production processes are unquestionable, it is less feasible as a method for understanding the strategic development of television news companies. As Schlesinger points out, observer access to planning meetings and documentation

pertaining to policy-making is highly unlikely to be granted: 'the means of access are controlled by ... those that are being observed, and no sociological study, so far as I know, has been published on the higher reaches of policy-making and corporate planning by media owners and controllers' (Schlesinger, 1987: xxxiii). It is also the case that 'observation' of strategic planning is a less than obvious methodological choice. The structures and routines of a news executive's working day do not condition their policy decisions in the same way that journalists' daily practices make their direct impact upon news output. Furthermore, the purpose of the thesis is to examine the *outcomes* of strategic policy rather than focus upon executives' prior motivations.

Therefore, information about management strategy could best be gathered through discussions with management personnel, eliciting their rationales for policies that had already been carried out. The interview approach was most suited to uncovering such understanding, as Burns' earlier study illustrates.

3.3 The research method

For these reasons, the main source of primary data was that of the in-depth interview with television news management personnel, politicians and regulators. A list of those interviewed can be found in Appendix A. Throughout the thesis, unless otherwise signalled, quotations are from these interviews, and the job titles given are those that were correct at the time of interview. Secondary data sources included trade and newspaper press articles, parliamentary legislation and debates, and

conference proceedings. These sources, and the processes used to obtain them, will now be described.

The interview process

The interview sample

Interviews were conducted with the two main categories of people whose decisions had made a significant impact upon the structure of the television news industry: firstly, politicians, civil servants and regulators, and secondly, those involved in the strategic planning and marketing of television news.

The news executives interviewed were largely marketing and strategic personnel, although some editorial and journalist staff were included, especially at Sky News where there are few separate management roles. The MPs approached were those who had been part of broadcasting select or standing committees, or who had made particular interventions during debates. The regulators were past and present members of the Independent Television Commission (ITC)/Independent Broadcasting Authority (IBA), the Broadcasting Standards Council/Commission (BSC), and the BBC Fair Trade Committee. Civil servants were those who had been instrumental in the drafting of the Broadcasting Acts of 1990 and 1996. Interviews were also conducted for the purpose of gaining background information about certain aspects of the news production process - with audience research executives at the BBC; with news agency editors for explanations of the process of the distribution of agency feeds at Reuters Television; and with personnel responsible for the development and production of interactive news services at ITN, Videotron UK and

Videotron Montreal. In all, fifty-seven interviews were conducted at the following organisations.

*Figure 3.1: Interviews conducted**

Organisation	Number of interviews conducted
BBC	17
ITN	7
Sky News	7
Reuters Television	4
APTV	2
WTN	2
EBN	2
CNN International	2
House of Commons**	5
ITC	4
Civil Service	2
Others	3

Notes:

* *This organisational breakdown does not necessarily reflect the content emphasis within the interviews. Many of the interviewees had also worked for different organisations, so I was able to ask about their former experiences.*

** *Although few MPs agreed to be interviewed, the regulatory framework in this thesis is still central because of the ability to use Hansard as a primary data source, which gave much requisite detail.*

Obtaining the interviews

Approximately 110 letters were written to the groups of people listed above. Names and addresses were for the most part straightforward to obtain. Some executives from the early 1980s were harder to find if they had retired or become freelance, but the Handbook of the Royal Television Society was a useful source of home addresses for these people.

The letter was carefully worded, and the content tailored to each individual. It highlighted my affiliation to the British Film Institute, most visibly by using BFI-headed paper. This was done in order to minimise any mistrust from broadcasters

that my project might be a critical academic attack upon the working practices of the organisation. This reaction from broadcasters has its roots in the 1980s' academic critiques of news journalism, particularly those from the Glasgow University Media Group. Although access to broadcasting institutions has been straightforward to obtain for a number of years, nonetheless it was thought circumspect to emphasise my connection to the British Film Institute more than the University.

The letter emphasised that I was examining the economic and regulatory parameters of the industry, stressing the non-cultural-studies orientation to the research. This was in order to maximise potential interviewees' confidence that what was required was mainly descriptive, factual information which would be more straightforward for them to give (cf. May, 1997: 118 for structuring of interview questions). It was hoped that this would mean they would be more willing to grant me an interview.

The open nature of the research time frame was stressed in the letter, which asked to see them 'within the next few months', in order to give them the opportunity to arrange the interview exactly when it suited them, rather than refusing the request because they were busy at the time of receipt of the letter. It was also stressed that all material could be non-attributable if they preferred. In the event, as described below, most interviewees were happy to go 'on the record'.

The second paragraph of the letter gave particular mention, where applicable, to the person's individual input into the policy or strategy process. For example, it would make reference to an MP's stated view during a broadcasting debate, or to a news executive's particular strategy. This showed that each potential interviewee had

been actively picked as a useful interview source, rather than run any risk of it being assumed that the letter was generic.

The letter ended by saying I would telephone them in the next week, or that they could contact me. About one fifth of the interviewees did indeed get in touch without being prompted. The remainder were contacted, and communication would continue in some cases for a period of months before an eventual meeting was arranged.

The interviews

The interviews were conducted throughout the period of research, in other words over some three years between 1995 and 1997. A small amount of interview material was generated outside this time period. There were some pockets of intensive interview activity within the three year research-gathering stage, when six or eight people would be seen in the space of a couple of weeks. Interviews lasted between 45 minutes and two hours. Some people were interviewed twice, either because my initial time with them had not been long enough, or because I wished to find out their opinions on changes that had taken place since the initial interview. Conducting the interviews over such a long period enabled me to re-check facts and opinions on a rolling basis.

The interview situation was used partly to check out my own ideas with interviewees. They were asked to respond to my ideas about the development of the genre, for example the concept of marketisation and whether interviewees found it a useful characterisation of the changes to the industry. To this extent the

interviews were fairly informal, and often oriented to discussion rather than a question and answer format. However, they also involved thorough information gathering. Questions were asked on particular issues for factual clarification - what alliances there were between organisations, the number and type of news outlets, budgets and prices, legislative background - as well as more subjective points of view - reasons behind alliances, opinions as to the existence of conflicts of interest between parts of the organisation and between the organisation and outside companies, and opinions about the efficacy and future orientation of regulation.⁵

The interviews were all tape-recorded. No-one raised any objection to this. Initially, very little was transcribed verbatim. This was because it was hoped that the interviews could be used as a factual, objective resource, and therefore the interview material was divided up into distinct categories of regulation, alliances, relationships, conflicts of interest and so on. However, this did not work well. It was not possible to turn the interviews into segmented and discrete informational parts, partly because the interviews did not follow a tight structure, and partly because the accounts could not be relied upon as being completely factually accurate (see Holstein and Gubrium, 1997: 114, and Miller and Glassner, 1997: 98 for discussion of the partial nature of the interview process). Therefore it was decided to use the interview material as part factual resource but also as examples of particular, subjective, thinking. This involved fuller transcription, which also proved much easier to use: the smoother flow of delivery offered by a verbatim transcript meant that it was more

⁵ There was resistance from interviewees to discussing the issue of 'news quality'. It was seen largely as a truism that news would try to be of as high a quality as possible, and that such quality would depend upon the remit and target audience of a particular outlet, and upon time and budgetary factors. In other words, there was no explicit editorial decision taken about whether a news outlet should be 'high quality' or not; the degree of quality was an outcome of logistical considerations. This was a further reason for not focusing directly upon the issue of whether news quality could be identified in terms of output.

straightforward to use as a research document than a truncated version, and has also enabled the use of direct quotations to illustrate key points within the thesis.

Each interview took approximately two days' research time - researching the particular factual questions to be asked; the conducting of the interview (being based in London helped in this regard as there was usually little travelling time involved, in addition to which some of the retired interviewees could be interviewed at the British Film Institute in central London), and transcription, which would take between three and four times the length of interview to transcribe fully. In total, the interviewing of the sample took approximately 100 days, or five months, of research time.

Potential pitfalls

Television news organisations are in competition with each other. This meant that interviewees were critical of each other's strategies and defended their own, even if privately they might think differently. It was at times difficult to sort out the realities behind a particular, sensitive strategy. In retrospect, it became clear that some interviewees had tried to lead me away from a particular inquiry by denying a strategy was being considered, whereas in fact they were actively pursuing it. For example, I was told by personnel at Reuters Television that they had no plans to move away from their broadcasting activity at the very time that it was being discussed and agreed internally. Of course, it could not be expected such commercially sensitive information would be readily given to me. Therefore, two strategies were employed. Firstly, as mentioned above, the interviews were conducted on a rolling basis across the three years, so that it was possible to return to each organisation and find out more about the previous strategy once it had been

implemented. Secondly, questions were asked about former strategy, especially that pertaining to interviewees' previous jobs in other news organisations. The degree of movement within the industry meant that many interviewees had experience of a number of news organisations. Thus, interviewees were asked about both their former and current roles where applicable, for example Bob Phillis's period as Chief Executive of ITN when he was Head of BBC Worldwide, and Stephen Claypole's memories of Visnews and the BBC when he was Chief Executive of APTV. In this way, a form of methodological 'triangulation' was achieved, whereby information from one source could be subjected to another's perspective (see Hansen et al, 1998: 44-5).

In terms of the commercial sensitivity of the information I required, I quickly discovered that the higher up I went within the organisation, the more likely I was to be given information. Junior executives did not want to take on the responsibility of giving me potentially damaging material.

The process of interviewing television news personnel, politicians and regulators was without exception very fruitful. Certain reasons behind policy and strategy were uncovered that have not yet surfaced from other source material. A broad picture of the particular imperatives behind organisational strategy was developed, as well as more detailed understanding of key issues. However, other perspectives and information sources also needed to be examined; the interview material needed to be supplemented by a variety of other data sources.

Written sources

One of the methodological difficulties of gathering written data for this thesis has been the fact that much of the material that sets out the companies' development was commercially sensitive. Little access was given to current written material from within particular organisations, although interviewees were more helpful about supplying earlier documentation, in particular that pertaining to plans for 24-hour news channels in the 1980s. Promotional material from news organisations proved useful inasmuch as it detailed the extent of an organisation's commercial activities.

Therefore, the main written sources for information about the broadcasting industry in general and the television news organisations in particular were the trade press publications of Broadcast and Campaign. A search was conducted through back copies of Campaign from 1982 - 1995, and Broadcast from 1980 to 1998, at St Brides' Print Library in the City of London and at the British Film Institute Library, and all relevant information was photocopied. The press cuttings files on television news organisations at the ITC Library, and the press cuttings archives at the British Film Institute Library, were also searched. The material gathered was photocopied and archived in ten volumes. A searchable computer database was set up by date and keyword, which proved useful in the latter stages of research to re-check particular facts and dates. These trade press reports were, like the interviews, not used as fully reliable source material: Broadcast in particular at various points in its history has been notorious for its inaccuracies. Where events could be open to an alternative view, the information contained in the press reports was double-checked in other sources.

The other main strand of written source material comprised draft and final legislation, Green and White Papers, and parliamentary debates on broadcasting. The Sessional Index of Hansard for each parliamentary session since 1982 was first examined, to find any references made in parliament to television news in the normal course of debate. However, there was little discussion of broadcasting during general sittings: most references to it consisted of queries about the level of the licence fee. Therefore, attention was focused upon the debates and Committee stages of a number of pieces of legislation relating to broadcasting: the 1984 Cable and Broadcasting Act, and the 1981, 1990 and 1996 Broadcasting Acts. The Select Committee proceedings of two enquiries into broadcasting during this period were also examined: the Home Affairs Select Committee 1988 and the National Heritage Select Committee 1993. Additionally, there were a number of parliamentary debates relating to particular news-related issues which were noted, for example the flotation of Reuters in 1984 and the attempt by ITV companies to move ITN's News at Ten in 1993. Such debates provided useful evidence of the ways in which television news was characterised by politicians, particularly because of the difficulties that had been experienced in gaining interview access to those MPs and ministers most involved in the debates and the legislative process.

Conferences

A number of conferences were attended over the research period, both academic and industry-oriented, covering a range of subject areas including newsgathering technology (Institute of Electrical Engineers, October 1995), journalism (British Film Institute, July 1994, The Freedom Forum, June 1996, University of Leeds, September 1996), new technology (Royal Television Society, March 1995) and the

economics of multichannel television (Royal Television Society, September 1995, London Business School, January 1997). Of particular use were two Newsworld conferences held in Berlin in November 1995 and November 1996, which brought together news executives, journalists and (very few) academics to discuss the technology and practice of the industry. The conferences enabled me to make contacts with news marketing personnel, and attend debates which connected the concerns of journalists to the defence given by news management on a series of journalistic issues, most notably those of the logistics of foreign news reporting. In particular, they provided a clear illustration of the news industry's business orientation.

Two conferences organised by the Foreign and Commonwealth Office at Wilton Park, in 1994 and 1997, also provided useful material. The former discussed the impact of television news upon foreign policy, and the latter the impact of the media upon democratic processes. They offered a point of connection between academics, journalists and politicians, and revealed some of the difficulties in describing the logistical limitations of news journalism without implying or concluding that such constraints led to vastly inferior journalism, both in terms of quality and democracy.

Summary

This chapter has provided an overview first, of the ways that news organisations have been examined in previous studies, and secondly, a description of the methodological approach employed for this thesis. It has shown how decisions about method, whilst primarily an outcome of the research hypothesis, are also formulated by the socio-political environment of the time, the developmental stage of

the organisations under consideration, and the conditions of access available to the researcher.

The emphasis in this research is upon the structural conditions of television news organisations, the strategies for growth employed by management, and the enabling or disabling impact of regulation upon the industry. These issues were best investigated through the interview method. Both participant observation and content analysis, although common methodological tools in sociological study of television news organisations, would not have addressed the core issues of the thesis on their own, and even in conjunction with the interview method would have served to skew the focus of enquiry. The next chapter begins the empirical analysis of the UK television news environment during the 1980s and 1990s by examining the growth of 'marketisation' within the industry, in other words the development of a trading infrastructure.

Chapter Four

The Marketisation of the Television News Industry

Introduction

This chapter describes the changes to the organisational structure of the television news industry that have taken place since the early 1980s. It shows how a more market-oriented system has gradually developed. Throughout the 1980s and early 1990s previously aggregated forms of organisational structure within the news production process became increasingly discrete, with each part of the television news production chain able to be separately provided. Likewise, the diversification of news organisations also increased during this period, with companies moving into new spheres of production activity. As set out in Chapter Two, it is these processes of disaggregation and diversification, culminating in new products for trade, that the term 'marketisation' encompasses, and they are examined in detail below. However, it must be acknowledged at the outset that such development did not follow a linear path. Rather, the changes were partial, overlapping, with news organisations displaying at times contradictory imperatives. This is reflected by the organisation of evidence in this chapter, for examples are not laid out in fully chronological form, but rather grouped according to the particular tendency they illustrate.

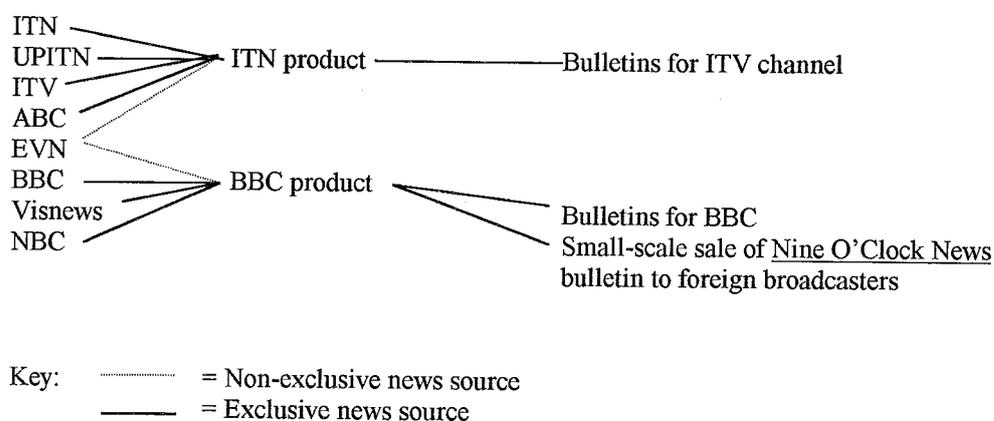
The chapter also sets out the reasons behind this increased disaggregation and diversification of the industry. The determinants which are discussed include those of the impact of new technology, and that of Conservative economic policy. Discussion of regulatory policy directly focused on the broadcasting industry is reserved for the following chapter.

Because of the need to examine the structures and policies of the major UK news organisations in greater detail, analysis of the development of the BBC, ITN and Sky News has been separated into the case study chapters below. While this current chapter provides some of the broad parameters of their development, its main focus is upon the development of other news organisations, particularly those of the news agencies. News agencies both benefited from and catalysed the growth of marketisation within the industry, as their diversification strategies loosened the previously exclusive nature of news agency - broadcaster relationships, which subsequently facilitated the expansion of the television news sector.

4.1 The television news industry in 1982

In 1982 the UK television news sector was small, and consisted of a vertically integrated duopoly, as shown by Figure 4.1 below:

Figure 4.1: The structure of the television news sector in 1982



There were only two news providers, broadcasting a total of 15 hours and 50 minutes per week. The bulletins were composed of material from in-house newsgathering

teams, part-owned television news agencies, allied foreign broadcasters, and from the EBU's Eurovision News Exchange (EVN) to which both ITN and the BBC belonged, giving them access to material from other European public service broadcasters. This was the only material that the BBC and ITN had equal access to; all other relationships, for example the ones shown in Figure 4.1 with the American broadcasters NBC and ABC, were exclusive to each broadcaster.

The BBC owned a third of the Visnews news agency, with another third owned by the Reuters news agency, and the remaining third by Commonwealth public service broadcasters. The news agency was non-profit making. ITN owned 45 per cent of UPITN (renamed WTN in 1985), with the American broadcaster ABC owning a further 45 per cent and the Australian Channel 9 Network the remaining 10 per cent, and again all profits were re-invested in the service rather than being paid to shareholders.

There was only one news product, that of the bulletin - there were no news channels or use of whole news items generated by another broadcaster. The bulletins were transmitted on one outlet only, and the outlet paid all costs associated with the news production.

Thus, each broadcasting organisation was effectively vertically integrated in practice, having dedicated newsgathering and distribution, even if in the case of ITN its outlet was not strictly its own. The two news broadcasters were non-profit-oriented. ITN was a cost-centre of the ITV companies, and the BBC's remit was to be a public service broadcaster and not make a financial return. The main economic constraint upon the television news industry was the need to ensure that the news organisation did

not run over-budget, and the fact that both ITN and the BBC did at times run up a deficit throughout the 1980s was accepted as an inevitable consequence of the unpredictability of the news agenda.

There were a number of factors which explain the nature of the television news industry in the early 1980s, with its vertically-integrated news production structure and lack of product differentiation. Firstly, of particular importance was the fact that funding for both news broadcasters was adequate and unquestioned. The ITV companies had a monopoly of a buoyant advertising revenue stream,¹ and even though the ITV companies regularly complained at the amount they had to pay for ITN's news service (see ITN case study chapter below), they were obliged by legislation to fund its requirements. In the case of the BBC, its revenue from the licence fee increased yearly.² There was little economic need for the broadcasters to think of expanding their output or altering their organisational structure. There was minimal economic incentive to develop more cost-awareness and cost-effective structuration until the Conservative government turned towards the liberalisation of broadcasting in the mid-1980s.

Secondly, the non-terrestrial market was in its infancy, and potential advertising revenue from such a market was minimal. Corporate and business advertising agencies were only just beginning to see news programming as a profitable way of getting their

¹ ITV net advertisement revenue rose steadily during the early 1980s:

1982	1983	1984	1985
£697m	£824m	£911m	£982m

(source: Home Office, 1986 Table 2:10)

² BBC net licence fee income continued to rise during this period:

1982	1983	1984
£692m	£711m	£758m

(source: Home Office, 1986 Table 2:10)

message to their target audience. The idea of business people being interested in watching news programming as part of their working day, or in a hotel bedroom on a business trip, had not yet developed. And, as will be discussed later, viewer subscription was not an option for the generation of revenue.

Thirdly, there were technical limitations to the development of a broadcast market in television news programming. In order to replicate a product it was necessary for it to be copied, and until the use of video for newsgathering was widespread, duplication of material on film was too lengthy and impracticable a process. As a BBC executive described:

We were shooting on film until the early 1980s and the film came back and had to be processed ... If people wanted to buy material from us then it had to be copied onto the early versions of video tape ... Two inch video tape you couldn't view at high speed. So you might have a long tape with 4 hours worth of material on it which would have been logged in handwriting. And the particular story that you wanted to find you would really have to guess where it was.

(Jonathan Rooper, BBC Daily News, in interview 25 September 1996)

Additionally, computerisation had not yet developed sufficiently for other elements of newsgathering to be more streamlined and therefore more cost-effective. For example, newsrooms had no ability to share stories electronically between their respective news desks. The BBC news journalist Nicholas Witchell outlined the far more lengthy process for sharing scripts that was the norm in the early and mid-1980s:

When we started the Six O'Clock News [in 1984], for the first several years of that ... we would have a typewriter and you would thump out a script which went on to a skin, a duplicating skin which would have to be run off on a posh mimeo machine, and there were typists in the newsroom and producers would either dictate stories to them or type them out themselves and get fair copies made, and it was very laborious.

(in interview, 29 July 1991)

In terms of delivery systems, although satellite transmission had been introduced by this time and was being used increasingly, it was still very expensive for both newsgathering and distribution purposes, as the BBC presenter Philip Hayton recalled:

I was the South Africa correspondent between 1980 and 1983, we were on film there, we had ENG while I was out there. It made a terrific difference, we used to ship a lot of our feature stuff on the overnight plane to London, but with ENG the temptation was to satellite. That immediately boosted the cost of our whole operation [although] I suppose it cut down to some extent what we were doing because if it wasn't good enough for a satellite then often we wouldn't bother sending it.

(in interview, 12 July 1991)

Fourthly, union strength ensured that each new potential news outlet would have to have highly paid and rigorously demarcated staff. Unions required overtime payments for staff working unsocial hours, and repeat royalties for actors whose commercials were shown on the new channels, which pushed up the costs of a new news outlet. Additionally, union ability to black out channels, used fairly frequently in the early 1980s, was a deterrent to the concept of live programming. If television news operations wanted to expand, they had to match current staff conditions. For example, the launch of TV-am in 1983 was set back by a number of months, as the BBC's Newsnight programme had been in 1980, because of union and management disagreement over staffing levels and payment structures. In 1984 the introduction of computer newsroom technology across the BBC was hampered by NUJ insistence upon enhanced compensation for its members 'to cover training and any disruption' (Broadcast 13 January 1984). As a former ITN journalist noted, 'When I left ITN [in the late 1980s] I was not allowed even to pick up a Beta tape and view it, because of labour regulations' (Rob Beynon, promotional speech for European Business News, 1995).

It is also important to note that from the perspective of developing viewer interest in television news programming, there was little emphasis at the time upon the 'live imperative', the ability to report live from crisis or breaking news situations. This was largely due to the simple fact that there was little technical opportunity for such priority to occur - it was 1981 before ITN broadcast its first live foreign report.³ However, even when the possibility was there through the use of satellite delivery, it was considered more important to use the satellite link to make sure the bulletin or the item was technically and editorially well crafted.

For example, ABC's World News Tonight bulletin in 1980 used a 'tri-anchor' system, with news anchors presenting sections of the bulletin from different cities, including London. Satellite technology was used, but not to create live programming. Instead, the anchor in London transmitted his links to the New York studio an hour before broadcast. The reason given for not broadcasting the London links live was the potential precariousness of the technology. And the reason given for the use of satellite technology was not one of speed, or 'visual cosmetics', but that of news values: 'By spreading its journalistic decision-making over several continents, [ABC]... widens the perspective informing judgements about what news is gathered and how it should be presented' (Broadcast 21 July 1980). Thus, the live imperative, even though technically possible, as indeed it has always been, was not judged to be as important as aiming for authoritative and well-edited reports during the early 1980s.

³ According to Jon Snow, Channel 4 News presenter, in interview 5 July 1991: 'We went on to ENG in 1981 and I took the first live ITN foreign assignment, I went with an ENG camera to Poland to do the Pope's first visit there'.

The importance attached to technically high-quality news production at this time is underlined by the perceived difficulties that Visnews faced in its plans for a multi-language World News Network during the early 1980s. The channel was not set up, partly due to the fact that the production quality of the bulletins would not be optimum. The proposed channel was to have no presenter in vision, using instead a multi-language commentary over news agency pictures. However, as Ron Onions, the Managing Editor in charge of developing the news channel in the early 1980s recalled, there was concern at Visnews over the fact that:

... journalistic English is the most compressed of the languages, French a little less so ... [while] German would add maybe 2 seconds to every 20 second story. Which meant that you'd got to allow for the German language running longest.

(in interview, 28 August 1996)

In other words, the presentational awkwardness of not being able to match words and pictures precisely was seen at this time as a significant problem.

A decade later, the Euronews channel was set up with a very similar presentational style to the one proposed by Visnews. By this time, however, the increased amount of live news coverage on television, and the changes to newsroom practices, had lowered expectations be they from viewers or news producers of the desirability or necessity of a crafted product marrying image and commentary precisely.

Thus, there are a number of factors which explain why television news organisations were organised as a vertically integrated duopoly up until the early 1980s. At this point in time, change began to occur, driven by technological change and particularly by the economic policies of the successive Conservative governments, which are now described.

4.2 The catalysts for change

Conservative economic policies

The major catalyst for the expansion, diversification and disaggregation of the television news sector was the impact of Conservative economic policy. While the particular details of Conservative broadcasting strategy are set out in the following chapter, it is important to acknowledge here the impact upon the television news industry of the Conservatives' wider policies, specifically those of privatisation, liberalisation of City financial institutions, and de-unionisation.

Privatisation

The privatisation process has been described as 'the most striking policy innovation since 1979' (Riddell, 1991: 87). Between 1979 and 1991 two thirds of previously state-owned industries were sold off. One of the policy aims of government was to thereby encourage a shareholding democracy, which meant interesting a wider cross-section of the public than hitherto in the area of stocks and shares - even The Sun newspaper had its own City page by 1987. Television advertising, particularly that around the television news bulletin, was therefore seen as a particularly effective way for financial and business organisations to make their products known. The volume of advertising used by Government for its privatisation sales was significant: BT in 1984 cost £10 million, British Gas in 1986 cost £32.8 million, the Water industry in 1989 cost £22.5 million, and Electricity in 1990 cost £15.2 million. Tumber noted that 'in 1988-9 the Government spent nearly £200 million on publicity of which well over £100 million was on media advertising, placing government departments collectively among the biggest advertisers in the United Kingdom' (Tumber, 1992: 16).

At a more general level, the policy of privatisation was illustrative of the movement towards the use of the market as the dominant method for structuring organisations. The Thatcherite project of the 1980s developed its deregulatory, market-oriented privatisation policy to replace the monopolistic or oligopolistic public sectors. The aim was to introduce efficiency via competition and commodification.

Thus, the policy of privatisation was significant for the television news industry at two main levels, one practical, one ideological. Firstly, privatisation helped to normalise the use of television for corporate messaging. It resulted in an increased amount of business advertising on television, which in turn meant that the advertising breaks around news programming were attractive vehicles for such messages, and pushed up the price of advertising time. Secondly, privatisation turned public goods into private ones, emphasising the ideological primacy of the market as an organising structure for the provision of services. The development of the television news industry as it moved towards a more discrete, fluid, and market-oriented structure, mirrored the development of a society more oriented towards the market, competition, and consumer choice.

The liberalisation of financial institutions

The government policy of liberalising financial institutions also resulted in a greater use of television to advertise finance and businesses. The 1986 'Big Bang', the 1987 closure of the Stock Exchange trading floor and the concomitant major extension in off-the-floor electronic dealing meant that there was an increased need for businesses to advertise themselves more widely. As an article in Campaign presciently expressed it in 1983,

Too often financial advertising is confined to communications with the financial and top business communities alone ... What are needed are communications that bridge the gulfs ... [When companies seek a Stock Exchange listing] we should be looking to advertising .. which uses television to attract a broader private shareholder base and to demonstrate the connection between a company's operation and an individual's ability to own and benefit from that company's success directly, or indirectly.

(Campaign 3 June 1983)

By the autumn of 1986, 'an unprecedented number of advertisers - among them financial, corporate, newspaper and flotation campaigns - [were] using television extensively in an attempt to boost awareness and sharpen the image of their product/service range in the crucial period leading up to the anticipated City explosion' (Marketing Week 10 October 1986). And in 1986, it was reported that 'ITV costs are currently roaring ahead at about 25 per cent above the prices of a year ago. The main engine for this rise has been the expenditure by new advertisers and those who, until recently, used television only sparingly. According to MEAL figures, in the year to August, institutional advertising was up by 84 per cent, financial advertising by 24 per cent and publishing by 29 per cent, compared with the previous 12 months' (Campaign 17 October 1986).

These developments had the effect of making news programming more attractive to advertisers. Previously, television advertising was based largely on FMCG (Fast Moving Consumer Good) products, which required the targeting of those viewers responsible for day to day shopping. The advent of financial and business advertising on television was aimed more towards ABC1 males, who were traditionally seen as more likely to watch news programming, especially News At Ten. As is discussed below in the ITN case study, this led to a sharp increase in the price charged for the advertising breaks around the bulletin in the mid-1980s, and encouraged a perception that news programming could be financially profitable.

The weakening of trades unions

One of the major planks of Conservative economic policy throughout the 1980s was the reduction of trades union rights and power. A series of pieces of legislation - the Employment Acts of 1980, 1982, 1984, 1988 and 1990 - progressively removed rights such as collective bargaining for wage rises, the closed shop, secondary picketing and open ballots (c.f. Hutton, 1996; Thatcher, 1993). This reduction in union power was instrumental in the development of an increased provision of news in the late 1980s. As outlined earlier, union power made expansion of outlets difficult during the early 1980s, as extra payments and better conditions were expected in return for working unsocial hours. By 1988, however, ITN was able to agree with BSB that a subsidiary company could be set up as a way of circumventing union requests for parity of pay: something which would not have been permitted earlier in the decade.

Across the broadcasting industry union power diminished significantly. At TV-am, a four-month strike in 1987-88 by ACTT members over plans to introduce remote-control studios was defeated, and the ACTT union was banned. In 1988, both BBC and ITN news personnel signed multi-skilling agreements, by which greater freedom to move between technical and editorial tasks was put into place. In 1989 ITN became the first independent television company to abolish overtime pay, and Sky News was set up as a non-union operation. Thus, union impact upon the costs of expansion was reduced.

Additionally, the overall growth during the 1980s of a flexible service economy instead of a fixed industrial economy had a direct impact upon the television news industry. Businesses developed a much stronger PR orientation, which necessitated the use of

media facilities, thus providing a useful secondary market for the increasing diversification strategies of news organisations. For example, satellite delivery benefited from 'the growth in the use of video cassettes among commercial operators, such as PR companies, [meaning that] there is an increasing demand for speedy delivery' (Visnews source quoted in 'Visnews goes ahead with new location special business' Broadcast 4 May 1984). Similarly, the expansion in both production facilities and in business programming throughout the 1980s were partly a result of the increased use of 'media messaging' by businesses. Visnews' facilities expansion in 1987 was aimed at capturing 'the fast-growing corporate post-production sector in the UK and Europe as well as in the news area' ('News service with an expansive style' TV World October 1987). Business news programming became seen as a useful branding mechanism for large financial organisations, exemplified in the 1990s by the development of European Business News by Dow Jones, the expansion of Reuters Television activity to highlight the Reuters brand name, and the setting-up of Bloomberg Television to further brand awareness of the Bloomberg financial terminal service.

Changes in newsgathering and newsroom technology

Of equal significance in the development of a more marketised structure for television newsgathering and production structures was the impact of technology. The three major developments during the 1980s were the introduction of the computer newsroom, Electronic Newsgathering (ENG), and the increased use of satellite transmission. All these developments both increased the speed of generation of news reports and enabled a greater degree of repackaging to be done. In the 1990s, digital technology increased the speed even more, by integrating all newsgathering functions, giving news organisations 'the power to use, re-use, repackage and reformat' their

material to extract maximum value (Adrian Scott, European broadcast marketing manager at Avid Technology quoted in Television Business International November 1995:35). Savings to be made included using fewer video cassettes (ITN were using 16,000 per month in 1995), a decrease in shipping costs as more sophisticated field editing and feeding became possible, and a reduction in staffing levels as editorial and production lines were blurred, and multi-skilled staff became increasingly the norm.

The BASYS computer newsroom was introduced to the UK in 1982 by ITN, which installed it for its new Channel 4 news contract (MacGregor 1997: 194). In 1983 the BBC used it for its Breakfast Time newsroom at Lime Grove, and gradually it was extended to other parts of the BBC news and current affairs division. The computer newsroom combined a number of previously separate newsroom functions in one system. Instead of all parts of the news production process working in semi-isolation, connected by laborious duplication of scripts and visits to different sections of the newsroom, journalists, editors and technical personnel were computer-linked, saving time and repetition. It gave journalists access to more material and more ability to modify news stories up to and beyond bulletin transmission time. Computerised newsrooms also facilitated the potential for repackaging. They provided the initial centralisation function necessary for any duplication of product. Information and scripts could be shared much more readily between outlets within the same organisation. The introduction of bi-media production at the BBC was aided by its BASYS system. In 1988 it was announced that:

All national journalists in radio and television will be together sharing the same sources of information. Tens of thousands of words of written information will be shared by the planning system of radio and television, which at the moment liaise over the phone.

*(Richard Ayre, spokesman for BBC News and Current affairs Directorate
quoted in 'BBC computer link up boosts news operation' UK Press
Gazette 25 July 1988)*

Computer newsroom systems were further developed during the 1990s. The aim was to combine footage and script editing facilities, to be accessed by journalists at a computer terminal. However, the introduction of such systems has been slower than anticipated, partly due to the fact that such systems required the digitisation of video material before it could be manipulated by the desktop computer, which slowed down the news production process (see MacGregor, 1997: 174 - 201). There were further difficulties with the process of digitalisation, namely that the necessary compression of data caused unreliability. As the ITC's Head of Standards and Technology described, whereas problems with analogue production systems result in 'graceful degradation', those of digital technology result in an immediate black-out (Nick Lodge, speaking in 'A Bluffer's Guide to Digits', Royal Television Society Symposium 'Dash for Digits' 21 March 1995).

Electronic Newsgathering (ENG), or the lightweight video camera, was introduced across news organisations during the early 1980s. Video was cheaper than the use of film, and the cameras were more portable, which meant that much more footage began to be shot. Whereas film footage required processing before anything could be done with it, which took between twenty minutes and an hour, video footage was able to be instantly accessed, not least by the journalist reporting a particular story. This instant facility with video meant that the speed of delivery of news greatly increased. As an ITN news presenter described in 1991:

When I first joined ITN the news editor sent me out on a story saying 'Don't bother too much about getting it back for News at One, just aim for the 5.45 [bulletin]'. And nowadays the first instruction is 'Can you get it back for the 5 to 11 summary? And then change it for the One?'

(Ann Leuchars in interview, 25 July 1991)

The development of ENG was closely linked to the increased use of satellite technology, which was used both to enable quicker delivery of newsgathering material and also as a means of distribution of completed news product. During the late 1980s portable satellite land stations, or 'flyaways', became increasingly common, which meant that journalists could transmit their material directly back to the newsroom and appear live on screen. In the words of BSkyB's Station Manager David Butorac, formerly the Operations Manager at Sky News, 'now you can take your feed point to the story'. In addition to improved technology and lower cost, the liberalisation of telecommunications regulation also helped to encourage the growth in the use of satellite transmission: in the early years of Sky News it had been 'very difficult domestically to get bureaucratic permission to get your satellite trucks up'.

However, the growth in technical capacity to generate and disseminate a far greater amount of news coverage than was the case in the early 1980s has not been seen as a positive development by many journalists. The main concerns were firstly that with a proliferation of outlets, foreign journalists were unable to spend time on investigating a story. As the BBC journalist Jeremy Paxman argued:

It puts a great burden on correspondents in the field, because it means that they are no longer working to a deadline for a Six O'Clock or Ten O'clock news, they're working to feed this machine which will take their material at any time. That inevitably has the consequence that they can't travel as much, television is already an absolute bastard for the restrictions it places upon people's freedom of movement. If you're having to file on a daily basis you cannot go very far away from where you've got your feed point. You can take a mobile edit pack but you have to find a feed point somewhere ... so the space you can go in 24 hours is limited.

(in interview, 15 July 1991)

A second concern was that journalistic individuality was being threatened. The Channel 4 News presenter Jon Snow has been particularly vocal in his criticism of the way that new technology processes have, in his view, damaged journalism:

All discipline is broken down. People are spraying at anything, recording for hours, they're sitting across all these satellite feeds that are coming in from the outside world, and stuff is being thrown onto the air with very little individual research as to what it actually is really about...

Whereas in the old days although there was less [coverage]... most of it was generated by someone who had seen it, shipped it and sent the information with it ... When I started here 15 years ago, you would go out on a story with a camera, and you were dependent on generating all the material yourself, and you'd come back and that would be that. Now, you'll come back and they'll say 'Listen, I've seen some material come in that ABC has shot for American consumption. Also WTN have shot something, so could you weave all that into your piece'. And again you're diluting what used to be the skill, which was sending one person and one camera to observe one incident and then report to the viewer, and I think what happens now is that as a result you ... don't get a distinctive angle on the story in any way. All you get is almost a wallpaper job of all the pictures that are available on this incident.

(in interview, 5 July 1991)

A third criticism was over the increased use of live news. The BBC presenter Philip Hayton described in 1991 what he perceived as the dangers of making live news a priority:

The deadlines have all changed completely with ENG. In the old days you'd think in terms of hours, now it's minutes if not completely live ... It's an inevitable thing, there's no way you can stop it ... but it does remove the what is now a luxury of thinking about it, and assessing it, weighing it all up...

I've got a Luddite streak, I don't want us to rush headlong into newer and faster stuff. My instinct tells me to steady on, let's do well what we can do now rather than just go hell-for-leather to get it out faster than anybody else ... If we wait five minutes we make more sense of it, we'll get it more right ... Too often the danger is we're sacrificing accuracy and making sense of it.

(in interview, 12 July 1991)

While it is not within the ambit of this study to directly examine the impact of technology upon the quality of journalism, it is nonetheless important to indicate the above criticisms of the changes to the production process. What such criticisms reveal is the possibility that technology acts as a counter-force to the development of quality news provision, in that it becomes easier for news broadcasters to seamlessly integrate a larger amount of agency news footage into their bulletins, cutting back on their own newsgathering budgets. As Chapter Two set out, such reliance upon agency material is commonly judged to be a sign of low quality news broadcasting. However, if 'quality'

is also defined as diversity and plurality of news outlets, it is worth noting that the diversification and disaggregation strategies of the news agencies in particular during the 1980s actually facilitated the growth in news outlets, as is now described, hence possibly raising the quality of news provision.

4.3 The development of marketisation

The above section detailed the factors that enabled - or forced - disaggregation and diversification in the television news industry to occur. The 'results' of these determinants are now set out. Firstly, the development of news agencies is outlined and assessed, because their movement away from a vertically-integrated exclusive connection with news broadcasters made a significant impact upon the ability for new news outlets to develop. Such new news outlets are then described. The development of the BBC, ITN and Sky News during this period is kept largely for the separate case study chapters, due to constraints of space and the need to illustrate their activities more fully.

The news agencies

The first movements towards more disaggregated structures were made by the news agencies during the early 1980s. In addition to their core businesses of syndicating their parent organisations' footage and generating their own material,⁴ both UPITN and

⁴ It should be noted that until the late 1980s, the news agencies did not employ their own reporters. Instead, as Ron Onions of Visnews described, 'each roll of film or video came with a dope sheet detailing all the shots. And then back at [base] a team of scriptwriters using agency tape and any information supplied by the cameraman, would write the story up'.

Visnews moved at this time into the provision of satellite delivery and production facilities.

UPITN was first to lease a 24-hour dedicated satellite link between the UK and the USA in April 1983, but did not initially develop it as a commercial entity, preferring to keep it for the use of its existing clients. Visnews set up its own Brightstar subsidiary in September 1983, which provided two-way satellite communication between the UK and the USA, and developed it as a commercial enterprise, making it available for use by any company.

UPITN's move from ITN into its own building in 1983 allowed it to develop its own production facilities which it then marketed to outside clients. Similarly, Visnews built up its ability to provide editing suites and transmission facilities during 1984, and opened out its production facilities to non-Visnews clients at this time. Thus, the news agencies began to develop services aimed at outside customers rather than providing solely for their parent broadcasters and subscribers.

In the late 1980s and early 1990s these satellite delivery and production facilities were further developed. In 1990 WTN set up its Starbird Satellite Services subsidiary, which grew to provide mobile satellite newsgathering and transmission facilities to its clients. Stephen Claypole, the Editor of Visnews during this period, highlighted the Tiananmen Square massacre of 1989 as a watershed in Visnews' methods of operation. Their Hong Kong office had been overwhelmed by customers wanting coverage and services, so:

We resolved to make sure that no bureau was ever overwhelmed again at the time of a big event, [by providing] not only news coverage but also facilities. We got heavily into the use of portable ground stations ... which

had previously only been available to the richest networks in the world... We suddenly liberated a huge group of broadcasters who were able to use our satellite newsgathering facilities to do things that were similar to the production values and techniques of the American networks ... They would perhaps send a reporter and sometimes send one crew, but what we provided was an enormous picture pool of everything that was going on in the story, and we provided the facility for correspondents to do live cross-talk back to their studios and it became a huge business.

(in interview, 24 October 1996)

One Reuters Television source described in 1995 the way that this worked in practice, using as illustration the news story of an oil spill from a tanker off the coast of Shetland:

Something like 21 correspondents from various places around the world flew in to the Shetlands to do their own reports and they worked with our crews ... So instead of them all having to fly in with a full crew and kit, all they had to do was get themselves there and there was a Reuters crewing and editing team and a satellite uplink team that they could immediately co-ordinate with... They could go and sit with one of the editors, choose what they wanted from the general coverage, and add their stand-up, voice the whole lot and satellite it. And that was then ready to air in their own home territory.

(in interview, 22 August 1995)

As a WTN promotional leaflet said about its Broadcast Services division, 'We can supply field producers and camera crews to cover a story specifically to a client's brief. A client's correspondent can be on the spot to give a broadcaster's own stamp to the story being covered'. The newsgathering process had become much more streamlined and disaggregated. Rather than a broadcasting organisation having to provide its own infrastructure in order to generate a report with an in-vision correspondent, it could rely on news agency facilities.

Diversification at UPITN/WTN

In terms of diversification of activity, although UPITN had been making programmes since 1966, in the early 1980s it started to expand this programme production division, making over 100 productions in the period 1983-4. The productions were wide-ranging, including 'commercials for African television, feautres [sic], sports

programmes, corporate reports and product promotions' ('UPITN make major programme move', Broadcast 23 March 1984). It continued this development throughout the 1980s and 1990s. As of 1995 it provided a number of additional services to its core agency business of supplying news feeds to its 1000 clients. It developed more regionalised feeds in the early 1990s. As its Managing Editor Lowndes Lipscombe described,

As an add-on service, we [have started to provide] European news for Europe and Asian news for Asia... Because our European customers wanted more European news ... things that wouldn't even make three columns in a Singapore newspaper but which are very important for Europe.

(in interview, 16 August 1995)

It produced themed feeds to clients, including sport, entertainment, environment, and children's programmes. It produced Video News Releases for businesses, Arabic news bulletins to Arab broadcasters, and an FCO-funded British Satellite News service (BSN). This was a free news and current affairs package distributed by satellite, with content 'from the British point of view' (British Satellite News promotional leaflet, 1995). According to Paterson (1996: 200), WTN at this time made approximately half its revenue on television news agency provision and half on commercial services. Obvious economies of scale and synergies of interest were the deciding factor in developing commercial services from the core news service, as the Managing Editor acknowledged:

The primary reason for getting into these businesses was that the infrastructure was already there.

(ibid.)

Nonetheless, the two divisions were kept distinct and separate:

We're very strict about it. Our owners would not allow us to go into those commercial businesses unless they were completely satisfied that we had very tight controls on the distinctions between them.

(ibid.)

This concern about competing with clients over types of production was a strategic difference between WTN and Reuters Television. As will now be shown, Reuters' expansion did include moving into news programme production and dedicated newsgathering contracts, which brought it into conflict with its clients and became increasingly difficult to sustain.

Diversification at Visnews/Reuters Television

Visnews' interest in programme production remained primarily that of news programming rather than diversification into the non-news sector as WTN had done. An early example of this was its development of plans for a 24-hour European rolling news channel, World News Network, during the early 1980s. It is worth examining these plans in some detail in order to understand the reasons for its failure.

The channel was to have rolling half-hour segments of news. At the top of each hour would be international news stories, mixed with worldwide weather, world financial reports, sports stories and a feature. Computer graphics were to be used as a way of linking the items, as the service would have no news presenters in vision, enabling the channel to broadcast in more than one language. Visnews was able to access footage from its syndicated clients, and use the material generated by its owners, the public service broadcasters of the Commonwealth. Therefore the issue of copyright of footage, which caused difficulties for the expansion plans of other broadcasters, was unproblematic for Visnews. Instead, its major problem was the generation of funding, either from its parent companies - mainly the BBC and Reuters - or from advertising.

It came into conflict with the BBC over the news channel plans, as the BBC and Reuters were developing their own plans at the time. As Ron Onions, the Managing

Editor in charge of developing the channel described, the BBC was concerned by the perceived ambition of Visnews:

The BBC began to get a bit sniffy about Visnews - which was always regarded as a bit of a retirement home for elderly BBC gentlemen - getting above itself. Its job was to run a syndication service and that's it. It should have no aspirations of going beyond that ... There was quite a lot of to-ing and fro-ing ... [The BBC Director General Alistair] Milne sent a memo finally to Brian Quinn who was then Managing Director of Visnews telling Visnews to get back in its box ... something like that, 'perhaps the time has come for it to revert to its traditional function'. So there was a bit of an atmosphere for some while.
(in interview, 28 August 1996)

Although the BBC subsequently became more interested in co-developing a proposal with Visnews, the issue of funding was a sticking point. There were two reasons for this: firstly because the BBC had no capital of its own to put into development of such a channel (as is described below in detail in the BBC case study chapter), and secondly because at this time in the 1980s the BBC was unwilling to become involved in a project that would be advertising-funded. As Ron Onions noted:

[Advertising] was the other thing that stuck a bit with the BBC and the other commonwealth broadcasters. Did the old public service broadcasters want to be associated with a product that was commercially funded?
(ibid.)

Although Visnews had commissioned a study to examine the extent of potential advertiser interest in the channel, which identified a number of companies who would support it if launched, 'products that were known Europe-wide and which related to what was probably seen as a fairly male product - airlines, Hertz, Avis, travel companies and financial organisations' (Onions in interview), the commitment was not felt to be strong enough, or the ensuing revenue big enough, to make the operation viable.

It was concluded that the likely advertising support would never cover the costs ... and that we should look at a variety of other ways of ensuring Visnews' future in an increasingly competitive world.
(ibid.)

Thus, Visnews' plans for a news channel foundered on a lack of finance, both directly from parent companies and indirectly from the embryonic pan-European advertising market. Its ability to develop a channel was thus curtailed because it was owned by shareholders who did not want their subsidiary to move into an area of competitive activity.

After the failure of these plans for a stand-alone World News Network, Visnews attempted to gain contracts for the provision of news on terrestrial channels. It put proposals in for the LWT local news contract, for Channel 4's early morning programme, and for Channel 4's lunch-time news programme, none of which was successful, arguably because the IBA were over-protective of ITN's position. However, eventually in 1988 it won a lucrative £7.5 million deal with the embryonic Sky News, discussed in detail below in the Sky News case study chapter. As Stephen Claypole, the Editor of Visnews at the time, described it:

We were asked to put in place a UK newsgathering network, we were asked to be the regional newsgathering for Sky News outside London. We put in place five bureaux. We also built up bureaux throughout Europe and in places like Moscow in order to give Sky News a higher level of coverage that was not going to be embargoed by the EBU members who were very hostile to Murdoch. It was not going to be possible for Murdoch to get any material from the EVN.

(in interview, 24 October 1996)

Visnews followed this dedicated newsgathering deal with another, reportedly worth more than £7.2 million, for the new breakfast ITV contractor GMTV when it began in 1993, and other broadcasters across the world. In the early 1990s it began to focus on the production of news and documentary programming. In 1993, nine months after Reuters bought 100% of Visnews, the change in strategy was described by Reuters Television's chairman:

We've been involved in Visnews for a long time, but that was primarily a newsgathering and satellite business. We see a future which will involve

more news programme making and more programme making for Reuters' financial markets.

(Mark Wood, Chairman Reuters Television, quoted in 'Restructuring plan indicates global ambitions' Broadcast 9 April 1993)

It was closely involved in the development of a 24-hour news channel in Latin America, Telenoticias, and took a shareholding stake in it. It made dedicated business programming for a number of broadcaster customers both in the UK and abroad, and developed documentary programme series. It also moved into radio news production.

APTV

The movement towards a more fluid structure to the television news agency sector was further developed by the setting up of a third news agency APTV in November 1994. It was a subsidiary of the Associated Press print news agency, and positioned itself as providing more of a finished news product than that of WTN or Reuters Television:

This service will be far more tailored to what broadcasters want. Pictures will be supplemented with copy which can easily be turned into broadcast scripts. More and more broadcasters are under pressure to fill space against deadlines. Our supplied material will be ready to put on air within a very short space of time.

(Nigel Baker, APTV output editor, quoted in 'Agency on the make' Broadcast 4 November 1994)

AP's rationale for setting up the service was based upon its analysis of the existing broadcast news sector as an area where more and more outlets were chasing finite revenue, so that outlets were being forced to cut back on unilateral newsgathering. It sold itself as a transparently neutral news provider, in contradistinction to the way that Reuters was positioning itself at the time as a quasi-broadcaster, as its Chief Executive Stephen Claypole asserted:

APTV has no ambitions to own a news channel, and we have no ambitions to have editorial control of a news channel. There's a difference between being the publisher, editor or commissioner, and being the supplier of programme segments. I don't see a problem with making entire programmes even, if broadcasters wish to commission programmes from

the agencies, I don't see that that presents a conflict. The main conflict is that for advertising revenue, and ratings. If agencies aren't directly part of the fight for ratings and revenue there isn't a problem, or shouldn't be.

(in interview, 24 October 1996)

One impact of APTV's arrival was to reduce the costs of news agency subscriptions, which led to news broadcasters subscribing to more than one news agency. Furthermore, its provision of more tailored material enabled broadcasting organisations to produce news items from seemingly dedicated newsgathering, which mirrored the way that broadcasters could use news agency editorial and production facilities rather than have to generate their own.

Such divisibility and diversification of news production processes aided the setting up of a number of new news outlets, which are now described. The development of these outlets was largely due to their ability to contract-out their newsgathering capacity or to dispense with it altogether, relying instead on news agency feeds for the coverage of major or foreign stories.

New news outlets

TV-am

The successful development of TV-am's breakfast news service on the ITV channel between 1983 and 1992 was predicated upon its ability to operate without a fully-owned newsgathering infrastructure, although its reliance on other broadcasters for footage and facilities was initially informal and consequently erratic. TV-am's initial plan was to focus on home news, and use EBU output plus an agency for foreign reports. It also hoped to use ITN material. It invested in ENG cameras, but was unable to get its own microwave links for the swift transmission of material back to the studio, having to rely on the use of those of Thames Television. This meant that 'live

news inserts into programming, which are being billed as a 'distinctive feature' of BBC's Breakfast Time, are unlikely to play much part in [TV-am's] news coverage' ('Cutting breakfast teeth' Broadcast 7 February 1983).

TV-am's news provision was widely criticised as inadequate during the first years of its contract. A crisis point was reached when the Grand Hotel in Brighton was bombed on the morning of Friday 12 October 1984 during the Conservative Party Conference, for TV-am managed only one report from the scene in its three and a half hours of airtime, relying instead on footage provided by a reluctant ITN, which wanted to keep its material for its own bulletins. While TV-am argued that it was a part of the ITV network and therefore should be helped by other ITV companies, for example by Thames Television sharing its microwave link transmission system, the other companies argued that TV-am should be more independent and stop relying on them for newsgathering favours (cf. 'TV-am news is in dispute again' Broadcast 8 February 1985). TV-am's response was to provide a programming mix that was domestic and features-led, rather than attempting to focus on hard news.

This strategy was profitable. By 1987 its half-year profits were up by 20 per cent to £4.8 million in 1987, as a result of its provision of 14.2 million viewers a week to advertisers ('TV-am profits rise by a fifth as newsroom is given boost' Campaign 2 October 1987). It consequently started to look for ways to extend its newsgathering capacity. It put in a bid to make the 'coffee time' summary bulletin on ITV at 10.25 am, arguing that it could provide the news at much lower cost than ITN, and expanded its facilities capacity. However, it lost its franchise in 1991 and in 1993 ceased to broadcast, being replaced by GMTV. In its final year of operation it contracted out all of its news production to Sky News.

GMTV

All of GMTV's newsgathering since its inception has been provided by Reuters Television. Reuters Television also produced the entire first hour of GMTV's airtime, which was more oriented to news and current affairs reporting than the rest of GMTV output. Like TV-am before it, GMTV sought to fill the extra capacity of its studios and production facilities by setting up a production unit in 1995 to develop programmes for other broadcasters.

Thus, both breakfast time licensees did not develop their own international newsgathering structures, even though their role as the sole source of news on ITV for three and a half hours each weekday morning was a sizeable responsibility. Neither the regulators nor the broadcasters saw the logic of capital investment in such an area, partly because of the audience profile for breakfast programming. The fact that these news organisations could become clients and receive dedicated newsgathering services from news agencies cut through any requirement for in-house provision.

Business News channels

EBN/CNBC

Other news-based channels that developed during the period of research enquiry included a number of business news outlets, which similarly were aided by the increased divisibility of newsgathering structure. In 1995 European Business News (EBN) was set up. Its definition of 'business' was deliberately wide. As its publicity material stated, business was

what makes the trains run and the theatre play, it puts the food on the table
and the goods in the shops.

It aimed to appeal to 'the business person in everyone' (Rob Beynon Managing Editor EBN quoted in Broadcast 24 February 1995). Although its focus and marketing was based on business news, it also switched to becoming a more traditional broadcaster at times of breaking crisis news. For example, when the FBI building in Oklahoma was bombed in 1995, it focused on the breaking story. As its Managing Editor Rob Beynon argued:

It's pointless to say 'there's been a bit of an explosion in Oklahoma City and a number of people are dead but rather than show you some pictures we'll just give you some figures from Wall Street' because then everyone would just turn over to CNN.

(in interview 11 July 1995)

It was owned by Dow Jones and Flextech, and produced and uplinked from London to a projected 39 million cable households across Europe, thus coming under ITC jurisdiction. It had a number of its own journalists and crews, but relied for foreign news coverage on APTV and WTN newsfeeds, and used some ITN facilities. At the end of 1997 it was merged with CNBC, as a result of both channels' difficulty in finding revenue. CNBC was another UK-based European 24-hour business channel, more conventionally programmed. The merged channel was called CNBC, but production remained based at the EBN building.

Bloomberg Television

Bloomberg Television was launched in November 1995. It is a 24-hour business and financial news channel, with core programming being tailored to give own-language channels to Spain, France, Italy and the UK. It is available to 42 million homes across Europe (1997 figures). The station is based in London, and comes under ITC Programme Code jurisdiction. Bloomberg Television invested in digital technology to keep staff costs down. The system of transmission is fully automated: transmission

takes place at a different location from the production newsroom, and the transmission site is completely unstaffed. The editorial side is equally minimal in terms of personnel. The presenter operates his or her own studio, which means that for each channel on air, there is only one operator. For its non-business news coverage, in 1997 the station subscribed to WTN and APTV news agencies, and to ITN. It did not, however, subscribe to Reuters Television. Competition between two companies at one level of their mutual interests - the provision of financial services - in this case precluded business at another level - the supply of news agency material.

There is no doubt that the development of a more fluid news agency system facilitated the setting up of these new news organisations. Firstly, news organisations did not have to commit themselves to significant capital investment in a newsgathering infrastructure. Instead, they could buy in footage and production facilities. Secondly, had the news agencies remained owned by parent broadcasters, they would have found it more difficult to sell footage to certain other UK outlets.

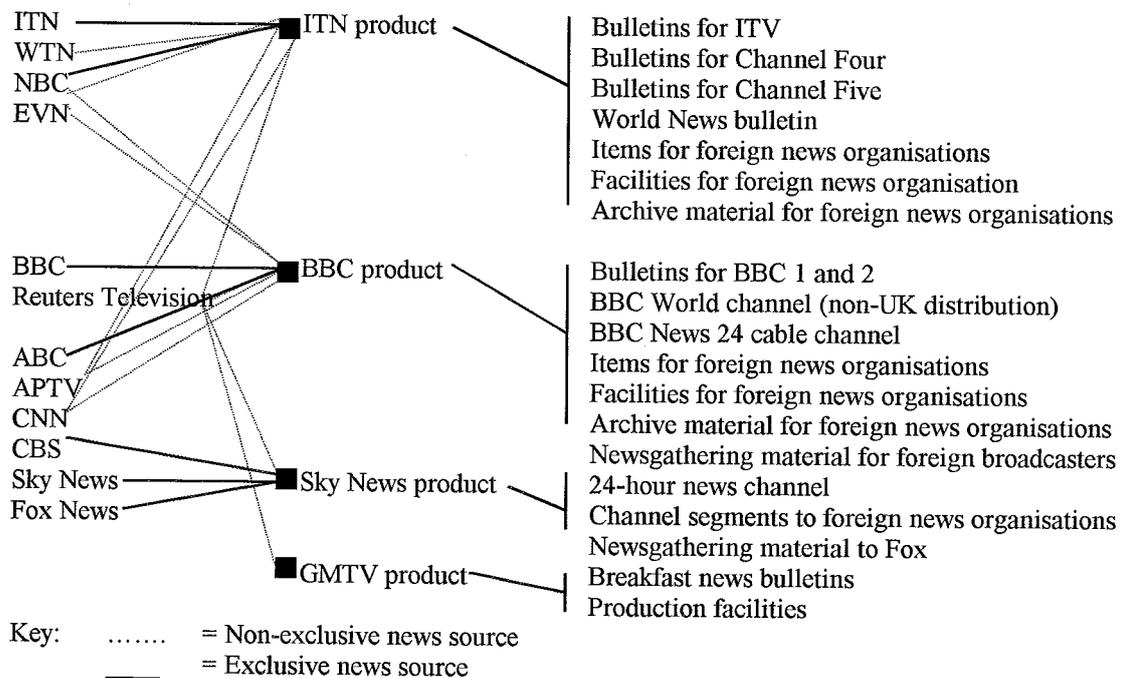
The situation in 1998

By 1998, then, each part of the television news production chain could be separately supplied. If an organisation had no footage, this could be purchased from a number of news agencies, broadcasters or freelancers. If it had footage but no editing capacity, this could be hired. A news organisation could send a single correspondent to a breaking news story and use the research, scripting, footage and delivery facilities of a news agency.

Thus, during the period of research enquiry, a market developed for all parts of the television news production process – the number and type of television news products

had increased and were being traded. The vertically-integrated system of news agencies and owner-client broadcasters was broken, with news agencies supplying their material and facilities more widely. Relationships between broadcaster and broadcaster, and between broadcaster and news agency, were much more fluid and less locked in to exclusive alliances, as can be seen from Figure 4.2 overleaf, which describes the position of the major UK television news organisations, their newsgathering sources, and their product output, at the start of 1998:

Figure 4.2: The structure of the television news sector in 1998



The main changes to be noted between the situation of 1982 and that of 1998 are the following. Firstly, on terrestrial television, compared with 1982, there were bulletins on two more channels, Channel 4 and Channel 5, provided by ITN. There was breakfast news provision on the BBC and on ITV, the latter provided by GMTV. There were summary bulletins on the BBC and ITN throughout the daytime period. All news bulletins were longer. On non-terrestrial cable and satellite television,

depending upon the particular cable operator or on BSkyB's bouquet strategy, there was a choice of Sky News, CNNI, Euronews and BBC News 24, all of which were 24-hour news channels. The business news channels of CNBC and Bloomberg Television were also available, although not necessarily on a 24-hour basis on cable channels, instead sharing their channel with other entertainment programming. Overall weekly terrestrial television news was 30 hours, compared to the 15 hours and 50 minutes in 1982.

Secondly, news organisations provided a greater range of services than they had in 1982. For example, ITN provided news production facilities, items, bulletins and archive services to foreign broadcasters. Thirdly, the relationships between broadcasters and news agencies were much more fluid. In 1992 Reuters bought out the other shareholders in Visnews, and renamed the agency Reuters Television. The BBC moved closer to WTN, giving it the contract to sell the BBC's footage abroad, partly because of a major newsgathering alliance between the BBC and ABC which by this time owned 80% of WTN. ITN, although it maintained a 10% stake in WTN, moved closer to Reuters Television, not least because of Reuters' part-ownership of ITN (see case study chapter below for details), and its physical location within ITN's building.

Although there was still a certain degree of preferment in these relationships, there was much more fluidity than hitherto. Broadcasters were able to subscribe to whichever news agency they wished to or could afford. In spite of ITN's falling out with WTN, it continued to take its news agency feed. Reuters' Latin American subsidiary service subscribed to WTN. The BBC continued to take the Reuters Television news agency

feed. CNN was used as a news agency source by many.⁵ As David Kogan, the Managing Director of Reuters Television summarised:

The days where the BBC were a shareholder in Visnews and you would never supply anyone else in the UK ... have gone forever. There is no secure future in doing that...
I think the lesson that everyone has learned in the last few years is that there's no such thing as a lock-in.

(in interview, 13 July 1995)

4.4 The limits of marketisation

However, these developments should not be taken to imply that the television news market was moving towards a perfectly competitive model, with freedom of entry and exit for new firms. There are a number of ways in which the marketisation, or development of conditions for trade, in the television news industry has remained limited. In particular, it is important to register that although there was growth in the number of news outlets, newsgathering capability remained largely in the same hands as it had been in 1982, with the exception of APTV. Thus, an oligopoly of supply was maintained. Furthermore, such organisations did not have an unfettered ability to employ economies of scale. Rather, their expansion was limited because of the problems that expansion incurred with parent companies and clients. In certain cases this was due to difficulties over the ownership of copyright, exemplified by the growing tension between WTN and ITN during the late 1980s and early 1990s; in others it was due to an organisation moving into the provision of competing services with its erstwhile clients, exemplified by the situation of Reuters Television in the early 1990s.

⁵ CNN had indeed marketed itself as a provider of news footage rather than a broadcaster when it first moved into Europe in 1985. It offered its service to broadcasters at no cost for the first five months of operation, and hoped to attract ITN, TV-am and the BBC to subscribe to its service by editing together a 15-minute compression of top stories each day, so that the broadcasters did not have to search through hours of tape ('CNN clinches news deal with the BBC', Broadcast 17 July 1986).

This final section of the chapter traces these case histories, and summarises the extent of 'marketisation' to be found within the industry.

The problems of copyright: WTN and ITN

One of the major drawbacks to ITN's expansion overseas in the 1980s was the fact that its news agency WTN owned the international copyright to ITN's footage. David Roycroft, ITN's Director of Marketing during the 1980s, argued strongly that

One of the key things that held ITN up was that ITN gave WTN the exclusive rights to ITN material overseas ... There was a constant tension there all the time. Quite frankly I don't know why they did it ... WTN started putting its own programmes together, and it was really just selling ITN's birthright cheaply...

Whoever signed up that agreement with WTN all those years ago really scuppered ITN.

(in interview, 15 October 1996)

According to ITN's Chief Executive Stewart Purvis, the WTN contract also prevented ITN from developing co-partnership deals with other foreign broadcasters:

The problem about WTN rights was that it stopped ITN having real partnerships with people like CNN and NBC. Why would they partner us if they could buy our material via WTN? So we then began a protracted process of extracting ourselves from WTN, in order to get rights back over our material.

(in interview, 17 February 1998)

WTN developed an increasingly large revenue stream from ITN material. It was particularly galling for ITN because ITN reports were being sold to broadcasters whose credibility was enhanced by them. For example, CNN largely relied on ITN reports supplied by WTN in its early years, as David Roycroft noted:

If you look at the way CNN started, CNN relied on ITN for sensible packages in its own programming and it was able to buy them pretty cheap from WTN ... and CNN ran that stuff all the time.

(op cit.)

ITN attempted for a number of years to renegotiate the contract. It began to sell its own material to non-WTN subscribers, particularly its Channel 4 News packages,

which were popular among certain foreign broadcasters, according to the Deputy Editor of Channel 4 News Sue English:

[WTN] were effectively able to sell our eight-minute pieces abroad for quite a lot of money, because they were a format that other people weren't doing, and they were quite a big selling point. For example the Macneil-Lehrer News Hour in the States ... were basically ringing us up every day and saying 'What have you got on the show tonight?' and taking chunks of our material. And none of it was coming back to us, it was all going into WTN coffers. [So] ... we started selling our items to people who were not WTN clients and keeping the money ourselves.

(in interview, 6 March 1997)

It was not until 1993 that the relationship came to an end, and by then, as the ITN case study chapter below documents, ITN's strategy for international expansion had foundered.

Thus, the ownership of widespread copyright for footage was essential for broadcasters to be able to generate expansion of their outlets into foreign territories. The early development of CNN in Europe provides a further illustration of this point. When CNN began broadcasting in Europe in October 1985, it was forced to focus its activity on the development of narrowcast contracts to hotels. It signed up the Dorchester Hotel in London to take the service, in a deal estimated at £32,000 per year ('CNN for Dorchester' Broadcast 16 August 1985). Such a strategy was necessary because it did not own re-broadcast rights to the BBC and ITN footage it used in its North American programming. Even with its undertaking not to look for broadcasting opportunities and to focus instead on hotel narrow-casting, CNN was forced to agree to edit out of its transmissions all footage to which it did not have non-USA rights. During 1986 deals with certain European cable operators were made, which gave CNN rights to broadcast that country's footage on its channel. Eventually in 1987 the BBC and CNN signed a deal allowing the BBC to use up to 30 minutes of CNN material every 24 hours. A similar deal was signed later with ITN, which allowed ITN to use CNN

material for its Superchannel bulletins ('CNN clinches news deal with the BBC' Broadcast 17 July 1986). These agreements were reciprocal, giving CNN the right to use BBC and ITN material for their European as well as their American service. Thus, CNN's entry into European distribution clearly showed the potential problems of footage copyright and the consequent need to ensure reciprocal arrangements with foreign broadcasters.

The problems of competitive activity: Reuters Television

The move by Reuters Television into quasi-broadcasting activity in the early 1990s had not been a smooth one. It brought a number of complaints from its core news agency customers that it was moving into direct competition with them, and furthermore that the companies that Reuters Television supplied tailor-made services to - Sky News and GMTV - would be given extra benefits. A number of executives raised this point during interview. For example, ITN's sales director Mervyn Hall argued in 1995 that:

I'm a customer of ... [Reuters Television] and I'm suspicious of what's going on. I find it difficult to understand that if I'm paying him for an agency service and there's a story breaking in Belfast at two in the morning, at which I want to have the pictures for the Big Breakfast ... I find it difficult to understand that this Reuters crew here is working for GMTV, and this crew here is a Reuters crew working for ITN, and there is no collusion.

(in interview, 14 July 1995)

WTN's Managing Editor Lowndes Lipscombe also held this view:

If I ran a channel in France and subscribed to Reuters, and my primary competitor is owned and operated and supplied by Reuters, I would be very uncomfortable with relying on competing with Reuters material against a station in which Reuters has a much greater interest, I'd go to WTN, I need someone whose vested interest is in making me better.

(in interview, 16 August 1995)

The former Editor of Visnews Stephen Claypole noted the concern by customers that Reuters Television was moving into competitive activity:

They were putting out a message to the market that they were going to be in programme-making and broadcasting, and this was interpreted by a lot of people as a wholesaler becoming a retailer, and competing with their former allies and customers for revenue and ratings.

(in interview, 24 October 1996)

Similarly, when Visnews was still part-owned by the BBC, its diversification into production caused tension:

The BBC [initially] accepted that it was good for Visnews to do the contract with Sky News [because] Sky News didn't pose at that moment a particular threat to the BBC... [But] it became a real problem when suddenly there was a Reuters News Hour as part of the schedule. The BBC began to get just a tad paranoid about what Reuters was up to. And then of course Reuters bought into London News Radio at a time when the BBC had just made a huge investment in Radio 5 Live. At that point the editor-in-chief at Reuters, Mark Wood, and David Kogan were saying 'We're going to be a broadcaster, we're going to be into programming'... Imagine how the BBC felt when Reuters announced one morning that Reuters had taken a significant shareholding in ITN.

(ibid.)

An additional potential conflict arose when in 1992 Reuters took an 18 per cent shareholding in ITN. Because of BSkyB's expressed interest in applying for the ITV news contract, and Reuters' newsgathering arrangement with Sky News, there was a danger that Reuters would therefore be competing with a part-owned company. To circumvent this a no-competition clause was inserted into the Reuters-ITN agreement, valid for the ITV contract only.

Reuters Television was bullish during this period in the defence of its diversification strategy. It argued firstly that it was not in competition with its clients as it still provided an ubiquitous news feed service, and also that it was only in response to broadcasters' encroachment into news agency territory that it had been forced to develop secondary programming activities. As Reuters Television's Managing Director David Kogan said in an interview in 1995:

Now, broadcasters are more and more selling their own material with their own brand on... Seven years ago they simply didn't do that, they relied on the agencies not only to supply them with material but to syndicate their

material ... Seven years ago very few broadcasters owned their own transponders and very few did satellite newsgathering ... that was our semi-exclusive run. Today, every broadcaster around the world owns their own satellite dishes. So unless you want to go out of business, you develop and extrapolate new forms of business.

The way we've done that is just as broadcasters have tended to move into what you might call traditional agency activity, so we've started to broaden more and more into our quasi-broadcasting activity.

(in interview, 13 July 1995)

However, the extent of criticism and concern from its clients, connected to the fact that Reuters Television as a subsidiary of Reuters was not doing well financially, led to a decision to move away from its 'quasi-broadcasting' activities. While Reuters' 1994 Annual Report enthusiastically described 'good prospects for expanding television, especially by producing programmes for broadcasters' (Reuters, 1994: 3), the 1995 Annual Report (written in 1996) changed its emphasis to highlighting 'the growth of online services, on the Internet and elsewhere, opens up new prospects beyond Reuters traditional markets' (Reuters, 1995: 5).

In 1996 Reuters Television closed its radio news arm, and repositioned itself to focus on its core business of news agency provision of footage and facilities. At the end of 1996 its Managing Director David Kogan resigned, and in 1997 the Director of Programmes Tony Millet left the company, which was taken as a 'signal [that] Reuters Television intends to move out of programme activities' (Broadcast 11 April 1997). Although Reuters Television entered into negotiations with ITN over the possible acquisition of the pan-European Euronews channel in 1997, it pulled out before agreement was reached because of concern over the impact of such a shareholding on its agency business:

A source said that Reuters executives had decided that taking an equity holding in the service could compromise the news agency's relationship with other broadcasters.

(Broadcast, 8 August 1997)

Thus, the development of Visnews/Reuters Television exemplifies the way that a diversified and disaggregated structure which enabled an expansion of activities, also brought in its wake potential conflicts of interest, either with customers or with parent companies who become competitors. Such 'marketisation' of activities cannot be pursued without a great deal of strategic positioning to ensure that erstwhile clients or parent companies do not feel vulnerable.

Concluding Remark

In summary, the development of the television news industry over the last sixteen years reveals an increase in disaggregation and diversification among news agencies and news broadcasters. However, although the industry is indisputably much more aware of a need to organise itself according to market principles, these principles are not the primary factor in news development. There are two overlapping explanations for this. Firstly, the political interest in the television news product has meant that a tight regulatory framework exists from which news organisations cannot deviate. Secondly, this regulatory framework is of active benefit to news organisations, because it perpetuates the public service rationale of news provision, which ensures that those channels and organisations which produce television news gain a certain degree of status and prestige. It is this regulatory framework which is examined in the following chapter, and the subsequent case study chapters show the inter-linked nature of television news provision and the conferment of status.

Chapter Five

The Regulation of Television News

Introduction

The following characterisation of broadcasting policy is a familiar one:

The upshot of government policy from 1986 to 1996, beginning with the Peacock Report and continuing with other White Papers, both before and after the passing of the Broadcasting Act of 1990, has been to focus the minds of the BBC and ITV upon the strictly business side of broadcasting, relegating the issues of quality, content and programming policy to the margins of the debate.

(Weymouth, 1996: 64)

To what extent does this assessment apply to the particular area of television news regulation? How has television news regulation developed since the early 1980s? Is the current regulation of news broadcasting tighter or looser than it was at the outset of the research period? What are the particular concerns of politicians vis-à-vis television news as distinct from other programming genres? This chapter sets out to provide answers to these questions, based upon the evidence of legislation, Parliamentary debates, and interviews with regulators and MPs.

The chapter firstly describes the development of Conservative political intervention in broadcasting during the 1980s, and the degree to which it was felt necessary to intervene in the regulation of television news. It then assesses the changes made to the broadcasting regulatory infrastructure in the late 1980s and during the 1990s through an examination of the 1988 White Paper, 1990 Broadcasting Act and 1996 Act, assessing both the substantive legislation and also the parliamentary debates that helped form them. Thirdly, the current parameters of television news regulation are set out, providing a synopsis of statutory legislation as well as regulation stemming

from other sources. The final section examines the issue of cross-media ownership in depth, which serves to underline the extent and degree of political interest in the television news genre.

In broad terms, what transpired during the period of the research enquiry can be summarised as an attempt by successive Conservative - and latterly, Labour - governments to balance economic liberalisation of the broadcast industry with the maintenance of standards of quality and public service in certain key areas of programme provision. This chapter traces the development and outcomes of liberal economic philosophy and argues that in the particular area of news provision, its impact was limited. Although the impact of free-market ideology was evident in the development of a more market-oriented structure for newsgathering, as described in the previous chapter, in terms of both content and ownership regulation, the situation in the late 1990s is rather less liberalist than could have been expected. Since the mid-1990s, indeed, there has been an increased amount of regulation targeted at the maintenance of programme standards because of an increasing belief in the drawbacks of cross-media ownership, as is spelled out below.

5.1 The development of an impetus for regulatory change: the relationship between broadcasters and Government during the 1980s

It is beyond question that the Conservative Governments of the 1980s were largely antipathetic to the practices of the broadcasting industry as it then operated. Both the BBC and ITV were criticised for their vertical integration and closed-shop union arrangements resulting in what was perceived to be over-staffing. There was

particular condemnation from the Prime Minister Margaret Thatcher. As a brokers' report looking into the advisability of investing in ITV companies described in 1988:

Working practices [within ITV] are ... a serious problem, and have come under bitter attack from the Government. Most visible are ... over-manning on outside broadcasts. A ... non-ITV producer will typically send a two-man team to No. 10 Downing Street to interview the Prime Minister, while an ITV company tends to send a team of six or more: the P.M. cannot understand why this is necessary, and makes her views on the subject widely known.

(Fahy, 1988: 29)

The Prime Minister's scepticism as to the value of broadcasting in general is also evident from her autobiography:

The world of the media had in common with that of the arts a highly developed sense of its own importance to the life of the nation ... Broadcasting was one of a number of areas - the professions such as teaching, medicine and the law were others - in which special pleading by powerful interest groups was disguised as high-minded commitment to some greater good.

(Thatcher, 1993: 634)

While the broadcasting industry as a whole was perceived to be at fault at the level of industrial relations and inefficient practices, the BBC was further singled out for its perceived anti-government editorial stance, while ITN's editorial position was largely uncriticised (see ITN chapter below for more details). The Falklands War of 1982 was a particular case in point, when the BBC refused to be explicitly partial to the British cause, employing techniques such as using the adjective 'British' instead of 'our' when describing the actions of soldiers. As Walters (1989: 383) has described, 'to many of its denigrators in 1982 the BBC was not reflecting public criticism but stimulating it. It was seen as a source of dissent, as undermining national consensus'. ITN's editorial position was in stark contrast to the BBC's sceptical approach.¹ It chose to be much more actively partial to the British cause:

¹ See below Chapter Seven for more details.

ITN in the first months of the campaign had taken the decision that they were not covering an issue in which there were two sides that needed to be given equal prominence or equal air time. The doctrine of impartiality had gone out of the window.

(IBA, 1983: 17)²

Such a position, obviously enough, was much more to the liking of the Conservative Government of the time.

Conservative politicians throughout the 1980s were vocal in their dislike of BBC practices (for details see Barnett and Curry, 1994; Goodwin, 1998; Horrie and Clarke, 1994; Leapman, 1986; Milne, 1989; O'Malley, 1994; Walters, 1989). There were both back-bench and front-bench attacks. When the then BBC Director-General Alastair Milne asked the Home Secretary Leon Brittan for an increase in the licence fee in 1984 (a request which led to the setting up of the Peacock Committee to find an alternative funding method for the BBC), Brittan said he would need evidence of cost-cutting, not for himself but for the House of Commons: 'There would be great difficulties with his colleagues, he said, when [the licence fee] came up for renewal' (Milne, 1989: 163). At the time of the trial over the Panorama current affairs programme 'Maggie's Militant Tendency' in 1986, when the BBC Board of Governors dropped the defence and paid damages to the Conservative MPs who were suing for libel over allegations made in the programme, over one hundred Conservative MPs signed a Commons motion calling for 'the restoration of proper standards at the BBC' (Walters, 1989: 395). A Media Monitoring Unit was set up in the mid-1980s by Conservative Central Office as a response to the perceived continuing breaches by the BBC of their impartiality requirements. In 1990 the

Conservative Party Chairman Kenneth Baker addressed the Conservative Party conference and called for all members to 'swamp' the BBC with calls of complaint after a Panorama programme critical of the funding of the Party had been broadcast (Horrie and Clarke, 1994: 169).

Conservative proposals for regulatory change

Thus, it was unsurprising that the Government attempted to change the broadcasting environment. Not only was the industry operating according to a staffing logic and internal organisation that fitted ill with Thatcherite free-market policies (as detailed above in Chapter Four), but the BBC in particular was using its editorial power to criticise government. In 1985 the Peacock Committee was set up to ascertain whether the BBC ought to accept advertising; an idea that the Prime Minister strongly endorsed. However, rather surprisingly, the Committee recommended the maintenance of the status quo in terms of BBC funding. Instead, it argued for the development of market structures within the industry, such as an independent production quota and the break-up of vertically-integrated broadcasting systems, in order for it to become more competitive. These proposals were drafted into the 1988 White Paper 'Competition, Choice and Quality', (Home Office, 1988) which can be seen as the 'high water mark' of Conservative broadcasting liberalism.

² In terms of the relative popularity of the stance of ITN vis-a-vis the BBC during the Falklands War, it is of note that an IBA poll after the war showed that viewers greatly preferred the partiality of ITN.

5.2 The 1988 White Paper

Such deregulatory thinking was brought into the arena of terrestrial broadcasting regulation by the 1988 White Paper. Instead of the IBA being responsible for the broadcast content of the ITV contractors, the locus of responsibility was shifted towards the regional companies, and proposals were made to turn the IBA into a 'light-touch' regulator, merging it with the Cable Authority. The White Paper highlighted the role of consumer choice and deregulation in the development of broadcasting, aiming for the replacement of government regulation by consumer choice. More emphasis was to be placed upon viewer activity as being the arbiter of tastes and standards:

As new services emerge and subscription develops, viewer choice, rather than regulatory imposition, can and should increasingly be relied upon to secure the programmes which viewers want.

(Home Office, 1988: Section 2.5)

The White Paper classed vertical integration as a problem:

There should be vigilance against uncompetitive practices and market distortions. Partly for this reason, and to limit barriers to the entry of new operators in the market, there should be a greater separation between the various functions which make up broadcasting and have in the past been carried out by one organisations. These include programme production, channel packaging and retailing, and transmission or delivery.

(ibid.: Section 2.6)

Indeed, in addition to the 25 per cent independent production quota already operational, the White Paper indicated that the Government was happy for 'Channel 3 licensees to contract out all their programme making if they find it efficient to do so' (*ibid.*: Section 6.12). The concept of the publisher-broadcaster, made manifest by the advent of Channel Four in 1982, was lauded as an organisational model which encouraged competitive market practices.

However, although the Government was libertarian in some areas, in the area of programme standards, in particular those of 'taste and decency', there was a desire to maintain regulatory presence. As Samuel Brittan noted in his discussion of his experiences as a member of the Peacock Committee,

In principle, Mrs Thatcher and her supporters are all in favour of deregulation, competition and consumer choice. But they are also even more distrustful than traditionalist Tories such as Douglas Hurd of plans to allow people to listen to and watch what they like, subject only to the law of the land. They espouse the market system but dislike the libertarian value judgements involved in its operation.

(Brittan, 1987: 4)

The White Paper therefore proposed that 'rules will still be needed to safeguard programme standards on such matters as good taste and decency and to ensure that the unique power of the broadcast media is not abused' (op cit.: Section 2.5).

White Paper proposals for news provision

This paradox within Conservative broadcasting policy - that of a wish to implement the liberalist rhetoric of the free market through deregulation, and the realisation that regulation was in fact necessary in order to safeguard certain programme standards - was particularly evident in the White Paper proposals on news provision. As a senior broadcasting civil servant noted about the drafting of the Paper:

One was trying to reconcile [on the one hand] a desire on the part of Ministers ... to protect and preserve the position of ITN, which was obviously an institution for which they had a great deal of time and sympathy and a good deal of political rapport, with [on the other] the ... logic ... of competition that they were bringing to the rest of the processes for the awarding of broadcast licences, which implied that nobody should be given a privileged position, that everything should be up to be bid for.

(in interview, 16 September 1997)

The paradox was illustrated by the first draft of the 1988 White Paper, which according to Sir David Nicholas, the then Chief Executive of ITN, did not require

the ITV companies to take a news service at all. This was quickly changed after ITN had pointed out the dangers of such a position, again by playing on Conservative dislike of the BBC's news editorial policy:

We were stirring, saying 'Can you imagine a general election and there's only one network news service, the BBC?' ... It took about .3 of a second for that to reach the politically minded. And later a leading economist architect of the first version said to me 'I don't know what I was thinking of, I was thinking of it as a purely economic freemarket doctrine, I wasn't taking on board the political edge'.

(Sir David Nicholas in interview, 7 November 1996)

Consequently, news provision was one of the few areas of programming that was acknowledged to need regulation to ensure its continued presence in the schedules. The White Paper proposed that news regulation would be maintained as an important, non-economically justified, plank for the maintenance of the public good:

Each Channel 3 station will be required ... to show high quality news and current affairs dealing with national and international matters, and to including news coverage (and possibly also current affairs) in main viewing periods.

(op cit.: Section 6.11)

Furthermore, the Government believed 'it necessary to go further, in the case of Channel 3 alone, to ensure that there is adequate competition to the BBC and to guarantee the continued availability for a high quality news service of the kind which ITN has provided throughout the existence of the ITV system' (op cit.: Section 6.13). These proposals reveal two things about the Government's perception of news broadcasting. Firstly, that the Government accepted that the television news genre needed some government support if it was to be provided. In other words, a regulatory stipulation was necessary in order to ensure that news would be provided by the commercial sector – it was not seen by government as an automatic choice for channel schedules. Secondly, that television news was important enough - either for the public good, or for the self-interest of politicians who needed television news

outlets for their own promotional purposes - that its commercial limitations should be acknowledged and its existence assured through the imposition of regulation.

Thus, while at a free market level the logical objective in broadcasting strategy was to allow for competition via a deregulated programming environment, it was quickly recognised by the Conservatives that television news had particular political communicative power and as such needed protection. To introduce competition into news provision was not a simple matter of deregulation. ITN's existence actually provided competition to the BBC, and as such needed to be safeguarded.

5.3 The 1990 Broadcasting Act

General provisions

Although the White Paper had hoped to deregulate the broadcasting industry, in many ways the provisions in the 1990 Act were a lot tighter than they had been hitherto. 'Light touch' regulation as a description for the parameters of the 1990 Broadcasting Act, and in particular the role of the ITC, was a misnomer. As the Home Secretary David Mellor said during the passage of the 1990 Bill, the description was misplaced: 'In many ways, we are offering the ITC a much firmer set of rules and better ways of imposing its will when they are breached than the IBA ever had. The phrase "light touch" implies a limp-wristed approach, but we are enabling the ITC to have a firm grip' (House of Commons, 30 January 1990, Standing Committee F, c420). A senior broadcasting policy civil servant at the time characterised the Act as 'very interventionist, very regulatory' (in interview, 16 September 1997).

The Act attempted to legislate for increased efficiency on the part of the terrestrial broadcasters. The BBC's licence fee was linked to the Retail Price Index, but with a shortfall of 3 per cent in order to encourage efficiency savings. To the same end, the ITV franchise system was changed from one where the Treasury received a percentage of each regional ITV company's profits, which in practice encouraged the company to spend extra revenue rather than retain it, to a system of bidding, whereby the ITC would award the regional franchise to the organisation which had bid the highest amount and passed a 'quality' threshold.

The Act was a clear illustration of the tensions between two strands of Conservative thought: that of liberalisation and that which wanted to safeguard programme diversity and quality. A number of its provisions gave contradictory messages as to the legitimacy of government involvement in broadcasting regulation. On the one hand, franchises for the regional ITV licences were auctioned to the highest bidder; on the other, positive programming requirements were maintained as the price such companies had to pay for the use of lucrative scarce spectrum. As the ITC Director of Programmes and Cable Sarah Thane described,

Even though ITV and Channel 5 pay the Treasury for the privilege, they are receiving by way of benefit universal access to all homes in the country. They don't have to go out and lure every new customer as Sky and the cable and satellite services do. There is still a belief that the value of the commodity that they've got requires not just a financial payback but giving viewers the guarantee of range, diversity and quality within the services.

(in interview, August 1997)

Furthermore, regulation over the content of programmes was strengthened by the Broadcasting Standards Council (BSC), which had been set up in 1988 but was made

into a statutory body by the 1990 Act. Its remit was to conduct research into the portrayal of taste and decency, sex and violence, and serve as a place of complaint for viewers offended by such portrayals. Although its powers were minimal - broadcasters would be obliged to give an on-air announcement of the adjudication, but did not have to admit culpability - it exemplified the way that Government refused to allocate all control over programme standards to market practices.

News provisions

The changes that the Act made to the rules governing television news content and scheduling codified that which had previously been implicit. In the 1981 Broadcasting Act (HMSO, 1981: Section 2(2)(b)), the IBA was charged with the duty to ensure that *all* types of programming under its jurisdiction should maintain 'a high general standard' and be broadcast at times of the day which allowed a 'proper balance and wide range' of subject matter to be seen. The only provision relating solely to news programming was that which required

that a sufficient amount of time in the programmes is given to news and news features and that all news given in the programmes (in whatever form) is presented with due accuracy and impartiality.

(ibid.: Section 4 (1) (b))

In the 1990 Act, the requirements relating to high quality and scheduling were brought specifically into the area of ITV news programming, and expanded to include a more precise description of what such a 'high general standard' should consist of:

[news programmes should be] of high quality and deal with both national and international matters, and ...[should be] broadcast at intervals throughout the period for which the service is provided and, in particular, at peak viewing time.

(HMSO, 1990: Section 16(a))

In addition, the 1990 Act made two significant changes to ITN. The first was to ITN's protected status within the ITV network, and the second was to its ownership structure.

Nominated news provider status

The 'nominated news provider' clause was the result of a desire on the part of Government to inject competition into the broadcasting arena. It decided that the dominance of ITN as news provider to the ITV network needed to be altered so that the organisation could be subject to some element of competition for the ITV contract. As a senior broadcasting civil servant characterised it, the legislation was intended 'to keep ITN up to the mark':

Compliance ... becomes a bit more meaningful if ITN know that there are other companies out there that the ITC has labelled authorised news providers who could be asked to step in if ITN don't keep up their standards.

(in interview, 16 September 1997)

Therefore, the Government gave the ITC powers to nominate news providers other than ITN for the ITV channel. The Act contained a requirement that the ITC needed to be satisfied that the nomination of a news provider would not 'be prejudicial to the provision of high quality news programmes for broadcasting in regional Channel 3 services (taken as a whole)' (HMSO, 1990: Section 32(2)). This amendment, added by Government to the draft of the Bill, thus acknowledged that unregulated competition on the channel between different news services could have a negative impact upon news quality. As the Home Secretary David Mellor described,

There is a dilemma between competition in the supply of news and providing high quality news.

(House of Commons, 15 February 1990, Standing Committee F, c799)

Nonetheless, an element of competition had been inserted into the provision of television news on the ITV channel.

The Act was unclear about whether individual ITV companies could 'opt out' of taking ITN as their news provider and commission another company instead, or whether there could be concurrent multiple sources of news provision for network dissemination. The latter would appear to be what was meant by the Home Office Minister's statement that 'There must be a national news programme shown throughout the network. [But] it would be possible for it to be supplemented at a different time by other programmers.' (House of Commons, 15 February 1990, Standing Committee F, c787). However, there was disagreement from interested parties over the meaning of the clause, and whether or not it had been deliberately inserted or was a case of bad drafting. David Glencross, former Chief Executive of the ITC, believed that the clause meant that different ITV contractors could use different news providers, so that although 'the news' would be on at the same time across the network, it would be provided by different operators. He maintained that the clause was unintentional: 'The 1990 Act was deeply flawed in that respect. It didn't see that that could be a possible outcome' (in interview, 10 July 1996), whereas ITN's Editor-in-Chief of the time, David Nicholas, characterised it as a deliberate move:

...when the Bill came out ITN's position was enshrined pretty well ... and then Thatcher put into the Bill that there would be two news services ... And that was explained to me as being a bit of a quid pro quo for securing ITN's place.

(in interview, 7 November 1996)

The ownership structure of ITN

The second major change to ITN involved its ownership structure. In the 1990 Act ITN were instructed to change from being fully-owned by the ITV contractors to a situation where outside bodies would eventually (by 1994) have a 51 per cent stake. The remainder of the shares would be available to whichever ITV companies wished to invest. Each shareholding was to be no bigger than 20 per cent. Furthermore, collective ITV company ownership was forbidden to be more than 49 per cent of the whole.

There are two main points of interest about this clause. Firstly, that although it fitted with the Conservative philosophy of liberalisation, the idea in fact came from within the ITN management structure, who wanted to move away from the financial strictures of being wholly-owned by the ITV companies.³ Secondly, that the parliamentary debate during the progress of the Bill about the ownership clauses was focused upon the relationship between editorial control of television news and proprietorship over that news provision. There was a belief from all sides of the House that proprietorship of the news organisation was directly linked to editorial control over news output, and furthermore that if ownership were separated from regulatory responsibility, there would be a diminution in editorial standards.

The Liberal Democrat broadcasting spokesman Robert MacLennan stated the case when he introduced his amendment to allow ITV companies to own collectively more than 49 per cent of the shares in ITN: 'In an area as sensitive as news provision it is important that the channels that broadcast the news have editorial

control' (House of Commons, 15 February 1990, Standing Committee F, c792). There was similar concern from the Conservative MP John Greenway: 'How can we say that a company with only a minority shareholding, and therefore a minority influence in the programme which is made, must nonetheless be responsible as publisher?' (ibid.: c804). There was a general inability to conceive of a situation whereby editorial responsibility was separated from ownership. Lord Boston of Faversham argued that 'If ITV sold a majority in ITN, it would become the only first rank broadcaster in the world not to have complete control over its own news service' (House of Lords, 19 July 1990, c1046). Lord Bonham-Carter argued that news provision was not an entity that could or should be contracted-out to others: '[The reason why] activities should not be contracted out to experts in the field [is that] ... ITN is an expert - an expert recognised throughout the world - in the field of gathering news. I do not know of any newspaper which contracts out its journalism' (ibid.: c1052).

Regulators were similarly unimpressed by the proposals. As Sarah Thane, then Controller of Public Affairs at the IBA, noted:

We were quite concerned about the 1990 Bill news provisions. We did think it was a quite extraordinary proposition initially that the ownership of ITN should be taken away from the network that supplied the news ... I do find it very difficult to think of, certainly for the public service broadcasters, just buying your news in by the yard, and not having a really high degree of influence over the shape and nature of that organisation.

(in interview, August 1997)

An IBA briefing note on the Bill also argued this point: '...there are regulatory arguments in favour of [ITV] licensee control, since the licensees have the main

³ This point is dealt with in the ITN case study chapter below.

interest in the success of the news service and will be liable for any failures or breaches of the Act by the news provider' (IBA, 1990: 7).

Even the Government ministers responsible for the Bill were concerned about the potential results of the clauses upon news quality. As is detailed below in Chapter Seven, the Home Office Minister David Mellor made plain his ideological detachment from the clause, making it clear that the impetus for the new shareholding arrangements had come from within ITN itself rather than being imposed by the Government. When the Bill reached the Lords, the Conservative peer leading the Bill initially defended the clause robustly, arguing that quality would be safeguarded by the need for the news service to comply with the ITC's quality content requirements. However, he went on to argue that 'the chances are that the 49 per cent shareholding held by the licensees themselves would create a controlling interest' (Earl Ferrers, House of Lords, 19 July 1990, c1050), in other words accepting the argument that ownership control ought to be linked to regulatory responsibility for the service.

There was thus a consensus among most of the interested parties at this time that ownership of a news organisation could result in editorial control over the news service provided, and that such control was damaging to norms of impartiality. However, both these views did not take into account the realities of already-existing structures of ownership and control.

Firstly, addressing the issue of the 'contracting-out' of news provision, both newspapers and television news organisations were regularly buying in and selling on

parts of their journalism. With the press, this occurred through the use of syndication for columnists and press agencies for hard news. With television, Sky News at this time in 1990 had already contracted-out its domestic newsgathering to Visnews, and of course the television news organisations had always used television news agencies and partner foreign broadcasters regularly for news footage. The notion of an independent newsgathering and news disseminating organisation was an ideal rather than an actual situation.

Secondly, the concern expressed towards the idea that the ownership of a news outlet could be separate from having regulatory responsibility for that output, did not take into account the fact that such situations already existed and worked without difficulty. Channel 4, although it had a seat on the ITN Board until 1991, did not have any ownership rights, yet nonetheless had contracted ITN to provide it with news output since 1982. The temporary arrangements that ITN developed with the satellite operator BSB in the late 1980s similarly meant that news output was on contract rather than an in-house component of the channel.

Thirdly, Government concern over the issue of the separation of production from broadcasting was particularly anomalous because in other areas of broadcasting it had actively encouraged the break-up of vertical integration. As seen above, it had been the hope of the 1988 White Paper that ITV companies might want to contract out their entire output to independent producers and become publisher-broadcasters. To encourage this in other areas of broadcast provision and not within the news sector showed the extent to which news programming was treated as a separate case, needing particular protection.

5.4 The 1996 Broadcasting Act

Since the Broadcasting Act of 1990 there have been few changes relating directly to news provision. The main one has been the alteration in the 1996 Broadcasting Act to the 1990 clauses on nominated news providers for ITV. A broadcasting policy civil servant in the then Department of National Heritage described the way that the issue evolved during the 1996 Bill:

There were certainly no plans to fiddle with news in the Bill ... [But] the amendment was tabled in the Lords by [Lord Barnett]... And I assume ITN drafted the amendment for Lord Barnett ... ITN came to us around that time and they essentially said that 'the provisions in the 1990 Act aren't clear. They seem to enable more than one news provider broadcasting simultaneously, is this what the government wants?' ... So the idea was raised in ministers' minds by the parliamentary process, and then ITN came in and said 'Look, this is why we want it' ... And ministers then looked at the issues and said 'yes, we want a single news provider'.

(in interview 20 August 1997)

As the Labour Peer Lord Thomson of Monifieth said in the Committee stage of the 1996 Bill: 'A single nominated news provider for Channel 3 is part of the national cohesion which we all talk about. It is certainly part of the essential national spine of the ITV broadcasting system. I would hate to see that fragmented' (House of Lords, 7 March 1996, Standing Committee D, c456). Lord Inglewood declared at the end of this debate that the Government agreed with the purpose of the amendment. 'We accept that a single Channel 3 news supplier is an important counterbalance to the BBC and will help to provide competition for audience share and in the production of high quality newscasting. We agree that a single news provider can provide continuity in bulletins throughout the day and throughout the country and help define Channel 3 as a national network' (ibid.: cc458-9).

This alteration is significant because it meant that one of the major planks of the 1988 White Paper and the 1990 Act involving news provision - that there should be a market for it within a single channel - was removed. The belief that market forces could spur a competitive and *therefore* high-quality news was no longer to be attempted. News needed protection.

Additionally, the 1996 Broadcasting Act ended the 49 per cent limit on the collective shareholdings by ITV companies in ITN, although each individual ITV company was still to have no more than a 20 per cent share of the company. The reasons for this limit were set out by the Broadcasting Minister Iain Sproat in Committee : ‘If one company had more than 20 per cent, it could gang up on other companies, which would not be healthy and would be too strong an influence within ITN’ (House of Lords, 13 June 1996, Standing Committee D, c677). As a broadcasting policy civil servant characterised it,

[The Government] didn’t want one or two companies to control ...[ITN], for as long as there are four or five companies in ITV you can be sure that the best defence about anything happening in ITV is the other companies. They are all at each other’s throats. ... Part of the concern was that if one or two ITV companies own ITN, then they have a vested interest in making sure that ITN charge a high price to the network, and always get the contract.

(in interview, 20 August 1997)

Outside interests had not been as beneficial to ITN as had been expected. In fact, as Chapter Seven details, financial investment to rescue ITN from its debts had come from *within* the ITV system, namely the new ITV franchise company Carlton.⁴

⁴ When the Carlton-led consortium took over ITN in 1993, the deal was considered by the OFT due to the prominence of Carlton’s position within the ITV network. But the OFT did not refer the bid to the MMC. During an Adjournment Debate on the operation of the 1990 Broadcasting Act in July 1993, the Broadcasting Minister Iain Sproat indicated that the reason for the OFT’s acceptance

Since 1990, then, there has been little in the way of liberalisation of the regulation of television news services. The changes made to the regulatory system in the 1996 Act were if anything a return to a more interventionist, paternalistic view of news regulation.

5.5 Current regulatory provisions for television news

What are the current rules that television news organisations must follow? As this section documents, rules on ownership, content and scheduling of news outlets and organisations vary according to the platform on which they are broadcast. Overall, however, there is a significant degree of regulatory intervention in the majority of news services which are broadcast.

Television news is regulated in three main ways. Firstly, there are ‘programming requirements’; that is, regulation of the content and scheduling of the bulletin or news channel. Secondly, there is regulation of the ownership of television news organisations. Thirdly, there is regulation of the ownership of the carrier, as distinct from the producer, of news programming, be it a channel carrying a news bulletin, or a satellite or cable programme service carrying a news channel. The degree of regulation is dependent upon the platform on which the television news service is broadcast, and, in the case of the BBC, by whether the news service is commercially

of the situation was that ‘there are ... many other providers of broadcast news services, including the BBC, Sky News and CNN for those who receive cable services, as well as the independent radio services’. (House of Commons, 8 July 1993, c572).

or licence-fee funded.

The BBC

BBC news output which is licence fee funded - its bulletins on terrestrial television, and its cable and digital news channel News 24 - is regulated by the BBC's own Charter and Agreement, and compliance with these rules is the responsibility of its Board of Governors. BBC news output which is funded commercially - the BBC World channel - is regulated in accordance with the ITC Programme Code (see below for details).

The BBC's formal regulatory requirements are non-explicit. Until 1996, the BBC's Agreement (BBC, 1992a) made no specific mention of any duties relating to news programming. The only mention of specific rules as to programming content were contained in an Annex to the main document, dated January 1981, where the Board of Governors recognised that they had a duty to 'maintain a high general standard in all respects (and in particular in respect of content and quality), and to provide a properly balanced service which displays a wide range of subject matter' (BBC, 1992a: 64). In addition, the Annex indicated that the Board of Governors 'intended' to continue to ensure that the BBC treat all controversial subjects with due impartiality. BBC policy relating to news content at this regulatory level was thus un-codified, although its news policies were spelt out in detail in its in-house publication Producers' Guidelines.

In 1996 the Agreement was revised (DNH 1996a) and made more explicit. A section was inserted on Programme Content, and within this, news programming was mentioned. The BBC's Home Services were required to

... contain comprehensive, authoritative and impartial coverage of news and current affairs in the United Kingdom and throughout the world to support fair and informed debate at local, regional and national levels.

(DNH, 1996a: section 3:1)

In addition, the provisions in the Annex relating to due accuracy and impartiality were brought within the body of the Agreement (DNH, 1996a: sections 5:1:c and 5:4:a)

Thus, although the BBC's programming remit is set out in its Charter: 'to provide, as public services... television programmes of information, education and entertainment' (DNH, 1996b: 2), no detail is given as to the constitution of such provision. The degree of freedom that the BBC holds is significant: the BBC Charter's mention of news is a statement of independence rather than a regulatory constraint:

The object of the Corporation is ... to collect news and information in any part of the world and in any manner that may be thought fit and to establish and subscribe to news agencies.

(DNH, 1996b: 4)

The BBC's commercially-funded services follow more explicit regulations. Since 1996 they have been required to operate according to the relevant provisions of the ITC Programme Code, which are set out in the following section.

In terms of the scheduling of news bulletins, the BBC has much autonomy. Its Agreement states that it has a general requirement to ensure that 'all [licence-fee

funded] programmes.... serve the tastes and needs of different audiences and ... are placed at appropriate times' (DNH, 1996a: 5:1). Thus, the BBC can decide for itself the scheduling of its bulletins.

Overall, it is clear that the BBC has independence from precise regulation about the content and timing of its news services. It is trusted to make its own decisions, so that non-specific legislation - the overall 'spirit' rather than the precise 'letter' of the law - is adequate. The umbrella concept of public service is guidance enough. As shown above, rules pertaining to the output of news on ITV were until the 1990 Act similarly loose. However, current guidelines are much more tightly drawn.

ITN

ITN news output is regulated by the ITC. All of its services must adhere to the ITC Programme Code, which is based upon 1990 Broadcasting Act legislation. The main emphasis of the Code is to ensure 'consumer protection'. In terms of compliance, it is the carrier of ITN services - the ITV companies, Channel 4, and Channel 5 - which is responsible for adherence to the regulation, not ITN itself.⁵ Compliance with the Programme Code is a condition of holding a license to broadcast.

The Programme Code states that

In addition to the general requirements relating to matters of political or industrial controversy or current public policy, the Act requires that any news, given in whatever form, must be presented with due accuracy and impartiality

(ITC, 1993: Section 3.5)

⁵ ITN has only recently moved into the position of carrier, with its purchase of a controlling stake in the Euronews channel in November 1997.

There is a further requirement, departure from which 'can only be justified ... if the licensee can demonstrate exceptional circumstances' (ITC, 1993: Section 3:

Commentary: (g)), that:

Reporting should be dispassionate and news judgements based on the need to give viewers an even-handed account of events. In reporting on matters of industrial or political controversy, the main differing views on the matter should be given their due weight in the period during which the controversy is active. Editorial discretion will determine whether a range of conflicting views is included within a single news item or whether it is acceptable to spread them over a series of bulletins.

(ITC, 1993: Section 3.5(i))

For ITN's World News and Euronews services, this is the extent of specific news content regulation. Ownership and scheduling requirements are not applicable to these services. However, ITN services on terrestrial channels have a further series of scheduling, content and ownership requirements, laid out in Broadcasting Act legislation, and which the ITC has jurisdiction over, which are now detailed.

Services on ITV

In terms of programming content, news programmes on ITV have to be 'of high quality and deal with both national and international matters' (HMSO, 1990: Section 16:a). In terms of scheduling, each regional licensee has to broadcast its news simultaneously with other licensees. National provision of news is thus stressed. Regional identity comes second to the fostering of a sense of national presence. News programmes have to 'broadcast at intervals throughout the period for which the service is provided and, in particular, at peak viewing times' (ibid.). News broadcasts have to be live. In terms of ownership, no one ITV company can own more than 20 per cent of shares in ITN. Collectively, ITV companies can hold a majority of shares or be outright owners of the ITN company.

Services on Channel 4

Channel 4 regulations as set out in the 1990 Broadcasting Act are not as detailed. A corollary can be drawn with the BBC case, for Channel 4's remit is to provide a public service, and hence it is given less codified requirements for the type of programming shown. Its only stipulation relating to news is that 'a sufficient amount of time is given in Channel 4 programmes to news programmes and current affairs programmes which are of high quality' (HMSO 1990: Section 25:d).

Services on Channel 5

Channel 5 news services have been bracketed with ITV news services in terms of legislation, although with some modifications. Channel 5 news programmes have to be of high quality, and deal with national and international matters, and to broadcast throughout the day and in particular at peak viewing times. However, they do not have requirements placed upon them in respect of live presentation, nor does the Channel 5 news provider have to abide by any particular ownership rules.

News agencies

News agencies are not regulated in terms of their ownership, nor are they responsible for the accuracy of the output they produce. Responsibility for their material lies with the broadcaster who uses it.

News channels

Sky News has to abide by the ITC Programme Code as set out above. Indeed all of the cable and satellite services that can be viewed in the UK come under the ITC's

jurisdiction. Thus, CNBC, CNNI, Euronews and Bloomberg Television must all follow the Code, as must the hourly bulletins on Live!TV.

Other requirements

All news outlets that are funded through advertising or sponsorship must adhere to the ITC's advertising and sponsorship rules (ITC, 1997: Section 6:1). The main, 'news' section of a news programme cannot be sponsored. However, 'specialist' news reports such as culture, sports, traffic, travel or weather are permitted to be sponsored, as long as such items are separated from the main bulletin by either end programme credits or an advertising break. This distinction between the types of item possible to sponsor underlines the degree to which impartiality is of primary legislative concern. The provision of information about politics and world events must be impartial and neutral. No possible way of influencing viewers, or any suggestion of it by the juxtaposition of the advertising of a particular product with news information, is permitted.

In addition to these rules which are directed at television news, there are a series of ownership and content requirements that must be followed, which pertain to all broadcast programming. Firstly, terrestrial commercial channels (ITV and Channel 5) cannot be owned by non-European Economic Area (EEA) companies or individuals, the BBC or S4C. No ITC-licensed organisation, be it terrestrial or cable or satellite, can be owned by local authorities, political parties, religious bodies, or advertising agencies. Local authorities and political parties are forbidden to have more than a 5 per cent stake in any company wishing to take a broadcast licence (see HMSO, 1990 and 1996: Schedule 2, Part II).

Secondly, all news output must conform to the 9pm 'Watershed'. Before this time, terrestrial broadcasters must assume that children will be among the viewing audience and care must be taken not to unduly shock or upset them. After 9pm, 'adult' viewing is progressively permitted.

Thirdly, the 1990 Broadcasting Act set up the Broadcasting Standards Council as a statutory body, which offers guidance on issues of taste and decency, particularly in relation to the coverage of violent events of both a fictional and non-fictional nature. Broadcasters have become increasingly careful since the 1990s and the wave of 'moral panics' during this time about the role of violence on television and video, to issue warnings if violent images are to shown within programming. In 1996 the Council was merged with the Broadcasting Complaints Commission which heard cases of ill-treatment of individuals by the television programmes on which they appeared. The new body, the Broadcasting Standards Commission, now has jurisdiction over both individuals' personal complaints, and broader issues of taste and decency within programming. However, its regulatory 'teeth' are not sharp. It can compel broadcasters to issue apologies, but otherwise cannot sanction broadcasters for their breaches.

Fourthly, all television programming abides by general laws of libel, defamation, racial discrimination, contempt of court, Obscene Publications and so on.

Summary

It is evident from the above that the regulation of television news services is most explicit on ITV and Channel 5. Regulations for the other terrestrial broadcasters, Channel 4 and the BBC, are less explicit because of their overall public service remit which limits the extent to which they could, had they wanted to, demote the presence of news on their channels. Cable and satellite channels are not directly regulated in terms of their quality or scheduling, although the ITC was charged in the 1990 Act to ensure that the programme services it licensed

(taken as a whole) are of high quality and offer a wide range of programmes calculated to appeal to a variety of tastes and interests.

(HMSO, 1990: section 2: 2(b))

Overall, the regulation of television news has remained substantial, notwithstanding certain 'liberalising' measures applied to ITN in the 1990 Broadcasting Act - those of the nominated news provider status and of outside ownership - which were subsequently modified. There has never been any serious regulatory proposal that accuracy and impartiality regulation should be relaxed. Even when the Cable and Broadcasting Act was being drawn up in 1984, amid belief that cable offered a complementary and therefore potentially more innovative service than terrestrial channels because of its ability to provide many more channels, there was no dissent whatsoever from the idea that its news programmes had to be regulated. The only parliamentary discussion around the issue was whether the wording of the clause about news provision actually enabled the newly-established Cable Authority to have jurisdiction over all the news broadcasts which were likely to be viewed in the UK. The Labour MP Austin Mitchell introduced this amendment, with the aim of giving the Cable Authority wider jurisdiction over such broadcasts, and the Home Office

Minister Douglas Hurd acknowledged the validity of the concern: 'I have worried about this in the past 24 hours, because on first sight the amendment appears to make a good point' (House of Commons, 12 June 1984, Standing Committee D, c151). However, it was decided that the issue was already covered by another clause, so the proposed amendment was unnecessary.

Thus, the Cable Authority was given jurisdiction over the news content of all channels that were shown on cable television, not only those originating in the UK. Such regulation was accepted and even courted by non-UK cable channels. As an ITC memorandum (to the author, August 1997) describes:

In practice channel providers were keen to comply and liaised directly with the Authority. For example, CNN, which in those days came direct from Atlanta, modified its international service (by removing sponsorship of news and modifying some financial programmes) in order to comply with UK regulations, even though the UK market was only a small element of those that it served.

Thus, both news providers and politicians were equally convinced of the need for news programming to be regulated.

5.6 The political importance of television news

This final section of the chapter singles out an issue which further illustrate the degree of importance placed upon news programming by politicians - that of cross-media ownership. It is not that cross-media ownership rules are directly applicable to news organisations, inasmuch as the new rules which came into force in 1996 did not force any ownership changes within the news sector. Rather, what is of interest about cross-media ownership rules for the purposes of this thesis is the way that their development was couched mainly in terms of the informational bent of broadcasting.

In other words, concern from politicians about cross-media ownership was focused upon the potential impact upon the news agenda of the country. Thus, the focus in this section is upon the links between cross-media ownership issues and those of television news. Other subject areas arising from the changes since the 1990s in this regard are addressed by other commentators. See, in particular, Doyle, 1995; Congdon et al, 1995.

The desire of the ITV companies to consolidate their interests and form companies capable of overseas - and non-terrestrial - expansion was the main catalyst for changes to ownership regulation of the broadcast industry. The 1990 Broadcasting Act had permitted two regional Channel 3 services to be held by the same body for the first time (HMSO, 1990: Schedule 2, Part III). After consolidation up to this limit had occurred during the early 1990s among the ITV franchisees, momentum grew for more allowance to be made so that companies could merge further in order to be able to compete globally. As Doyle noted at the time of the 1995 White Paper on Media Ownership,

The principle of preserving diversity within the UK media is as important as ever but so too, as a separate and distinct objective, is the survival and development of commercially successful indigenous media firms.

(Doyle, 1995: 38)

New regulation was drafted in the 1995 White Paper and enshrined in the Broadcasting Act of 1996. The rules were publicised as a 'simplification' of the existing scheme, which was characterised by Stephen Dorrell, Secretary of State for National Heritage at the time, as '[not] a policy, [but] ... 200 individual rules, with a whole lot of very perverse consequences' (in interview, 20 November 1997).

In the 1996 Act, instead of numerical limits upon the holding of television licences, the criterion for refusing a particular media purchase rested upon the amount of audience viewing share that the purchasing company already possessed. No single media organisation could have control of more than 15 per cent of the total television audience, calculated by the amount of time the audience spent watching television programmes. Additionally, particular emphasis was placed upon ensuring that press interests could not take on significant amounts of ownership of television outlets.

The 1990 and 1996 Broadcasting Acts were significant in their growing legislative concern over press ownership of broadcast outlets. Prior to 1990, there had been no percentage restrictions on press ownership of ITV companies. Instead, the 1981 Broadcasting Act had given the IBA the power to suspend an ITV programme contractor which was partly or wholly owned by press interests, if

it appears to the [IBA] that the existence of those shareholdings has led
or is leading to results which are contrary to the public interest
(HMSO, 1981: Section 23(1)(b))

In 1990, newspaper proprietors were barred from having a more than 20 per cent interest in an ITV or Channel 5 channel, and if the ITV region correlated with the region of a local newspaper, then even this minority share was forbidden (HMSO, 1990: Schedule 2, Part IV (2) (1)(2)). However, newspaper proprietors were allowed to own outright cable and satellite channels and platforms - the Sky channels being the most significant example - in order, in the words of the 1995 Media Ownership White Paper, 'to encourage investment in an uncertain and high-risk enterprise' (Department of National Heritage, 1995: Section 2.8). The 1996 Broadcasting Act liberalised newspaper ownership of television broadcasters, except

for the ITV and Channel 5 franchises. For these channels, a press interest which had 20 per cent or more of national newspaper circulation could only own a maximum 20 per cent shareholding in ITV or Channel 5.

There are three broad areas of interest for this thesis in this cross-media ownership legislation. Firstly, the way that the preservation of diversity was seen as best achieved through plural ownership. Secondly, the way that concern over cross-media ownership was predicated upon the issue of the provision of television news information and the fear that television news would become less editorially independent. Thirdly, that this second factor related particularly to the potential difficulties of the merging of press and television news agendas. These points will now be discussed in more detail.

Although Government was concerned to acknowledge the realities of a global marketplace needing strong (large) domestic organisations, it had a commitment to ensuring diversity of voice, which it equated firmly with diversity of *ownership*. As the ITC Director of Programmes and Cable Sarah Thane characterised the issue,

You could see that the Conservatives weren't prepared, with an industry as culturally and socially significant as broadcasting, to just let it rip. They were persuaded that there were reasons to go cautiously and incrementally in building bigger UK media giants, and that issues of media dominance had to be looked out for.

(in interview, August 1997)

To this end, in addition to the '20 per cent Rule' shutting out large national newspaper groups from terrestrial television ownership, a public interest test was introduced by the 1996 Act, applicable to attempted take-overs of terrestrial

broadcast companies by national newspaper groups with a less than 20 per cent national circulation. The aims of the public interest test were:

First, the desirability of promoting plurality of ownership and diversity of voice; secondly, any economic benefits that may be expected to result from the alliance ... and thirdly, the effect of the alliance on the proper operation of the market.

(Iain Sproat, Minister of State, Department of National Heritage, House of Lords, 4 June 1996, Standing Committee D, c448)

Thus, the public interest was equated with diversity of *provision*, which was predicated on diversity of *ownership* in a way which was unfamiliar before the early 1990s. The argument that ownership diversity did not necessarily bring about diversity of output was one which was acknowledged but ultimately dismissed. It was felt that notwithstanding the truth of this matter, it was still necessary to enforce ownership plurality as a back-up to content regulation. As the then Secretary of State for National Heritage Stephen Dorrell described afterwards,

[Outlet diversity from ownership plurality] doesn't necessarily follow, that's perfectly true. The answer is essentially belt and braces ... It seemed to be important to ... recognise that diversity of ownership ... is an important safeguard to diversity of voice ... Once you rely exclusively on content regulation you're relying on an instrument that's important... but which is in the face of highly concentrated media ownership would arguably be in quite a weak position. If you had 30 per cent of media voice under single ownership and your content regulator said 'that's not acceptable', and the media owner simply said well 'in that case I'm closing down' ... it's not obvious who would win the confrontation.

(in interview, 20 November 1997)

When introducing the 1996 Broadcasting Bill for Second Reading in the House of Commons, the Secretary of State for National Heritage Virginia Bottomley set out the Government's view that there was a particular need for broadcast ownership legislation:

By international standards, this country already has one of the most liberal media ownership regimes ... We need, however, to retain essential safeguards on plurality of ownership that go beyond the backstop provided by general competition legislation. The special

protection provided to broadcasting reflects its influence and importance over people's lives.

(House of Commons, 16 April 1996, c537)

This point, that competition law was not enough to ensure diversity of voice, was underlined in the 1995 White Paper:

General competition legislation is mainly concerned with securing economic objectives, although it can also encompass other non-economic objectives. However, wider objectives are important so far as the media are concerned. A free and diverse media are an indispensable part of the democratic process ... They promote the culture of dissent which any healthy democracy must have ... If one voice becomes too powerful, this process is placed in jeopardy and democracy is damaged.

(Department of National Heritage, 1995: 3)

Equally, content regulations on their own were not seen as adequate. They would be unable to prevent a gradual seeping away of diversity and a movement towards more homogenous portrayal of opinion:

The difficulty of relying on programme content regulations alone to deliver a multiplicity of editorial approaches lies in the very general nature of the requirements. It would be possible for a broadcaster to screen out many blocks of opinion and thinking before the regulator was in a clear position to prove that programme content requirements had been breached

(Department of National Heritage, 1995: 17)

As these statements start to indicate, the main concern expressed about cross-media ownership was that of its potential impact upon the editorial position of news information. As Lord Inglewood expressed it in Committee: 'We believe that the media are so important, because of their effects on the way in which people in this country obtain information and the relationship between the media and democracy and so forth, that it is appropriate to have a different set of rules which overlie the generally applied competition policy rules' (House of Lords, 13 February 1996, cc547-548). It was not diversity in the broad sense of different programming genres, portrayal of minority interests, and so forth, that taxed the government, but the

particular issue of whether news provision would be endangered by a consolidation of media ownership, and even more specifically, that press interests could make their editorial voice heard via broadcasting outlets.

The reason for this concern was set out by the Broadcasting Minister in Committee: 'Newspapers and broadcasters represent the most potent means of influencing opinion. Proposals that will allow them to unite under common ownership therefore carry the risk of concentrating too much influence in the hands of one organisation' (House of Commons, 4 June 1996, Standing Committee D, c448). The concern over 'concentration of influence' was particularly targeted at what was termed 'the national news agenda' - 'What concerns us in this context is the interaction between publications and broadcasters which play a key role in determining and debating the national news agenda' (Lord Inglewood, House of Lords, 13 February 1996, c545).

It is significant that local and regional press interests were discounted, even though back-bench MPs rely heavily upon local radio, press and television to disseminate political information. Lord Inglewood made this clear by his opposition to an amendment seeking to include *all* press in the calculation of circulation share: 'In our view, it is quite ludicrous to suggest that The Sun is equivalent to The Keswick Reminder ... What concerns us in this context is the interaction between publications and broadcasters which play a key role in determining and debating the national news agenda. The local and regional newspapers pay little or no part in that process...' (ibid.: c554). Thus, the focus of concern over the impact of ownership rules was upon the issue of national press ownership of terrestrial broadcasters and their likely editorial dominance over the news agenda.

Such anxiety was anomalous when viewed in the light of the actual organisation of news provision and the regulations already in place. The only news programming that the ITV companies produced themselves were their regional bulletins, which by definition did not set a national agenda. Furthermore, programme content regulations were in place to ensure 'accurate and impartial' news provision for all television news outlets, either terrestrial or non-terrestrial. The most feasible way that undue influence could occur was via control of the news organisation ITN. Yet, as detailed above, ITN's ownership rules were such where outside shareholdings, including those of the press, had been actively encouraged in the 1990 Broadcasting Act.

However, notwithstanding these regulatory limits already set down in respect of undue influence over news programming, a great deal of political concern was exercised over the issue of press ownership of television broadcasting outlets, predicated on fears that the news agenda of national broadcasters would be negatively affected. That politicians from all parties attached a great deal of importance to a television news structure which retained norms of accuracy, impartiality, and quality is unquestionable.

5.7 Concluding remarks

This chapter has described the development of television news regulation of the last 16 years, and has found that liberalising measures have been minimal. Although liberalisation of the wider broadcasting industry has indeed occurred, through the introduction of independent quotas, a franchise system for ITV companies which prioritised financial return rather than programme quality, and general market-oriented practices across a number of broadcasting outlets, for instance that of the BBC's 'Producer Choice' system, the particular rules guiding the provision of television news programming have remained largely unaltered.⁶ The main change has been to make explicit to news that which was previously applicable across programming as a whole, through changes to legislation and to the BBC's Charter and Licence.

The reason for this continued regulatory presence in the field of news provision is the high degree of importance attached by politicians to the independence of the national news agenda on television. An analysis of parliamentary debates since the early 1980s revealed minimal interest by politicians in the liberalisation of standards of accuracy and impartiality in news programming. Those few voices that did raise the issue during the research period of enquiry came from both sides of the House. For example, the Labour MP Roy Hattersley during the Second Reading of the 1989 Broadcasting Bill argued that '[the extension of the obscenity and racial incitement laws to cover television] ... should be the proper and only limitations on what broadcasters are allowed to be' (House of Commons, 18 December 1989, c54).

⁶ The exception is the ITC decision in late 1998 to agree to the ITV companies' request to move ITN's News at Ten bulletin. This decision is discussed below in Chapter Seven.

During the Second Reading of the 1987 Broadcasting Bill, the Conservative MP Michael Brown argued similarly: 'There is no chance that any Government will consider my remarks. I am flying a kite. I am challenging the very existence of any form of control on broadcasting. I believe in the freedom of the BBC to be as biased as it likes one way or the other. With a multiplicity of choices, the viewer will sort out any bias' (House of Commons, 16 February 1987, c689). However, such views were extremely rare. The maintenance of impartiality on television news bulletins and outlets has been a largely unquestioned bulwark of television news regulation throughout the period of analysis. Similarly, as shown above, the belief in the need to maintain news quality eventually over-rode initial deregulatory proposals from the Conservative Government.

The next three chapters are case studies of the main UK news organisations - the BBC, ITN, and Sky News. They reveal how the regulatory and political importance attached to news programming played a key role in the development of each organisation, and examine the extent to which an increased orientation to market principles clashed with such imperatives.

Chapter Six

The Development of BBC News

Introduction

The overall purpose of this thesis is to provide an understanding of the degree to which marketisation (the development of tradable product and a marketplace infrastructure) has occurred within the television news industry, and the degree to which a logic of revenue maximisation has subsumed public service programming imperatives. This series of case study chapters offers an array of evidence. The chapters should not be read as exhaustive histories of the period, but as accounts which focus particularly on the development of market and revenue generation strategies, and the extent to which regulatory and other pressures modified the direction of policy within the news organisations.

The overall focus of this chapter is upon examining the extent of complementarity or otherwise of the BBC's public service and commercial imperatives in the case of news provision. How do the two goals of commercial profit and public service combine in practice? Are they mutually exclusive or are there areas of common cause? This case study answers these questions through an examination of the genesis and strategic development of the BBC World news channel, the commercially-funded BBC outlet which provides the clearest illustration of the degrees of tension and synergy between the two imperatives. Analysis is particularly focused on the relationships between the channel and its distribution partners, and between the channel and the domestic licence fee funded BBC news division, to reveal the extent to which financial and accounting considerations have modified its

scope, and the degree to which the goals of brand status and political legitimacy play a part in the development of news outlets.

The chapter begins, however, with an overview of the development of commercial practice at the BBC in more general terms, tracing the growth of the BBC's commercial division BBC Worldwide and its increasing involvement in domestic production practices. It then moves on to describe the way that BBC News developed its commercial policy through processes of increasing marketisation - an initial centralisation of activity in order to then make discrete, disaggregated product. This then links to the most significant illustration of such a momentum, that of the development and practice of BBC World.

6.1 BBC commercial policy in television¹

At the outset of the period of research enquiry, the BBC's commercial television activities were minimal, consisting solely of some small-scale programme sales abroad. As was set out in Chapter Four, there was little need until the mid-1980s for the BBC to become involved in the generation of commercial revenue, as its funding was secure and increasing year-on-year. However, along with the rest of the broadcast industry, during the 1980s and 1990s the BBC was forced to re-structure its methods of programme-making and management in order to become far more cost-effective, and thus began to develop commercial strategies, involving itself with

¹ It must be noted that the BBC had a longstanding commercial *publishing* tradition through its sale of the Radio Times.

co-production, sale of programming overseas, and development of new channels with commercial partners.

The first step towards a commercial policy was the development of discrete programme products. In order for this to occur, the costs of production had to be made more transparent. This process took place at the BBC during the mid-1980s, as the organisation along with the rest of the broadcast industry was ordered to cut costs and develop more market-oriented systems of production. For example, the 25 per cent independent production quota introduced by the 1986 'Peacock Report' (Home Office, 1986) advanced the idea of competition in the commissioning of programmes, which of necessity brought in its wake more awareness of the costs of programmes. In 1992 the 'Producer Choice' system of production was formally introduced, which set up internal market structures for most BBC activities except some core central areas. The system was very unpopular with many staff (see Barnett and Curry, 1994 and Horrie and Clarke, 1994 for a descriptive account of its introduction), but for the purposes of this analysis it is sufficient to note that it enabled a greater accounting knowledge of the costs of particular programmes.

The second step towards the instigation of a commercial policy was the need to access new markets. During the early 1980s there was of course no opportunity for the BBC to develop commercially through any expansion on UK terrestrial television, even though its own programme production increased due to the

extension of broadcasting hours into early morning and daytime parts. Therefore, the two areas of potential television revenue income were the sale of video programming and the sale of programming overseas. In 1983 the former was catalysed by an agreement with the Equity theatrical union, which enabled videos of BBC programming to be sold, creating a new selling 'window' for television output. Around this time, sales of BBC programmes to broadcasters abroad started to increase. In 1982-3, gross revenue from BBC commercial activities (i.e. including the sale of the Radio Times) was £80.5 million, in 1984-5 it was £100 million. Co-production ventures also increased, which raised revenues of £5 million for the BBC in 1981-2 and £8.75 million in 1982-3.

BBC Worldwide

One of the major structural developments which has furthered the commercial policy of the BBC was that of the consolidation of a separate BBC Division to handle commercial affairs. The departments of BBC Enterprises and Publications were merged in 1985 to encourage the development and facilitate the organisation of the BBC's commercial policies. In 1994 the Division was renamed BBC Worldwide, and subdivided into three parts: BBC World Service, BBC International Television, and BBC Publishing.

The significance of the BBC Worldwide division lay in the fact that it was permitted to have an editorial input into domestic programme making, as a corollary to its role as broker for BBC programming abroad. As programme production became more expensive, Worldwide increasingly invested in programming. It gradually worked its way further up the production chain, nearer to editorial decision-making. In 1992 it

was reported that 'BBC Enterprises is setting up special joint venture units to work alongside programme producers ... By the end of the year there will be a joint venture covering all aspects of BBC programming. These units are involved in the planning of programmes to make sure they will be saleable overseas or to satellite channels...' (Campaign 14 August 1992). In 1997, this involvement resulted in the explicit acknowledgement from the Head of Worldwide International Distribution Fabiola Arrendondo that:

...in the future we will be more careful about the investments we make. For example, we won't invest in dramas that feature highly localised British accents or [dramas] that are dark, slow-moving, and are too focused on UK-only issues.

(quoted in Television Business International April 1997)

This policy exemplifies the clash of culture that BBC commercial policy had to deal with. Major programme series were too expensive to be solely funded from an up-front budget, so co-production and co-financing deals had become the norm. Therefore, if Worldwide refused to invest in domestic programming which was challenging to international audiences, it inevitably raised the question of whether commercial strategy was impinging on domestic editorial decision-making. As a media journalist wrote in early 1997, 'the process of osmosis alone means the Corporation's commercial objectives, however honestly crafted to shore up its main services, must inevitably influence and possibly taint its core values, producing, at the very least, a hybrid BBC' (Maggie Brown, 'In the Public Interest?' The Guardian 17 March 1997). The difficulty was that the Worldwide division was in place to act as a commercial player, yet it caused great problems for itself if the commercial imperatives which ensued had any sort of adverse affect, or even impact, upon licence fee payer programming. Indeed, it is interesting to note in this regard that the

Head of International Distribution resigned from Worldwide in May 1997, saying that 'We are not as commercial as we should be' (quoted in Broadcast 2 May 1997).

Nor has income from such programme sales strategy been spectacular, considering the degree to which the ancillary markets for television programming have grown over the last decade. The amount that the Worldwide Division put back into the domestic BBC only rose from £50 million in 1990 to £77 million in 1995-6.

Strategic Partnerships

Another method of generating commercial returns has been the use of strategic partnerships for the setting up of new channels, in which an outside company provided the capital and the BBC provided the programming and retained editorial control. The first of these was an alliance with the Pearson television group which resulted in the setting up of the cable and satellite repeats channel UK Gold in 1992. In 1996 a major alliance with the UK company Flextech was announced. Flextech was to put in the £200 million set up costs, and the BBC its programming, for eight new digital pay-television channels in the UK. Three of these channels were launched on analogue cable television in November 1997. In 1998 a deal with Discovery Communications was signed for a series of co-developed channels for cable, satellite and digital distribution. The deal was worth \$565 million, with Discovery making the financial investment and the BBC providing its 'programme-making expertise and considerable programme archives' ('The BBC and Discovery' BBC promotional literature March 1998: 12).

All such deals were predicated on the inability of the BBC to provide capital investment for distribution of its programming on new channels and services. The BBC was not permitted to raise its own finances, as Richard Deverell, Head of BBC News Strategy, pointed out:

The only capital that Worldwide have is the money from retained earnings. Until recently any money that Worldwide borrowed was put on the PSBR [Public Sector Borrowing Requirement], it was considered government debt, and therefore they were not allowed to borrow. I think this might have changed recently but it was clearly a ridiculous situation. They did not have access to risk capital through the commercial markets which was mad.

(in interview, 20 June 1997)

The BBC was therefore reliant on other partners to fund any expansion plans. This has been a particularly anomalous situation for the broadcaster: although the 1996 Charter gives it permission to behave commercially, it does not have the financial tools to do so.

A commercial BBC

The new BBC Charter permitted the BBC to undertake 'commercial services'. It could

... provide (whether alone or together with any other person, firm or corporation) ... television broadcasting services ... funded by advertisements, subscription, sponsorship, pay-per-view system, or any other means of finance.

(DNH, 1996b)

The clause came near the beginning of the list of 'objects of the Corporation', immediately after the statement of provision of public services, and emphasised the BBC's commitment to developing commercial revenues from its programming, and government acceptance that this was a legitimate activity for the BBC to be involved in. In addition to the investment capital brake on commercial development, the

BBC had also to ensure that its *raison d'être* even in its commercial projects was that of maximising licence fee payer benefit. Its Commercial Policy Guidelines made clear that commercial development had to maintain the BBC's overall values and objectives:

BBC commercial products and services should be consistent with the BBC's overall values and objectives [which] means that BBC commercial products and services should plainly arise from, support, enhance or extend BBC programming; and add to viewer and listener choice ...

(BBC, 1995: section 2)

However, this strategy was of course of commercial benefit, as it was precisely these qualities that buyers of BBC product were looking for. This underlines the extent to which it is difficult to talk of a 'purely' commercial orientation, in the same way as it is difficult to talk of 'purely' public service imperatives. This point can be further illustrated by the development of the BBC World news channel. As is traced below, the boundaries between the commercial and the 'public service' were at times hard to ascertain. Before the focus upon BBC World's development, however, it is first necessary to outline the growth of marketisation within the BBC News Division.

6.2 Marketisation at BBC News

A marketplace requires discrete, tradable products. In other words, products are not made more discrete for the sake of it, but rather so that they can be bought and sold in a marketplace. In order for such disaggregation or re-packaging to take place, an initial centralising, branding function has to occur, and it is this that is traced below. The development of domestic outlets for BBC news since 1982 is pertinent to this study to the extent that they show how the organisational structure has become increasingly centralised, which has then enabled the re-packaging ('versioning') of programming for external sale and internal cost efficiency. In other words, the recent history of BBC domestic news is examined primarily from the point of view of its potential for commercial exploitation. For more multi-dimensional accounts of the history of the BBC's news provision through the 1980s and 1990s, see Barnett and Curry, 1994; Goodwin, 1998; Horrie and Clarke, 1994; Leapman, 1986; Milne, 1989; O'Malley, 1994; Walters, 1989.

The evolution of centralisation at BBC News

In 1982 the separate BBC Divisions of news and of current affairs were combined under one directorate, although they maintained a physical separation until 1987 when the current affairs studios at Lime Grove were shut down. This connection of news and current affairs activities was an attempt to end the rivalry between them and the duplication of resources that had occurred due to their structural separation.²

² However, it is important to note that this marriage of news and current affairs involved splitting up the radio and television news operations. The imperative to combine the structures of news and of current affairs was at this time seen as more important than that of keeping television and radio output connected, although some functions continued to be shared between the two media. Dick Francis, Director of News and Current Affairs, was quoted in the BBC's internal magazine saying

It was also an acknowledgement of the way that news programmes and current affairs programmes had become more interchangeable. As a trade press article described in 1982, 'current affairs programmes have got newsier and more topical, while news programmes have lengthened to include more "background"' (Broadcast 1 February 1982).

A particular case in point was the BBC's Newsnight programme, launched in 1980, which combined news bulletins with current affairs style programming segments. The programme had initially experienced logistical and budgetary problems because of the organisational separation of news from current affairs. Because staff from the news division were on different pay grades to those working in current affairs, payment structures had to be re-negotiated which postponed the launch of the programme for eight months. When it eventually came on air in January 1980 the news bulletin section of the programme originated from a news studio in TV Centre, while the rest of the programme was conducted from a current affairs studio in Lime Grove. It took 'some while' for the newsreader to be 'coaxed down to the main studio' ('BBC to bridge news/current affairs divide' Broadcast 1 February 1982).

Similarly, the development of Breakfast News, which began broadcasting in 1983, was facilitated by the structural connection of the two departments. Its remit of mixing current affairs and news for a two and a half hour period each weekday could

that 'present circumstances are such that it is more important for News and Current Affairs to be closer together than to keep Radio and Television News linked together' (reported in Broadcast 1 February 1982).

not have been undertaken without the ability to combine the resources of the two departments.

Expansion in the terrestrial provision of news was thus predicated on the ability to avoid costly duplication of news resources, and the ability to remove internal structural 'walls' such as separate pay agreements for different types of journalist and technical staff.

This connection of news and current affairs departments resulted in significant changes to the content of television news programming at the BBC. In particular, the political controversy engendered by a number of current affairs investigations during the 1980s led to a movement away from confrontational current affairs programming, with a greater emphasis placed instead upon the ability of news bulletins to conduct their own investigative-style reporting, particularly that of the interviewing of political figures, hitherto something largely reserved for current affairs programmes. This shift of political importance away from current affairs and towards television news was criticised. Although the number and length of news bulletins increased, and their tone made progressively more 'serious', the increase was at the expense of current affairs programming. It was argued that 'mass daily current affairs', for example Nationwide and Sixty Minutes, was being cut back, and that news bulletins were not adequately filling the gap. As an NUJ official at Lime Grove said in June 1984 after the decision to cut the daily Sixty Minutes current affairs programme had been made:

The BBC will be abandoning the idea of presenting current affairs to a mass audience on a daily basis. It will be saying, effectively, that 'if you want to see Arthur Scargill, Margaret Thatcher or Ayatollah

Khomeini questioned at length on any night of the week other than Monday, you'd better turn to BBC2 when Newsnight comes on' ... It will, in short, be saying that 'we consider it adequate for you to hear the news in a 20 to 25 minute bulletin. Analysis, exegesis and background is for others'.

(Julie Hadwin quoted in The Guardian 18 June 1984)

This comment is interesting on two counts. Firstly, that news provision had to be scheduled so as to target particular audiences: although Newsnight was carrying interviews and analysis, it was not aimed at and therefore wouldn't reach the 'mass audiences' of teatime current affairs. Secondly, that there was an equation of length with quality and popularity. At this time, it was argued that the mass audience both had the right to and the desire to watch news that was in-depth and investigative.

By the late 1980s, this argument about news quality and the rights of the audience had been inverted. News was now at its best and most useful when it was unmediated. In other words, telling news directly was the most useful and interesting approach for audiences, and analysis and background information were largely redundant and self-referential. Thus, in the late 1980s when the new Deputy Director General John Birt proposed and implemented the use of specialist correspondents and more explanations to the viewer on BBC news bulletins, the policy was criticised as imposing a distance between the event and the viewer. As a media journalist expressed it in 1989,

On ITV there is a gradual shift towards a more populist journalism with an emphasis on human interest. On ITV an *eyewitness* tells the viewer how it happened. On the BBC the *correspondent* tells the viewer how it happened. News on the BBC is increasingly filtered through its own 'experts'.

(Marta Wöhrle, Broadcast 23 March 1989: emphasis added)

A semantic example of this can be seen in the respective titles that the BBC and ITV gave to their Sunday morning political programmes at this time - the BBC's was On the Record; ITV's was Eyewitness.

Notwithstanding the controversy and criticism evoked by the weakening of current affairs programming and the increased emphasis upon news bulletins as the home of political reporting, centralisation of the BBC's news outlets continued. When Michael Checkland was made Director General in 1987, with John Birt as his deputy, the rate of change was accelerated. John Birt as Deputy Director General was made directly responsible for a single radio and television news and current affairs directorate. The logic of this was widely accepted, although there were some fears about job rationalisation. As a trade press article noted, 'Running television current affairs with TV news staffing and crewing levels has obvious attractions for management' ('The Birt's Eye View of News', Broadcast 3 April 1987). In 1988 the concept of 'multi-skilling' was introduced, to make journalists and technical staff work for both radio and television outlets. Working practices were made more fluid, and job demarcations broken down. In July 1988 radio and television journalists were connected up electronically for the first time via the BASYS computer news system. The structure of a 'bi-media' news system developed. According to the Head of BBC Newsgathering Richard Sambrook, it meant that

in broad terms any of our correspondents should be capable of serving any outlet, radio or television ... I do expect them to keep up those skills in order to serve both radio and television and to understand the needs of the different audiences of both UK and international networks. Because out of an integrated resource base like that we can get more coverage in the end.

(in interview, 7 August 1997)

The News and Current Affairs Directorate was further altered in 1997. All the newsgathering aspects of BBC news output across radio and television were combined in a single operation. The Chief Executive of BBC News, Tony Hall, described the change in the following way: 'We've now got one voice of BBC News to the world - and that's really important in terms of our brand, in terms of the services that we can offer, and in terms of my key aim, which is to move more resources into newsgathering and move more resources into the field' (quoted in Television Business International November 1996). Although the programming outlets retained their separate newsrooms,³ the newsgathering conducted for them was centralised. 'When a story breaks, someone will be told their job for the next two hours is to serve 5 Live and 24-hour TV. Someone else will be sent to dig around for a 3-minute piece for the 9' (Richard Sambrook Head of BBC Newsgathering quoted in Broadcast 7 February 1997).

It is of note that although the generic BBC 'brand' permeated so far, the need for some differentiation at newsgathering level still remained: 'The BBC's 200-odd correspondents will be organised into a general pool, but the continuous news networks and key programmes such as the Nine O'Clock News and Today will have their own dedicated reporters' (ibid.). Such a strategy underlined the fact that total homogenisation of output was not seen to be beneficial. A certain degree of value resided in the ability of the main bulletins to retain some stand-alone resources.

Notwithstanding this latter point, the development of an integrated and centralised news structure included an integrated branding strategy for the bulletins. In January

³ Although the One O'Clock News and the Six O'Clock News teams merged in 1996.

1992 it was announced that the BBC was to re-launch its domestic news with a generic format, as 'BBC chiefs are concerned that they are selling individual news bulletins rather than the corporation's across-the-board news service' (Broadcast 31 January 1992). This took place in April 1993. The journalist Andrew Culf described the aim as 'to show that programmes from Business Breakfast at dawn to the Nine O'Clock News all belong to the same family... The blue background darkens as the day progresses from bright hues at breakfast to a darker, more serious tone by supper' (The Guardian 4 April 1993). In order for the BBC to be able to repackage its product, the product had to have an initial generic aspect to it, so that the component parts could be subdivided.

The generation of revenue from BBC News product

Thus, since the early 1980s the BBC progressively centralised its structures of newsgathering and news production, employing economies of scale and also enabling coherent branding and marketing strategies to develop. In order to seek revenue from its programming, the News and Current Affairs Division set up a marketing unit in 1991. A BBC promotional brochure in late 1996 gave examples of the types of news product and facility available for sale or exchange:

News Reporter Packages can be extracted from a comprehensive list of key news programmes to enhance and supplement news reports.

... BBC News resources provides a rapid response bi-media service to BBC News programmes, both national and international. Using the latest digital technology, highly trained staff offer the very best in picture editing, graphic design, location service, radio transmission and television studio operations. These services, combined with consultancy expertise and graphics software provision, are available to broadcasters throughout the world.

(BBC News promotional brochure, 1996)

This marketing of the BBC news product was shaped by demand from other broadcasters, as a BBC marketing executive explained:

What happens now is that the market wants news packages. It wants to cut out of the Nine O'Clock and Breakfast [bulletins] the relevant things it wants and leave behind the sports stories and the traffic reports. That's a relatively recent development from our marketing perspective. It's an example of strategic thinking to say 'Right, the market doesn't want to take and can't sustain the Nine O'Clock News in total', although from the production perspective and the branding perspective that's what we want to do ... This started about two years ago. As a marketing initiative it was launched in Mip last year. Before that there were difficulties in selling it, as we have to be aware that not all of the packages are ours, we may acquire product, we may not have the rights.

(in interview, 30 May 1997)

However, commercial revenue from the news product has not been substantial. The sales of domestic packages brought in approximately £1.5 million in 1996-7. A further £0.5 million came from library sales, and £2 million from the sale of current affairs programming. About ten broadcasters around the world currently take the news packages, and they must be affiliated to WTN, in order to circumvent the issue of the BBC 're-selling' WTN's footage.

Instead, the strength and momentum behind the development of a more commodified, centrally-organised news product at the BBC was to aid cost efficiencies in domestic output terms, something which became especially important with the development of BBC News 24, a domestic 24-hour news channel, funded from 'internal efficiencies' within the news division. The BBC's centralisation and branding strategies did, however, in part enable the growth of its international 24-hour news channel, whose history and strategic development is now examined.

6.3 The BBC World news channel

During the 1980s the BBC attempted on a number of occasions to get finance from the Foreign Office in order to set up a television equivalent of World Service Radio. How did the BBC move from these proposals to a situation where commercial money was used to set up a news channel, which has a commitment to producing a financial return around 2003? What commercial relationships did the BBC enter into and how did they work in terms of sharing power and influence? How did the relationship between domestic BBC and the commercial channel work in terms of sharing resources and the costing of those resources?

These questions form the major orientation of the rest of this case study chapter. What the development of BBC World illustrates is the defining impact of funding mechanisms, which themselves were decided at a political level. It shows that issues of funding should not be marginalised when discussing the development and ethos of a news organisation. The key aspects of BBC World's financial development have been how its distribution partners have made an impact upon the scheduling and editorial focus of the channel, and its move to accounting transparency with the domestic BBC. Before these issues are addressed, however, it is necessary to set out the reasons for its reliance on commercial rather than public finance, through an examination of the way it was set up.

The setting up of World Service Television News

Throughout the 1980s attempts were made by BBC executives to start a world-wide television news service using both radio World Service and domestic news resources. It was felt that the audiences for World Service radio were likely to decline, and that

therefore it was necessary to develop a television news service which would eventually provide the same 'lifeline' of 'free information' as radio had hitherto (Douglas Muggeridge, MD External Broadcasting, quoted in 'Government Urged to Start up World Service Television' Broadcast 17 February 1984). In early 1986 a BBC working party was set up to make detailed plans. It proposed an initial service of one or two half-hour programmes of international news daily. The service would be under the editorial control of the World Service, but would use both radio World Service and television domestic correspondents. Its distribution would be by satellite to foreign broadcasters, and payment would be on a sliding scale, with richer countries subsidising poorer, some of whom would not be asked to contribute ('World News Ads Options' Broadcast 19 August 1988). The funding of the service was to be from the Foreign Office, which already paid for the radio World Service through a grant-in-aid. As the service was to be a television equivalent of the radio news, the Foreign Office was seen as the most likely source of funding.⁴ The BBC asked the Government for a series of sums of money, at first to fund the entire operation, then for part-funding as they developed other strategies for raising revenue.

They received some support from MPs. An all-party motion in April 1987 which called for the Government to permit the FCO to fund a television news service was signed by 190 MPs. The motion argued that the BBC was best placed to provide such a service, notwithstanding the existence of ITN's World news service: 'The

⁴ The idea of using money from the licence fee was not seriously entertained. 'The BBC always took a very limited, defensive view of how it should use licence fee money ... at the time people were sensitive that it probably should not be used' (John Tusa, former BBC Managing Director of External Services, in interview, 18 January 1996).

BBC with its name, facilities, ... and above all its credibility, can best conduct a fully international operation in the interests of this country' ('MPs flock to back BBC world news' Broadcast 10 April 1987). However, the Government did not agree. According to John Tusa, the Managing Director of BBC External Services during the late 1980s and in charge of developing the proposals, there were two reasons behind the Government's refusal to fund the service:

One is that [Geoffrey Howe, the Foreign Secretary] ... was not prepared to have a row with Thatcher about it, and she was in one of her anti-BBC periods at the time [in 1988]. Secondly there was heavy lobbying from ITN, from Alastair Burnet and David Nicholas, who had a direct line into Number Ten, saying 'Why are you giving money to the BBC, we are the voice of Britain abroad'.

(in interview, 18 January 1996)

The antipathy that some key Conservative Ministers felt for the BBC as an institution, the political ideology of financial self-sufficiency, and the encouragement of a commercial market within broadcasting, all over-rode the arguments that the Foreign Office should fund Britain's television news voice abroad.⁵

In its developmental stages, then, the proposed ethos of the international television news service was one of public service linked to cultural diplomacy. It was hoped that subsidy could be used to enable poorer countries to receive the service: the public service ideal of universality. It was also hoped that the Foreign Office would be sympathetic to the idea of a 'voice of Britain' countering Soviet and American propaganda. However, the Government were opposed to the idea in ideological terms, and refused to fund the project. Nonetheless, the planned structure of the enterprise remained that of public service orientation and position, even as commercial money began to be sought. Specifically, the project remained under the

control of the World Service. This fact - which cannot be called a strategic decision, as the entire development of the service has been characterised by all those interviewed as 'messy and opportunistic' - also had commercial benefit, for the embryonic service was able to trade on the status and 'brand strength' of the World Service name. This again illustrates the blurred nature of the boundaries between public service and commercial enterprises.

In April 1991 a 30-minute daily news bulletin was finally launched. The television news project had been taken on by the commercial division of the BBC, BBC Enterprises, but editorially linked to the World Service, and was finally catalysed into existence by the Gulf War and CNN's success in reporting the conflict on its 24-hour news channel. As John Tusa described:

What turned the thing into reality was the Gulf War. It must have been in about October 1990 when it was apparent how much CNN were doing on the war, how much kudos CNN was getting, that [the Director General] Mike Checkland suddenly decided that this was quite absurd and the BBC had to be in that business.

(in interview, 18 January 1996)

The Director General was instrumental in the decision to transfer financial responsibility for the project to BBC Enterprises, which was able to fund the costs of the initial service with the revenues from cable operators across Europe who took the BBC Europe satellite channel. This channel, composed of the best of BBC 1 and BBC 2, was renamed World Service Television (WSTV) and received, in addition to domestic programming, the 30-minute bulletin. At this point, then, the service was arguably still under the financial control of the BBC, via the BBC's ownership of the satellite channel. However, this quickly changed.

⁵ See Chapter Seven for a discussion of this issue from the perspective of ITN management.

Within a few months of being on air, the bulletin service was approached by Star TV, a Hong-Kong-based satellite operator, which wanted a 24-hour news channel, and wanted the BBC to produce it. This approach by Star TV underlined to the World Service Television management the strength of the BBC status. As WSTV's former Chief Executive Hugh Williams described:

the BBC brand had this colossal value out there in terms of its integrity and impartiality and all those things ... Once Star came to us and said they would like the BBC ... the idea developed very quickly that we should launch a channel rather than blunder on trying to just sell bulletins. And that is what happened really. We began discussions in April and by the late summer we concluded a deal and we launched the channel in October 1991.

(in interview, 22 May 1997)

Star TV commissioned World Service Television to make the channel for them, paying the set-up and most operational costs of approximately £20 million, until April 1994 when the new owner of Star TV, Rupert Murdoch, removed World Service Television News from the satellite bouquet. This agreement with Star TV set the tone of subsequent deals with other platform operators around the world, in that funding came from the outside company, which also tended to market the channel and sell advertising space, and all editorial control remained with the BBC. The BBC was thus not directly financially involved in the success or failure of the channel.

Thus, it was the request of a commercial company that finally catalysed the development of the bulletin service into a full news and information channel. The BBC's public service imperatives of quality and impartial news reporting were valued as commercial entities in the Far East market. This point is of key significance, showing how the news product is of commercial value *because of* its high quality and editorial independence. This type of empirical example belies some of the claims, outlined in Chapter Two, that market imperatives and quality news provision are structurally incompatible.

There are two distinct narrative threads that need to be followed at this point. The first is that of BBC World's distribution strategy, and the second that of its relationship with domestic BBC news. Both narratives show how the BBC's strategic focus was necessarily that of economic return, which nevertheless carried with it the imperative of maximising the welfare of the UK licence fee payer. This double imperative is discussed in more depth in the concluding section of this chapter, after the two narratives have been outlined.

The distribution strategy of BBC World

After the Star TV deal, which launched the World Service Television News channel in Asia and the Middle East in 1991, the channel gradually expanded its reach, either by satellite, cable, or terrestrial rebroadcast. By 1997 it was broadcasting to 174 'countries and territories' and reaching 45 million homes (BBC Worldwide press release 1997). The output of the channel consisted of half-hourly bulletins on the hour, with the second half of each hour being composed of tailor-made current affairs programming, interview series, or the re-broadcast of BBC domestic current

affairs and lifestyle programmes such as Panorama, The Money Programme, Holiday and Top Gear.

The deals that the BBC signed for distribution of the channel varied from re-broadcasting arrangements with either terrestrial or cable companies, which occurred in New Zealand, Canada, and 'a range of African and Asian countries' (BBC World press release 1997), to 'joint venture' agreements where there was a closer strategic link between BBC Enterprises/Worldwide and the distribution partner. The major joint venture agreements were those with the Japanese company Nissho Iwai for its satellite distribution of the channel within Japan, and in 1994 with European Channel Management (ECM), which significantly redeveloped the news channel for a European market. The joint venture with ECM effectively replaced the revenue that had been supplied from Star TV. Funding for this joint venture came from the media group Pearson Plc and Cox Communications, who between them invested £30 million in the 1995 relaunch of World Service Television News as BBC World, and a sister channel of general entertainment programming BBC Prime. The three organisations - Pearson, Cox and BBC Worldwide - formed the ECM company to market and distribute the channels. As with the Star TV deal, the commercial partners provided the capital for the distribution and marketing of the channels, with BBC Worldwide retaining editorial control.

The variety of partners and distribution strategies that BBC World maintained brought both benefits and drawbacks. Financially, there were benefits to having a number of partners, as reliance on one core contract was reduced. As a senior BBC executive explained in 1997,

The major source of funding for the first two or three years was Star through a licence fee. It then came through ECM from Pearson and Cox. Throughout the period we'd been building other revenue streams but they were always minor in comparison to the expectations from Star and ECM. We've now over the last year built a much wider base to the revenue stream. We get money out of Japan through a licence fee, we get our own advertising revenue out of South Asia, our own subscription revenues out of the Middle East, Australasia, and Latin America, and Africa, and we've still got a licence fee out of Europe. So we've got a much broader base to the revenue stream.

(in interview, 5 August 1997)

However, in terms of channel strategy, the growth in the number of its partners brought a number of problems. The first was that of scheduling a 24-hour channel to suit all parts of the globe. Of course, such a challenge would have needed to be faced whatever the funding situation of a global channel, but the financial involvement of certain regions did add further complications. It was acknowledged by the executives involved that scheduling pressure could be brought to bear on the BBC channel by distributors. As the General Manager of BBC Worldwide Alistair Brown described, 'When you've got people selling commercial time, then immediately we have pressure from them about performance schedule and distribution' (in interview, 27 May 1997).

The main impact on both scheduling and type of content came from the Pearson/Cox deal in 1994, as Wayne Dunsford, the BBC/European Channel Management (ECM) Director of Distribution and Strategy outlined:

In terms of influencing the schedule for example, ECM has far more involvement than the other regions. Nissho Iwai are merely the distributor of a channel that they are buying in. They have some comments but they don't have the same relationship with the newsroom that we do.

...
I was involved in the development of the channel [for Europe] and it was very key that this wasn't going to be just the channel that was going into Asia, dumped in Europe. The market was too sophisticated for that. It had to be an international news and information channel aimed at a European audience. That's what the market wanted. They

didn't want a British news channel, they didn't want an international news channel per se so that all you got were stories about Zaire or Burma. They wanted it to be relevant to Europe but they didn't want the politics of Euronews, the public service ethic. They wanted it to be the television equivalent of World Service radio. That's what the research showed us, that's what the cable operators said they welcome into the network.

(in interview, 27 May 1997)

There were dangers in such close regional targeting within a global channel, spelt out by the General Manager for BBC Worldwide Alistair Brown:

[BBC World] was launched with programming introduced to the European clock time to service the European market and drive revenue from the European market ... [But] the last thing I wanted was a load of programmes suddenly coming into the [global] schedule that are targeted at Europe. Because when you start making programmes as specifically as that, if you are viewing them in Tokyo they may look and sound as though they're arriving from Mars.

(in interview, 27 May 1997)

Additionally, different countries had divergent requirements in terms of the type of news output delivered:

[Some] markets are very happy and want you to be distinctive. They want you to give them the global perspective which they're not getting from any of their national broadcasters. Japan is one which wants the global perspective, but so do a lot of other South East Asian countries. But India wants you to talk to it directly, they want the Indian BBC. America, the USA, when we get in there, we believe they will want a product that is made for them, that they will feel is theirs. Those are the two markets where we have the maximum amount of regionalisation planned.

(ibid.)

There were also more idiosyncratic pressures from venture partners that had to be assimilated in the World schedules, according to a senior BBC Worldwide executive:

If we've got to go through a filter, which is a joint venture, you get all sorts of [problems] ... In Japan they want the Antiques Roadshow for no other reason that the bloke on the Board likes antiques and he saw it when he was here .. you get all those silly things coming into a scheduling equation. If you're closer to the market then you can schedule much more effectively.

(in interview, 5 August 1997)

However, until recently the channel had been able to manage the differing news agendas of its partners reasonably satisfactorily. The General Manager of Worldwide Alistair Brown described how

The world is actually a very convenient place, more so than one first imagines when one first looks at it, in terms of the lack of overlap between time zones in key markets... but there is a limit to it and we're actually reaching a sort of physical limit with what you can do with one schedule and keep everybody happy in substantial numbers.

(in interview, 27 May 1997)

Although partners had influence over scheduling and broad issues of the types of news to cover, the BBC retained editorial responsibility. This was a key strategic decision, and one which was vindicated by events. Indeed, as underlined by Star TV's initial funding of the channel, it was the high editorial standards of the BBC which were commercially attractive. As Alistair Brown, the BBC Worldwide General Manager pointed out:

It is a great commercial strength of the BBC that we were dropped by Murdoch and effectively chucked out of China to appease the Chinese. We are the channel that will broadcast straight stories about China.

(ibid.)

Similarly, the refusal of the BBC Arabic news channel to censor a programme critical of Saudi Arabia's human rights record, resulting in the withdrawal of funding for the channel from the Saudi-owned Orbit Communications group, also won the BBC praise for its editorial impartiality. That such editorial conflict with distribution partners could be used as a public relations gain was underlined by the 1996 BBC Annual Report, which highlighted the episode, spelling out that 'in all such joint ventures, the BBC remains committed to maintaining its editorial independence and integrity' (BBC, 1996: 53).

In summary, the BBC's experience of partnerships in the development of the World channel was variable. On the one hand they provided the financial security for the channel to exist. The BBC did not have risk capital to put into new projects, so needed the financial support of its partners. On the other hand, this came at the expense of some independence. As the Head of BBC News Strategy Richard Deverell noted, there were difficulties inherent in the BBC not being able to provide the financial backing for the channel:

We're highly risk averse, and that always puts you slightly on the back foot in any alliance because it's an unequal alliance, you can't share risk, so you have to give something else. So it's not necessarily negotiating from a position of strength... I think that will be a hindrance to us in the future.

(in interview, 20 June 1997)

There were further difficulties in the BBC's reliance on a *variety* of funding partners. The fragmented nature of the regional alliances meant that they were awkward to manage. The range of alliances, distribution deals, and attempts to ensure that the main regions of the world got more targeted news at particular times of day, meant that the channel was continually answerable to contradictory imperatives. As Hugh Williams, the former Chief Executive of the channel, described:

The great disadvantage of the commercial structure that we have is that it is a patchwork quilt. The only way that we could then see of developing this service internationally and make it a global service was to develop a series of regional alliances, first of all with Star, then with CBC for the distribution into Canada, then with Nissho Iwai for the Japanese service, then of course with Pearson to develop a European service ... You built up this patchwork quilt, ... but managing all those interests and still trying to develop a global service, was very, very, difficult and remains very, very, difficult.

(in interview, 22 May 1997)

Pricing

Such a 'patchwork quilt' of partners was mirrored in the different pricing strategies of the channel from territory to territory. In some countries the channel was free-to-air, and in others offered as a subscription-only service. Notwithstanding the fact that there was a public welfare maximisation rationale for being free-to-air - as the Deputy Controller of BBC World Rachel Attwell said, 'We're not subscription based ... [in Europe because of] the BBC belief that news should be available to most people' (in interview, 2 July 1997) - there were also more prosaic reasons behind such a policy.

The first was that cable companies in some countries, for example Germany, demanded payment for carriage of a channel, so there was no possibility anyway of a channel earning any revenue from subscription. The second was that because of the number of existing television news channels, an incumbent channel like BBC World was not perceived as being worth paying extra subscription for. A BBC executive described the situation in Europe when BBC World was launched in 1995:

CNN are so well-established, NBC at that time was very news-oriented, Euronews was becoming established, TF1 in France had launched, BBC World was not needed, it really wasn't. We had to go out and educate people about the benefits of BBC World over the other channels, about the history of World Service radio and how that can transfer into television ... We had to do all of this to get on the limited capacity. If you're going in and saying 'Oh by the way you've got to pay for us' - then 'Well we don't need you, we've got CNN'. Two and a half years later we've still got that problem in certain markets: 'Oh we've got CNN why do we need you'.

(in interview, 27 May 1997)

Thirdly, because of the way that they are used by audiences, news channels do not naturally lend themselves to encryption. Rachel Attwell, the Deputy Controller of BBC World, noted that:

People won't pay a subscription for news. In quite a lot of countries you pay a subscription for 20 channels and you're part of that. So we get payments that way, but what we don't have is pay an extra £1 and you can see our channel, because we know damn well that no-one will pay for a news channel. People want it there and they watch it if a big event happens.

(in interview, 2 July 1997)

However, being free-to-air is only workable if advertising revenue can be found. If it cannot, then subscription revenue becomes the only alternative. It is this situation that BBC World is currently facing in Europe, as two Worldwide executives acknowledged:

If you shunt [the channel] out free-to-air and the advertiser reckons that nobody's watching it, the advertiser won't buy the airtime ... The advertising revenue on the free-to-air service in Europe has been extremely disappointing, and the idea of encrypting the service is not such a strange one.

(Alistair Brown in interview, 27 May 1997)

There are a number of reasons why advertising on World not been very successful, not least of which is the fact that the pan-European advertising market has not increased at the rate that certainly the company that sells our airtime had forecast. So we are looking at much more opportunities in the way of sponsorship for example, and yes, this does mean that the issue of subscription in the future is rearing its head earlier than we'd anticipated.

(Wayne Dunsford in interview, 27 May 1997)

This issue of whether subscription is a viable method of revenue generation for news channels is one that is examined in more depth in the Conclusion; for now it is sufficient to note that without financial backing from a parent company, the free-to-air imperative is dependent upon advertising revenue, and such revenue is difficult to generate.⁶ The extent to which the domestic arm of the BBC, World's 'parent

⁶ Encryption and subscription mechanisms were also employed by BBC World if political and cultural imperatives demanded it. For example, China remained a market where the channel needed to be encrypted for political reasons - the Chinese government would not permit a free-to-air channel. In Japan, the service was encrypted because culturally, the Japanese expected it, according to the General Manager of BBC Worldwide Alistair Brown: 'It's ... a market in which people are encouraged and expect to pay for things'.

company', could indeed help the World channel in financial terms is now examined.

BBC World's relationship to BBC domestic news

The development of the relationship between the BBC World channel and domestic BBC news illustrates one of the key conundrums that the BBC faces: that of being both a publicly-funded broadcaster and a commercial player. On the one hand the two streams of funding - that from the licence fee and that from commercial sale - must be kept separate. The reasons for this are three-fold: because of the need to stay within the bounds of competition law; because the case for the continuance of the licence fee would diminish if commercial and public monies were merged; and because licence fee payers would resent part-paying for something that they could not receive. On the other hand, it is a truism that without some sort of good accruing to the commercial channel from its parent, it is pointless to have a parent. If no financial or other benefits were allowed to flow from the domestic BBC operation to its commercial enterprises, there would be no reason to develop the commercial enterprises. Therefore, some kind of subsidy, in the broadest sense of the term, had to be found. This section examines this issue in more detail through an analysis of the development of the relationship between World and BBC News.

When the World Service Television channel began in 1991, a news contract was signed between the World Service and the BBC's domestic News and Current Affairs (NCA) Division. The World Service had editorial management control over the bulletins, but domestic news provided the World Service Television News channel with most of its news output. This was done through a marginal costing system. In other words, the only charge that World Service had to pay was for

material that was generated solely for its use. As the former Head of the World Service John Tusa recalled:

When [World Service Television News] began it was on the universal pool and on marginal extra cost...I encourage you to accept that when it began it was a whole lot simpler, and that the 'Birt Revolution' has introduced all this cross-charging. It didn't start like that... There's a difference between prior commissioned material - something that appears on the One O'Clock News - the idea that you would then set a rate for World Service Television to take that was regarded as barmy, ... and the specially commissioned piece that was going to make a significant difference to the overall workload, for which it was clear you were going to have to have some sort of tariff ... That was about the stage that I left it, before the full weight of the internal market got cracking on it.

(in interview, 18 January 1996)

This state of affairs changed in 1994, when the BBC began to tighten its commercial policy practices. This was primarily in response to concern that the BBC would be taken to court over the issue of cross-subsidy, as the Deputy Director General at the time Bob Phillis explained:

We have to show hand on heart that we are not using public funding from the licence fee or from the grant-in-aid to subsidise commercial activities, because if we don't we are subject to threat under competition reference, either under the OFT in Britain or in Brussels. Because you get into the argument of state aid. 'Is the state aiding a commercial activity to the commercial disadvantage of other commercial competitors by allowing public funding to subsidise a commercial activity?' ... If we found ourselves before the OFT or the European Court on the basis of state aid or subsidisation or whatever, it would jeopardise our core [licence fee] funding.

(in interview, 6 August 1997)

The BBC's Commercial Policy Guidelines published in 1995 set out the distinction between licence fee income and commercial activities unequivocally:

Neither licence fee income nor grant-in-aid should be used to subsidise commercial activities, either in the form of investment capital or in the form of support for initial operating losses by specific ventures. In order to ensure that public funds are not used in this way, clear boundaries need to be drawn between our core public services and our commercial activities.

(BBC, 1995: Section 11)

To this end, since 1994 BBC World's relationship with BBC domestic news has been predicated on financial transparency. The channel now pays a bulk sum of money to domestic news for the right to use the domestic service's packages and correspondents. If extra costs are incurred in the course of such use, then BBC World must pay for those separately. As Rachel Attwell, the Deputy Controller of the channel, described:

If we hire a camera we pay the full cost of hiring that camera. If a domestic correspondent does something for us that involves additional expense, an extra night in a hotel, more editing, more crew time, that is separately charged to us.

...

The transparency issue is incredibly sensitive. Everyone thinks there's some fiddle going on the whole time but boy oh boy there isn't.

(in interview, 2 July 1997)

The type of output on BBC World changed as a consequence of this deal. Previously, the channel directly commissioned only a couple of reports a week, with approximately 60 per cent of material coming unchanged from domestic News, and the remainder consisting of re-voiced agency material. By 1997, much more output was tailored specifically for the channel, according to its Deputy Controller Rachel Attwell:

Now, about a third of the material we run we commission and pay for ourselves, on stories that we want to cover and will never be run on domestics. Another 10 per cent is co-production with domestics, where we will co-finance a feature, particularly with Breakfast News, and 30 per cent is straight lifts again, and 30 per cent is agency package. The difference is that we now have a proper newsgathering budget to allow us to do our own agenda and plug the gaps in the bits of the world that don't get onto domestic news.

(ibid.)

The growth in distribution of the channel helped it gain in stature internally. Journalists who previously had been dismissive and uncooperative towards it gradually became more accommodating, as Rachel Attwell described:

Five years ago a domestic correspondent would not have filed anything for us, they just wouldn't have done it, you could have got on your hands and knees... There was no financial agreement at that time, and we were a very different animal then. We were generally considered to be rather embarrassing because the quality of the programming was fairly substandard. ... Now the correspondents see us around the world and they love it. They go to Delhi or Israel and they see their package. Suddenly they are interested in filing for you. That has been a huge difference for us because when our distribution was very limited, they just had a sense that they were filing for nothing.

(ibid.)

Pricing the contract

The price of this news supply contract between World and domestic BBC news needed was difficult for the BBC to ascertain. Full-costing in its narrow economic definition would have meant charging the full costs, in other words the costs of setting up the service from nothing. This would have been counter-productive, as the BBC's Controller of Corporate Strategy Ed Richards argued:

We just disagree with that, we don't think that's right, that would mean the service wouldn't exist, there would be no benefit coming back into the BBC for the licence fee payer, it's not reflective of market prices, and so on and so forth.

(in interview, 17 November 1997)

At the other extreme, marginal costing was equally unacceptable, as this would have entailed the type of cross-subsidy that the BBC had to avoid: the Commercial Policy Guidelines stated categorically that 'Prices should not be below the marginal cost of providing the input in question' (BBC, 1995: Section 12). The rule of thumb proposed by the Guidelines was that 'fair prices should not normally be significantly out of line with the market price' (ibid.). However, in point of fact the market price could be very near the marginal price, because other suppliers of a particular service or product would themselves be using marginal costing strategies.

What the BBC used instead was a system of 'incremental cost', defined as 'marginal cost plus any attributable additional fixed costs' by the Controller of Corporate Strategy Ed Richards. In order to ensure compliance, a three-part checking procedure was set in place, consisting of an internal audit, an independent review by the Board of Governors, and an external audit. The process involved checking each 'line item', from studios down to individual correspondents' time, as Ed Richards described:

We crawled over the numbers to confirm that the incremental cost approach was being delivered, that the contracts were in place ... You literally go and examine the prices and the costs and the allocation of those costs between BBC News and BBC World.

(in interview, 17 November 1997)

Such a process had its detractors within the BBC. There was a forceful argument which viewed *any* extra revenue that the BBC received for its news product as of benefit. Therefore, because marginal costing brought in revenue, albeit small, it ought to have been counted as a legitimate method of costing. As the Deputy Controller of BBC World described,

If you're asking is every single package fully costed, then the answer is probably no, but in reality [the yearly payment] is a sum of money that the domestics would never get otherwise. If we pick up a budget package off the ... [Six O'Clock News], which we probably will do this evening, and run it, what the hell else are they going to do with it. So money's going back into the licence payer's pocket so to speak, or into the funds for BBC News.

(Rachel Attwell in interview, 2 July 1997)

Even the Deputy Director General Bob Phillis admitted that his preference was for some marginal costing to take place:

I would like to see an acceptable level of marginal costing introduced, but whether that's achievable or not only time will tell.

(in interview, 6 August 1997)

Indeed, he went further, arguing that there was an explicit public service aspect to the way that BBC Worldwide were continuing to support the loss-making BBC World:

BBC Worldwide Limited, the commercial arm of the BBC, is actually performing a public service function by subsidising out of commercial profitability the position of BBC World in the international marketplace. Worldwide would be more profitable if it were not sustaining World. So why are we doing it? Because we are part of the broader BBC as a public service broadcaster, and it goes back to that basket of BBC news services that we offer to the marketplace.

(ibid.)

However, he was the only interviewee who articulated this rationale, which ran counter to the BBC's commercial policy strategy. Others maintained firmly that such a 'subsidy' was unacceptable, because of the particular pressures from competition law, as the Controller of Corporate Strategy Ed Richards described:

We could make the price to World much lower, if it was just marginal cost, but we reviewed the competition authorities' approach to this, across the board. How competition authorities in Europe, in the UK, key regulators like Ofcom and Ofwat and so on, approached this sort of issue and what they thought was acceptable and legal, and we took the view on the basis of that review.

(in interview, 17 November 1997)

This section has outlined the extent to which the domestic arm of BBC News was permitted to cross-subsidise the commercially-funded BBC World channel. Its growing inability to do so in a way that gave the channel significant financial benefit is marked, although some economies of scope have indeed been possible.

However, the World channel benefited the domestic arm of the BBC because of the way that it acted as a standard-bearer for the BBC brand. Firstly, its existence

enabled the BBC News operation as a whole to gain better access to newsmakers.

As Richard Deverell, Head of BBC News Strategy argued:

We do think ... that unless you are an international broadcaster, you will over the long term erode your ability to have access to the international news makers.

(in interview, 20 June 1997)

This point was illustrated by the situation in South Africa in the mid-1990s, when Sky News was being shown overnight on the state channel SABC, according to a senior BBC executive:

At this time when you wanted to go and talk to a government official, SABC was always there first, CNN was there, and then Sky News, so there was hardly room for [the BBC correspondent] ... to get in for the fourth interview. When [SABC] took Sky off and we went on SABC overnight, we also threw them out of the newsgathering agenda in South Africa.

(in interview, 5 August 1997)

Secondly, BBC World provided a useful way of generating new markets for BBC product. A senior BBC executive argued that the channel worked as a kind of Trojan Horse for the further distribution of other BBC commercial products:

[BBC World exists] to open up markets for the BBC brand, after which comes the ability to sell natural history programming, or other factual programming. We see World as like a flagship that drives into markets, that introduces audiences to the BBC brand, and allows us to internationalise our commercial operations off the back of it ... News is a relatively expensive way of proving the hypothesis, but it is what the BBC is known for.

(ibid.)

It was noted by Richard Sambrook, the Head of BBC Newsgathering, that the Director General John Birt saw the BBC World channel as providing most value through its ambassadorial role, instead of it having any real commercial significance:

I've heard John Birt say that having BBC World as a platform for the BBC is more important than whether Worldwide makes a buck. In other words it's not purely decided on profit. It's got to be viable ... but

break-even is fine ... The most important thing is that we have it as a global platform for our programming, and we have a global network and we go out there and compete with CNN and extend the BBC's brand to other markets and so on.

(in interview, 7 August 1997)

6.4 Concluding remarks

This chapter has shown how, in the particular case of BBC World, the pursuit of commercial return can be seen as *reinforcing* public service provision. The history of the news channel shows that the initial goal of a publicly-funded service was not possible to achieve, and that the channel evolved into one which was funded through a variety of commercial partnerships.⁷ In other words, in order for the news channel to exist and expand, commercial relationships played a crucial role.

The chapter has noted that these commercial relationships did not result in any shift or diminution of the BBC's existing editorial values. Rather, such values were of commercial advantage, as they produced a type of 'quality' news programming which gave the burgeoning programming platforms which took the channel a useful degree of legitimacy. Thus, commercial funding did not result in a weakened

⁷ The variety of commercial partners, each with different editorial and distribution demands upon the channel, required BBC World to manage a range of conflicting interests. Its former Chief Executive Hugh Williams acknowledged that such a situation was difficult, and was in the process of being changed to an increased centralisation:

We are bringing the thing back here. We think that joint ventures were necessary but they haven't been as successful as we think they should have been. Looking at the practical side, these people are not as flexible as we would have been in selling the channel, or marketing it, or making publicity for it. We would do it better, we have economies of scale, for example from doing production schedules centrally in London and shipping them out to different languages and different time zones, rather than having it done by twenty different agencies and losing the brand.

(in interview, 22 May 1997)

commitment to public service standards in the BBC's overseas television news provision, but rather enabled the BBC's news product to exist in a wider international market.

This issue of the compatibility of commercial and public service goals is further examined in the next chapter which deals with the case of ITN. It shows the ways in which ITN has been increasingly required to negotiate the twin goals of public service and commercial return since the early 1980s, the extent to which its news product was tradable as an economic good, and the variable impact by government and by its owner-client ITV companies upon its development.

Chapter Seven

The Development of ITN

Introduction

The purpose of this chapter is to trace the development of ITN over the last 16 years,¹ as it moved from being a cost-centre to becoming a profit-seeking and profit-making company. In 1982 ITN had a single news supply contract, that with the regional ITV companies to provide news bulletins on the ITV channel. This contract was secured by statute. The ITV companies held joint ownership over ITN. By 1998, ITN had a number of news contracts, with both terrestrial and non-terrestrial television broadcasters, and also with radio broadcasters. Its ownership structure had changed significantly during the period of analysis, although by 1998 it was still majority-owned by the ITV companies.

The recent history of ITN is complex, involving an inter-linked set of relationships with its owners, the Government, and the buyers of its product. The impact of each upon the development of ITN has been at times contradictory to expectation. Thus, a surface examination of the facts would appear to show that a liberalising Conservative Government forced ITN to become a profit centre, removing it from its comfortable integration with the ITV companies who were bound by regulation to fund its provision. This development was detrimental to the provision of quality

¹ The focus of the chapter is largely upon the developments of the 1980s and early 1990s. However, the ITC's decision to move the ITV News at Ten bulletin in late 1998 is also included. Although it occurred after the research gathering period for this thesis had finished, its significance was sufficient to warrant its inclusion.

news, because ITN was then forced to develop profit-maximisation measures.

However, the reality is more complicated. Firstly, it was ITN management itself which asked Government to change its ownership rules, because it was felt that the ITV companies were not adequately committed to ITN's expansion. Secondly, the expansion of ITN into a range of other markets meant that ITN could maintain its key public service broadcasting contracts on ITV and Channel 4, although such expansion brought significant problems in terms of ensuring that conflicts of interest did not occur between different buyers. Thirdly, the regulation of ITN became progressively tighter, not looser, in comparison to other broadcast regulation: Government intervention simultaneously imposed both a market imperative and a public service oriented content and structure upon ITN.

These at times unexpected or unusual policy developments illustrate the inherent anomalies about ITN. Such anomalies stem from the fact that it is, in the words of its current Chief Executive Stewart Purvis, a 'commercial public service broadcaster' (in interview, 17 February 1998): it has a dual remit of profit generation *and* public service programming. It is therefore a key example for this thesis, providing an understanding of the ways in which the two imperatives operate in tandem.

This chapter outlines the changes that have taken place within ITN during the period of research enquiry. It sets out its attempts, both successful and unsuccessful, to gain news bulletin and news channel contracts, and its diversification into more discrete types of news provision activity. Within this narrative, the relationships between ITN, its owner-contractor ITV companies, and Government, are set out and assessed

for their impact upon ITN's organisational structure. Of particular note is the way that ITN has had to negotiate with its owner-buyer the ITV network the use of forms of economies of scope and marginal costing in order for expansion of activity to be economically viable. In other words, the core ITV contract has been the mainstay of all ITN's growth.

The chapter begins by outlining the relationship that ITN and the ITV companies had at the outset of the research period, in order to provide a basis for analysis of subsequent changes. It moves on to describe the growth of ITN's activities, and the reasons for the exacerbation of its relationship with the ITV companies. The decision by ITN management to look for outside shareholders is then outlined, contextualised within a description of the close nature of the relationship between Government and ITN. The subsequent changes to the ownership structure of the company and the impact of those changes upon ITN practices is set out. Finally, before the concluding summary, the attempt made by the ITV companies to move News at Ten is examined. Both the events of 1993 and 1998 show the variety of influences that ITN had to manage, and show the extent to which its autonomy was limited. The episodes also highlight the political weight attached to television news programming.

7.1 The relationships between ITV and ITN

In 1982 the ITN-ITV relationship was fourfold. Firstly, all fifteen ITV companies were the sole shareholders in ITN, the percentage of their shares being allocated according to their receipts from Net Advertising Revenue (NAR).² ITN was a cost centre, financially underwritten by its ITV shareholders, aiming only to break even each year. Its profits during the early and mid-1980s were around £0.5 - £1 million per year. Secondly, all of the ITV companies jointly contracted ITN to provide the ITV network with its supply of television news bulletins, paying it a certain sum each year, which was ITN's major revenue source. Thirdly, the companies collectively scheduled and transmitted the news bulletins at agreed times. Fourthly, they all provided a degree of direct input into ITN news production, by allowing ITN to use reports from their own regional ITV news journalists.

This near-vertically integrated structure, of ITV collectively guaranteeing carriage and funding for the news outlet, was one that had been in place since the inception of ITV in 1955. At that time the regulatory body for commercial television, the Independent Television Association (ITA), had considered two possible methods of news delivery for the ITV channel: to 'buy in' news either from the press or a newsreel company, or to produce its own news programme. The eventual decision to set up ITN was predicated on two related issues: the need to ensure that the ITA had overall editorial control over the news service broadcast on ITV, and the need for the ITV companies to be editorially distant from their news product, because of their purported Conservative bias (Sendall, 1982: 86). The decision was therefore

² The NAR is 'the actual net advertisement revenue received by Programme Companies after deduction of agency commissions and all discounts' (Fahy et al, 1988: 24)

reached to set up a news company that would be ‘a sort of federation of the four programme companies and all other interests, working on a basis approved by the Authority and with the Authority taking responsibility for its objectivity and impartiality’ (The Lord Privy Seal Harry Crookshank, quoted in *ibid.*). There was to be no direct editorial control from the owner-client ITV companies over the news company. However, ITV companies could still exercise a degree of control over the development of ITN because of the nature of the financial relationship between them.

These connections between ITN and the ITV companies were altered in their detail during the 1980s and early 1990s. The development of ITN during this period is now described, showing how the changes to the ITV-ITN relationship were both a catalyst for and a reaction to the changes in ITN’s activities.

7.2 The expansion of ITN activities during the 1980s

The first of ITN’s additional news contracts was that for the provision of news on Channel 4, which began broadcasting in November 1982. The contract was worth £5.5 million per year. Although there had been a desire at Channel 4 to commission a different news provider than ITN, in order to increase the plurality of news outlets within the UK, ITN was eventually chosen because of its position as ‘the only experienced contractor likely to fulfil Channel 4’s demands’ (Broadcast 8 February

1982). In other words, the costs of newsgathering and production were sufficiently high to make the prospect of setting up a stand-alone new news company financially unviable. As an ITN application for the contract to provide the news on the new DBS satellite service expressed it in 1986:

The creation of a new television newsgathering organisation, the output of which would compare with existing sources, would require a massive investment in technical resources and in human skills ... Without being able to gain access to ... existing services, it is likely that the cost of a News channel would be double the £20 million estimated annual cost of ITN's Programme Proposal.

(ITN, 1986: 2)

A number of links between the Channel 4 News operation and the ITV channel news output were developed when the Channel 4 bulletin was first launched. The plan at the outset, according to the Associate Editor of Channel 4 News Derek Mercer, was to share as many resources as possible between the two contracts:

We couldn't exist on ...[£5.5 million] and provide what Channel 4 wants without drawing on the existing structure of ITN: we need their resources. Not that it's entirely one-way, because trips News at Ten would not find it economic to make become more viable when we're chipping in as well...

Journalists working on News at Ten will file for us if they can, and we'll use news footage from News at Ten crews, since our crews will be out filming for tomorrow's features rather than today's news.

(‘The Qualities of Mercer’, Broadcast 20 September 1982)

There were tensions between the two contracts during the first year, as ITN journalists used to working to a News at Ten formula were asked to produce news of a different style. However, the relationship settled down, not least because Channel 4 until the 1990 Broadcasting Act was structurally and financially linked to ITV, in that the ITV companies collectively guaranteed its income and sold its advertising revenue. In other words, while there was some editorial competition between the two channels and consequently the two news contracts, there was no economic competition. It was therefore acceptable for Channel 4 News to

marginally-cost some of its activities from the ITV-ITN contract. Likewise, the ITV news contract was able to take advantage of the logistical synergies between the two outlets. As David Nicholas, the ITN Chief Executive of the time described,

Our main argument was to say that any expansion must meet the criteria of enhancing the service to the UK viewer, which is after all what was set up under Act of Parliament. So once we had Channel 4 News, that ... enabled us to change that little Washington bureau into a little television station. It had the capacity to go live and so on, and there was a cross-current between the two channels. So I used to say as an editor, this enriches the flow of our spread. What I didn't want to see, if, say, there was a speech at the UN, was an ITN crew standing there and a Channel 4 one standing there. That's a terrible duplication.

(in interview, 7 November 1996)

The Channel 4 contract was the beginning of the expansion of ITN's activities. After this, ITN developed a number of strands of activity. As David Nicholas noted of the situation in the late 1980s,

It was an article of faith with us that we looked for any opportunity in the broadcasting world. When I joined ITN in 1960 our output was about 20 minutes a day. At this time [1988] we were putting out about 7 hours a day.

(ibid.)

Terrestrially, ITN gained the contracts for the provision of summary bulletins on ITV in 1987, the Channel 4 Daily breakfast programme in 1989 (replaced by the Big Breakfast in 1993), and Channel Five news bulletins in 1997. The price of such contracts varied considerably. The Channel 4 Daily had an annual budget of between £10 and £12 million while it was on air. In 1987 ITN charged ITV £2 million per year for a daily five-minute 'coffee-time' bulletin at 10.25 am. However, later in the year its proposed night-time service for ITV, consisting of hourly summaries and an edited mix of CNN and Super Channel news for an hour-long programme at 5 am, was costed at £1,000 per hour: approximately the same price for much more programming. The difference in price was based upon whether ITN's existing

newsroom and crewing operations could be used, or whether, in the case of the morning bulletin, it would be necessary to use stand-alone, dedicated crews. In other words, the price was dependent upon the degree to which marginally-costed economies of scope were possible.

In terms of diversifying its activities, ITN bought a 51 per cent stake in the BASYS newsroom system in 1984. In 1988 ITN's first commercial director was appointed to search for new ways of maximising the core resource of ITN's news contract with ITV. Stewart Purvis, then the Deputy Editor of ITN described what this diversification involved:

In the late 80s, we developed an embryonic production arm, we sought commissions for documentaries, we made videos for sale, marketed our facilities, particularly graphics.

(in interview, 17 February 1998)

ITN Enterprises as a subsidiary was also set up at this time. In 1989 it published its own facilities ratecard as it prepared to set up a separate facilities division. Between 1986 and 1989 ITN turnover increased from £52.2 million to £83.8 million.

During the 1980s, ITN also attempted on a number of occasions to develop a non-terrestrial 24-hour news channel, either domestic or international in scope. In August 1986 it submitted detailed plans to the IBA, proposing a 24-hour news service on the new domestic DBS satellite system accorded to British Satellite Broadcasting (BSB) (ITN, 1986b). ITN would be an independent programme supplier to the DBS contractor, avoiding direct involvement with advertising sales and marketing. The relationship between the DBS service and ITN's overall resources would be similar to that between ITN and Channel 4 News, which meant

that there would be 'full integration' of resources, although any additional costs would be subject to independent audit. ITN argued that the channel should be free to air, 'to achieve optimum levels of penetration and viewing' (ibid.: 6). The annual cost of the channel was put at £20 million. The content of the channel was to be a 'continuous blend of news, live event and public affairs coverage' (ibid.: 2), aimed explicitly at the British viewer. Live parliamentary coverage of debates and Select Committees, European parliament debates of 'domestic or pan-European relevance', and US Congress hearings, were planned. The emphasis in the proposal was on ITN's ability to go live to breaking stories as well as those of 'lively national interest'. Also included were ideas to show news items that appeared on foreign news bulletins, to show 'behind the news' features from ITN foreign correspondents, to develop studio discussions on topical subjects, and to report financial and consumer affairs from a more innovative and viewer-accessible perspective. Early plans, outlined in a trade press article in 1984, had emphasised that it was ITN's public duty to provide the channel, and that it would be free to air. The channel planned to use bulletins and material from its co-owners of UPITN, the US ABC and the Australian Nine Network, as well as those of CNN. At this early stage, the business plan did not project break even until year seven - which was too long for ITV companies to wait before return on their investment (Broadcast 3 August 1984).

The 1986 bid was initially accepted by BSB, the public service consortium set up to operate the DBS franchise. However, the agreement was curtailed in 1988. One reason was that of cost, even though ITN revised the original price of supplying the news service down to £10 million, achieved through setting up a subsidiary company and thereby being able to employ cheaper staff. The main impediment however was

that ITN wanted to keep 7 per cent of its material for first run on ITV rather than the NOW! news channel. BSB objected to the idea that they would therefore be receiving second-hand material, and called for new bids for the news service in July 1988. Thus, although the existing newsgathering structure which ITN possessed gave it competitive advantage in the gaining of contracts, nonetheless there were concomitant difficulties about whether or not to share the resources between contracts.

ITN also developed plans for an international news channel. In September 1985 it was announced that it was considering the possibility of a worldwide 24-hour news channel delivered by satellite. The news agenda of the channel would vary according to the time of day, enabling viewers in different parts of the world to access news more relevant to them at their peak viewing times. ITN were reported to be in informal discussions with potential investment partners including CNN and the American television networks, although the ultimate decision for ITN's further development of the project rested with the ITV companies ('ITN drafts 24-hour satellite news plan' Campaign 27 September 1985).

However, rather than a stand-alone channel, ITN's first move into international news provision was that of its World News bulletin, commissioned and carried by Super Channel, the European-targeted satellite and cable entertainment channel set up by 15 of the 16 ITV companies. The channel began broadcasting in January 1987, with its tailored news bulletins provided by ITN. There had been a number of discussions about which news provider to use and what type of news to offer - BBC bulletins at one time were considered, then the straight re-broadcast of News at Ten. Finally a

dedicated 30-minute bulletin was agreed. The bulletin was aimed at an audience of non-native English speakers, with its news editor stating that the news agenda was equivalent to that of the International Herald Tribune ('ITN wins the race to Europe' The Observer 8 February 1987). The bulletin began with the News at Ten chimes, followed by an eight minute segment of general international news, then economic and business news. After the commercial break, there was a short European news section, then weather, a review of the papers, travel information, and sport. The initial budget for the service was £3 million.

The development of ITN's World News bulletin was firmly predicated upon the use of economies of scope and hence marginal costing. Because the bulletin was targeted at an international audience, there was less concern about its taking advantage of the resources of the domestic news contracts. As the then Chief Executive of ITN David Nicholas recalled,

The World service never went out to cover anything. The whole logic of it was to recycle. We priced it on labour salaries and so forth... The editor of World News had a rich variety of stuff to choose from each day. It was never charged for that.

(in interview, 7 November 1996)

Super Channel was not a financial success. It got into serious difficulty, and ITN's budget for its bulletin was progressively cut - first it was halved to £1.5 million, and then ITN agreed to a share of advertising revenue instead of direct payment. Notwithstanding this budgetary precariousness, the World News bulletins continued to be made, albeit with reduced staff and resources. Other contracts for the bulletin were in place by this time, involving broadcasters and airlines. ITN was able to capitalise on the liberalisation of broadcast unions and use a skeleton multi-skilled

staff, and take advantage of technological developments which meant that the news production process could be cheaper. As David Nicholas described:

Stewart Purvis [then ITN's Deputy Editor] was able to slash the costs of World News by revolutionising the way it was made, which you could do with the new technology. What he did then was to cut the crew. Up in our little Nissan hut [on the roof of the old ITN building] it was a proper little studio. What Stewart did ... was get a few editorial and tape editors to put the stuff together, then you get the presenter to go in and record the links, then take it into the editing room and chop it all up. So therefore it's not a live performance, whereas when we were doing it [before] it was like a proper News at Ten...

(ibid.)

The real hope behind the setting up of World News had been to develop a global news channel, beginning with the provision of a cable news channel to the US. This plan was checked by the costs involved, especially those pertaining to staffing levels, according to David Roycroft, ITN's Director of Marketing at the time:

We did quite a big study in the States, and talked to some cable owners who were very keen to get a high quality news service... [The channel] was to be on a cost plus basis, but the costs were too high ... [At that time] you had to have the full complement of sound person, PA, vision mixer, it was just ridiculous. It was still quite a long time before you got people to think in a different way... What you really needed to have a strong financial partner like Pearson to stand the money, and then get the thing going, and once you get to the critical mass the advertising starts coming in ...

(in interview, 15 October 1996)

ITN had a further opportunity to develop a World news channel, this time on Star Television, at the start of 1990. However, there was little interest in such an investment from the ITV companies, as the Chief Executive of the time noted:

Our main ambitions for World News really came to an end in 1990 when Star Television came to see us, and were very keen to have a 24-hour news channel ... They would have got us on to one of their five channels as a world service ...

Now if you were Rupert [Murdoch], you would say well OK you're playing this for the long term ... [But] in a pre-franchise renewal way, the [ITV companies] weren't sure they would survive. I think in a sense the idea of a semi-continuous news service died at that time really.

(Sir David Nicholas in interview, 7 November 1996)

The World News operation continued through the 1990s. Growth was modest. It extended the number of bulletins to three each day on Super Channel (taken over in the early 1990s by NBC), and also provided updates throughout the day. The bulletins also appeared on a number of other channels including PBS stations in the USA, NHK, Channel Nine Australia, and 'major international airlines' (ITN promotional material, 1995). However, by the second half of the 1990s its position was more uncertain. Its contract with NBC Super Channel came to an end in 1997, and a number of its US contracts switched to using the BBC's output.

The latest ITN attempt at gaining a foothold in international news development has been its purchase of a 49 per cent stake in the public service news channel Euronews in November 1997, the remainder of the shares being held by a consortium of 18 European public service broadcasters. It paid £5.1 million for the shares, gaining operational control. The Euronews operation has been based in Lyon since its inception, a city described favourably by ITN's Chief Executive Stewart Purvis as 'Atlanta in mid-France' (quoted in 'Euro Vision?' Broadcast 5 December 1997), and there were no plans to re-locate the news operation to London. Thus, although the channel has significant penetration across Europe - available to view in 91 million homes - there has been as yet little attempt made to develop economies of scale and scope with ITN's London-based newsgathering operation.

7.3 The increasing tension between ITN and the ITV companies

The major difficulty which ITN experienced in most of its attempts during the period of research enquiry to develop further television news contracts outside its core relationship with ITV was the lack of interest that most of the ITV companies displayed in investing in the news company, with some of them actively obstructive to ITN's interests. Thus, in the mid-1980s Thames Television was not keen for ITN to develop its Super Channel news service, because of its interests in the competing Astra satellite. As the then Deputy Editor of ITN Stewart Purvis noted, Thames 'had the power to make life difficult' because it owned the largest share of ITN. HTV also threatened to be obstructive over the Super Channel contract. Due to Super Channel being carried on a local cable service in Swindon, within HTV's region, concern was expressed by the ITV contractor over the possibility that Super Channel would take advertising revenue away from HTV.

Although such objections did not stop ITN from going ahead with the Super Channel bulletins, they are indicative of the way in which the relationship between ITV and ITN became more difficult during the late 1980s. The ITV companies had their own interests and plans for expansion, which at times meant that ITN and an ITV company would be competitors. A 1987 editorial in the trade press spelt out the difficulties:

The present owners [of ITN] ... are destined to be in commercial conflict with each other in the new competitive marketplace as broadcasting becomes more of a business like any other. Already ITN is involved in ventures in which its owners have divided interests. How does the board discuss sensitive issues of Super Channel when Thames is investing in the rival Astra service? Or the negotiating detail of BSB when Granada and Anglia sit on both sides of the fence?

(Floating the News' Broadcast 3 April 1987)

Further examples of competing interests came during the 1991 ITV franchise application process, when ITN was involved in a rival bid to LWT for the breakfast television franchise, and in 1992, when LWT's Greg Dyke resigned from the ITN Board because ITN was bidding against the Oracle teletext service, jointly owned by the 15 ITV companies. In the early 1990s ITN's contract with British Airways for the supply of the World News bulletins came to an end after the BBC offered the airline a package of news plus entertainment programming. As David Nicholas described, ITN tried to match this proposal but was unable to do so because of the refusal by ITV companies to allow their programming to be packaged with ITN's bulletins:

What the BBC said was 'Look, we'll give you the news, and we'll give you Yes Minister, and so on, in a package'. There was no contest. We tried to do this. The Economist came to us and said they would like us to do the World News and they would have an Economist analysis feature in it which would be great for business, and we would put together a similar package in that we would get Minder or something. But of course the system didn't work. Thames said it's good income to us, so we weren't able to lay our hands on any comedy or sport to garnish the package, whereas the BBC could. So we were knocked off.

(in interview, 7 November 1996)

As the Marketing Director of ITN David Roycroft observed of the situation in the late 1980s:

The trouble was that each of the ITV companies was in it just for themselves. There was no feeling that 'this is our ITN, we must grow the business.' They were on the board of ITN because they had to be. And because they were all in different things themselves, BSB and so on, nobody could ever agree on any sensible strategy for ITN.

(in interview, 15 October 1996)

This position was particularly exacerbated in the late 1980s by the Conservative Government's proposals to liberalise the broadcasting environment, which entailed auctioning the ITV franchises to the highest bidder. The ITV companies were in no

position to think about long-term investment in ITN expansion, as David Nicholas described:

[The inhibition on ITN's international expansion] was that ITV didn't want to do it. You're running up to a contract renewal. The whole of the late 1980s was a very tense time ... under Thatcher, radical changes, everyone nervous. And although I was clear ITN was at its zenith in those days, ... if I'm a Managing Director of Grampian or Ulster Television, all I have is one thing in life and I want to keep my contract. 'What the hell am I doing meeting David Nicholas's Hitlerite aggrandisement plans to dominate the world'. That's the way they would have looked at it. 'First of all he's calling me to stump up money for this, it's risk. And anyway, it won't come good for five or six years and I don't know whether I'm going to be around'.

(in interview, 7 November 1996)

It is important to note that this tension between ITN and ITV was not confined to this time period. Since its inception, the ITV companies had been reticent about funding ITN. Within months of being on air in 1955, the new ITV programme contractor ABC strongly criticised the terms under which the ITV companies were expected to contribute to ITN's costs, saying that they were

... appalled at the heavy, indeed reckless capital expenditure which is contemplated ... There is, in our view, no justification whatever for this grotesquely extravagant capital expenditure on equipment.

(quoted in Sendall, 1982: 140)

This type of complaint was regularly repeated. For example, in 1983 TSW refused to pay its share of an ITN overspend, complaining that they were expected to bail out ITN without being given any explanations as to the reasons for ITN going over-budget (Broadcast 28 March 1983).

Nonetheless, it was during the late 1980s that ITV company complaints over ITN costs increased significantly. They were in many ways justified in their concern, as

the current and a former ITN Chief Executive noted:

The truth was that ITN had a history of overspending its budget in those days.

(Stewart Purvis in interview, 17 February 1998)

What I found when I got there was a deal of confusion as to the true states of the finances of the company. It was clear that there was some omission in the accounts ... the auditors had failed to pick up some expenditure that had been unrecorded in the accounts ... It was a large sum of money, somewhere in the region of £10-15 million ... This was not money that had been misappropriated or misspent... it was a sum of money which the accounting systems had failed to record.

(David Gordon in interview, 23 May 1997)

Investments made by the company during the 1980s had not been profitable, according to Bob Phillis, ITN's Chief Executive between 1991 and 1993:

ITN had not distinguished itself in some of the recent investments it had made outside of core news provision. They bought BASYS [a computer newsroom company], and it was a financial disaster. It sucked a lot of money out of the company and one of the first things I did was to sell it as soon as I could ... [There] was a lack of track record in terms of investment.

(in interview, 6 August 1997)

In particular, ITN's move to new premises in 1990 just as the property market collapsed led directly to its financial crisis. As the then Editor of ITN Stewart Purvis recalled,

If ITN was about to go bust, and there were meetings where liquidation was discussed around the Board table, then it was because of the building. That was the black hole.

(in interview, 17 February 1998)

Some ITV companies highlighted the costs of covering the Gulf War and earlier big news stories as the reasons for ITN's financial crisis. However, according to Stewart Purvis,

The Gulf War is a complete red herring. What the Gulf War symbolised was that news costs a lot of money. But actually we covered the Gulf War pretty much on budget. The real problem was the accounting own goal within ITN about the costs...we'd lost track of how much we were spending.

(ibid.)

He argued that the reason the ITV companies blamed ITN's financial difficulty on the costs of covering the Gulf War was in order to gather support for the idea that ITN news ought to remain a cost centre. Certain ITV companies wanted to protect themselves from the market structures being brought in by the 1990 Act, and thought that a good way to halt the introduction of market practices was by claiming that ITN was too unpredictable in its spending to be able to be commercially viable:

David Elstein [at Thames] and Greg Dyke [at LWT] were running an anti-government campaign over the [1990] Broadcasting Act. And any stick they could beat the government with they would. And basically it suited them to say to the government 'if you want to commercialise ITV in the way you do, there is a price to be paid for it'. They played that up the whole time. So David [Elstein] was always exaggerating the costs of the Gulf War. It never was the crisis it was made out to be, but it suited people at the time for political reasons to pretend that it was.

(ibid.)

Thus, ITV companies played up the financial difficulties of ITN as a way of trying to garner support for the maintenance of the status quo in the ITV system, while certain ITN management were arguing that the financial problem had been caused by ITV neglect, and that what was needed was investment for expansion.

This episode illustrates the extent to which a distinction between commercial and public service rationales in ITN's development is extremely difficult to make. The ITV companies were acting out of commercial self-interest but arguing the case for the maintenance of the current system which happened to provide public service-

oriented news. The ITN management wanted to develop ITN commercially in order to safeguard their core public service contracts.

Because of these endemic tensions between the goals of the ITV shareholders and those of ITN, certain key management figures at ITN, most notably the newsreader and Board member Sir Alastair Burnet and ITN's Chief Executive David Nicholas, decided that ITN should sever its ownership links with the ITV companies. They hoped that by doing so, new shareholders could be found with money to invest in new projects. To this end they lobbied the Government to change ITN's ownership structure in the 1990 Act, so that 51 per cent of its shares had to be owned by outside shareholders. Before the detail of this lobbying and its outcome is described, it is necessary to outline the reasons why the Conservative Government was willing to listen to ITN's plans and act upon them.

7.4 The relationship between ITN and the Conservative Government

ITN's relationship with the Conservative Governments of the 1980s had been particularly cordial. This was largely predicated on the tautologous fact that ITN was not the BBC, with whom the Government had a series of major disagreements over news coverage (see Chapters Five and Six). In addition, the Government erroneously characterised ITN as a commercial broadcaster, seeing it as operating in the market for its survival, again in contrast to the BBC whose funding was publicly guaranteed.

Key ITN personnel had close personal connections to the Conservative government. The fraternity was underscored by the Honours accepted by editorial executives - Alastair Burnet, Associate Editor of News at Ten, gained a knighthood in 1984; David Nicholas, Chief Executive of ITN, a CBE in 1982 and a knighthood in 1989; and Sue Tinson, Associate Editor of ITN, was made a Dame in 1990. As a senior broadcasting policy civil servant described of the situation during the late 1980s:

There were leading figures within ITN who were close to Conservative ministers at the time. People like Alastair Burnet and Sue Tinson clearly had very close personal links.

(in interview, 16 September 1997)

ITN's coverage on ITV was more popular with Government than that of the BBC. As noted in Chapter Five above, the coverage of the two organisations during the Falklands War of 1982 was particularly illustrative of this point. BBC news and current affairs programmes took the decision not to be explicitly partial to the British cause. As the then Prime Minister Margaret Thatcher later wrote in her autobiography,

I became very unhappy at the attempted 'even-handedness' of some of the comment, and the chilling use of the third-person - talk of 'the British' and 'the Argentinians' on our news programmes.

(Thatcher, 1993: 181)

ITN's method of reporting the war was very different. As Michael Nicholson, an ITN reporter, explained during an IBA seminar on journalism in 1982:

Since the majority of Parliament and the country, as expressed at the dockside and in opinion polls, supported the launching of the Task Force, ITN had a unique opportunity to capitalise on that partiality and indeed go beyond it; for once, they were able to show commitment

(IBA, 1983: 17)

This 'commitment' went so far as to take the form of a 30-second homily at the end of the News at Ten bulletin by the newsreader Alastair Burnet; a clear breach of

impartiality regulation. Although Nicholson noted in this seminar that he 'accepted that ITN had gone beyond the normal boundary of news because these had been exceptional times', and he 'doubted whether ITN would ever adopt the same style again' (ibid.: 24) it was nevertheless indicative of the differences of attitude at the two news organisations, and also of the politicisation of impartiality. The BBC's neutrality was seen by Government as actively critical towards its policy, and the BBC did indeed see its role as that of holding the Government to account. On ITN's part, it deliberately compromised its impartiality because it equated the actions of Government with the will of the British population and thought it should provide what the population wanted. For such reasons, ITN coverage on ITV was looked upon far more favourably by Government than that of the BBC.

The third facet of ITN's favourable relations with Government was again based upon it being 'not the BBC'. While the BBC was paid for by a licence fee, in other words directly from public money, ITV income came from advertising revenue - commercial or 'independent' revenue - which was then used to pay for the ITN service. The Government chose to believe that this signified that a competitive, market element existed with respect to ITN's funding, which was not the case: as noted above, ITN's funding for its core ITV contract was guaranteed by statute.

This Government belief that a market-oriented ITN existed was illustrated by its action over the plans outlined above by both ITN and the BBC during the mid-1980s to set up international news bulletins or channels. The BBC were in the process of their process of lobbying the Foreign Office for funds to set up a television equivalent of the radio World Service (see Chapter Six above) when ITN pointed out

to the FCO that this would unfairly disadvantage ITN's own embryonic 'commercial' World News service. As the then Chief Executive of ITN David Nicholas recalled:

I read in the Sunday Times in 1986 or something that the BBC were negotiating with the Foreign Office to do a world service on television. [So] ... I wrote to Geoffrey Howe and said 'Hold on, here we are struggling in the commercial world to do this [World News] and you guys are going to give £11 million [to the BBC]' ... And I could hear the intake of breath from the top of Downing Street because clearly the Foreign Office had never thought of this ... Here at the height of Thatcherite competitive policy and not exactly sympathy for the BBC, here they are putting a commercial service out of business. At the same time I fed this through to Thatcher via Brian Griffiths ... and of course she apparently said 'What!'

(in interview, 7 November 1996)

As Chapter Six details, the Government subsequently refused to give the BBC funding for a news channel.

7.5 The Ownership of ITN

This close relationship between senior ITN executives and Downing Street was particularly illustrated by Alastair Burnet, who had 'access to Government at the highest level, including Margaret Thatcher' according to David Glencross, then the Director of Television at the IBA (in interview, 10 July 1996). Burnet was instrumental in persuading the Prime Minister that ITN was being held back through being fully owned by the ITV companies. Therefore, the Government introduced a clause in the 1990 Broadcasting Bill which required a majority of shares in ITN to be owned by outside - i.e., non-ITV - investors.

Thus, the impetus for the change in ownership rules did not come from Government.

As the Home Office Minister David Mellor vividly put it,

Everyone thinks that they are leaping to the defence of a lady who is being pounced upon when the lady herself was most prominent among those saying, 'pounce, pounce'.

(Hansard c806, 15 February 1990, Standing Committee F)

The amendment was of course consistent with elements of Government liberalisation policy, namely that to break the 'monopoly' of share ownership by the ITV companies would *ipso facto* bring advantages:

First, it assists in bringing pressure on the news organisations to act efficiently. Secondly, the wider share base gives scope for directors with relevant outside experience ... A third advantage of diversification and expansion is the introduction of greater scope for risk capital for investment. Fourthly, the proposal would ameliorate the tensions that might exist because of a conflict of interests among Channel 3 licensees.

(Hansard cc800-801, 15 February 1990, Standing Committee F)

However, the strength of Government detachment was significant. Immediately after this explanation of the advantages of the amendment, David Mellor went on to acknowledge the force of arguments arrayed against it (see Chapter Five above), and said that he hoped that ITV companies would continue to maintain a 'controlling share' of ITN:

We do not want to exclude Channel 3 licensees from holding a controlling share of the news provider. We wish to ensure only that, in the event of other shareholders wishing the news provider to diversify, it is possible for them to achieve that objective.

(Hansard c801, 15 February 1990, Standing Committee F)

The amendment was passed, and the 1990 Broadcasting Act required ITN to be 51 per cent owned by non-ITV shareholders by 1994, with any remaining ITV companies to own no more than 20 per cent of the shares each.

In fact, the required financial investment necessary to rescue ITN from its budgetary crisis came from within the ITV structure. It was Carlton, the new ITV contractor

for the London area, which proposed a £30 million rescue package in late 1992. Carlton prepared a secret 'take-over' bid, involving just Carlton, its part-owned ITV partner Central, LWT, and Reuters. Each of these companies was to take a 20 per cent share in ITN, with the remainder of ITN shares up for purchase by any or all of the remaining ITV companies.

Carlton's Chairman, Michael Green, took a considerable interest in ITN. Such interest was predicated on the way that control over a news organisation was felt to give a considerable degree of status. According to Snoddy's biography of Green,

[Green's] interest in restructuring ITN had been immediate. It was ... obvious that being chairman of the television news organisation would confer status and political access far beyond that of merely being chairman of Carlton Communications. Green was prepared to devote time and money to rebuilding ITN even though it would have little direct impact on Carlton's bottom line, however great a success he made of it.

(Snoddy, 1996: 222)

Bob Phillis, ITN Chief Executive of the time, put forward further reasons for Carlton's interest in ITN:

There were a number of factors. First ... there was a condition placed upon the successful franchisees to sustain ITN as the ITV news provider. They couldn't jettison ITN, they couldn't shut it down, they had to solve the problem. Point two, I think that some of the new players in the game understandably felt that a company consisting of and representing 15 separate companies was a cumbersome way of giving any sense of direction and purpose to it. Point three, as with the way the ITV system worked, you can win brownie points with your regulator, the ITC. You've helped solve a problem. You should take some credit. You've taken the lead in finding a solution to this problem. And the whole basis of broadcasting in Britain, particularly in the ITV system, was and still is very much on making sure you collect your brownie points during the period so that when you come up for renewal you have these things to your credit. And point four is, there was a property deal to be done.

(in interview, 6 August 1997)

The property situation was key to the different strategies taken by the ITV companies towards ITN. Michael Green, the Chairman of Carlton, was described by a number of executives as having seen the investment potential of the new ITN building in Gray's Inn Road, and so in business terms was keen to be involved in ITN. On the other hand, some of the smaller ITV companies were alarmed by the size of the ITN debt on the property. When this latter fact was coupled with having over-bid for their licences, a number of the smaller ITV companies were happy to disinvest.

The new shareholder structure, agreed in December 1992, comprised Granada, Carlton, LWT, Central and outside organisation Reuters with 18 per cent each, and Scottish and Anglia with 5 per cent each. When in 1993 Carlton took over Central, and Granada took over LWT, their combined shareholdings in ITN were each 36 per cent, which placed them over the 20 per cent limit. The extra shares were placed in a holding company until 1996, when the press group DMGT (Daily Mail and General Trust) bought them. A re-allocation of shares followed, and the ownership structure as of June 1997 was:

Carlton Communications Plc	20%
Daily Mail and General Trust Plc	20%
Granada Group Plc	20%
Reuters Limited	20%
United News and Media Plc	20%

(Source: ITN Annual Report and Accounts 1996)

Thus, the promise of dominant outside shareholder investment and activity never materialised. ITN did not become majority-owned by non-ITV companies, a situation which was legitimated by the 1996 Broadcasting Act which gave permission

for ITN to be fully-owned by the ITV channels again if it so desired. Instead, ITN remained primarily connected to Carlton, whose Chairman Michael Green was ITN Chairman between 1992 and 1995, and to Granada, whose Chairman Gerry Robinson became Chairman of ITN after Green.

7.6 The impact of the 1990 Broadcasting Act upon the ITN - shareholder relationship

It is clear that one of the main impediments to ITN's development, that of conflicts of interest with its shareholders, did not significantly improve with the 1990 Act and its new structure of ownership. There were three reasons for this. Firstly, as mentioned above, the large ITV companies were still dominant on the ITN board. Secondly, all the ITV companies were still in a position of power through collectively being the main ITN customer. Consequently, because the ITV companies were now competing with Channel 4 for advertising revenue, they were increasingly unhappy at what they saw as ITN marginally-costing its other contracts from the core ITV news base. Thirdly, the new outside shareholder Reuters also had interests in broadcasting, which at times clashed with ITN's plans.

The growing difficulties of economies of scale and scope

The 1990 Broadcasting Act had separated Channel 4 and ITV revenue streams. Although ITV were still required to subsidise Channel 4 if the latter's advertising revenue was not sufficient,³ the sale of Channel 4 advertising space was no longer carried out by ITV sales houses. Cross-promotion of programming on the two

³ In fact, Channel 4 did so well that the reverse situation was in operation - Channel 4 paid ITV.

channels also stopped. In other words, the two channels started to compete. This had an effect on the relationship between Channel 4 News and ITV news operations within ITN. While there had always been some rivalry at an editorial level, this was now made more distinct.

There were separate newsrooms for Channel 4 News, ITV news bulletins, and Channel 5 News. In foreign bureaux, staff were paid for by different contracts but overheads were shared, as Sue English, Deputy Editor at Channel 4 News explained:

We have separate correspondents, separate crews, separate technical help ... [But] we pay a 50 per cent share of the overhead of the office, a 50 per cent share of the various feeds that come in, 50 per cent share of the shipments from Washington to London, so those kind of core services are split 50/50.

(in interview, 6 March 1997)

Overall, the relationship between the different news contracts at ITN was described as one of shared administration and capital costs (including news agency contracts), with dedicated editorial staff, and a mixture of pooled crews and dedicated crews depending on the type of story being covered. Whether or not resources were shared was often dependent on time of day considerations, in other words two outlets could feasibly share crews for a story unless their transmission times were too far apart. A central resources department liaised between the outlets and tried to prevent the duplication of crewing, as Sue English described:

The central resources department know, for example, that we've dispatched a crew to Devon to cover the A13 demonstrations. So they're going to say to Channel 3, if Channel 3 want to send a crew down there, 'Channel 4 have got a crew down there, do you really need another crew?'... Maybe they do, and ultimately the editorial side of the operation drives it. If, editorially, we say we need this extra crew down there to make it work, then we have the final say, but resources are monitored centrally to make sure there isn't any inadvertent double-crewing.

(ibid.)

Because of the different priorities of the news outlets 'double-crewing' was often necessary. Last-minute stories that were to be shown on both ITV and Channel 4 were usually double-crewed because otherwise the time pressures of working to the 5.40 News on ITV and then to the 7 pm Channel 4 News were too great. If there was a major story, again there were usually separate crews because of the editorial differences between the outlets. It was only on more straightforward events coverage that a single crew collected material for both Channel 4 and ITV.

Editors disliked using each other's material once it had been packaged into a report. There was an increasing need, because of the growth in importance of developing brand strength, to ensure that the reporters were kept firmly within their own outlet and were not seen on other channels.⁴

There was a split in strategic logic between editorial level and Board level. The ITV companies did not want to cross-subsidise the news output of their terrestrial rivals Channel 4 and Channel 5, which manifested itself at editorial level with the ITV news contract being reticent about using material from other outlets. However, ITN at Board level - comprising some of the ITV companies - wanted to maintain and augment the ability to employ economies of scope in order to maximise profits. The current ITN Chief Executive Stewart Purvis argued that this conflict of interest was

⁴ One example of this situation occurred on the day I interviewed the Deputy Editor of Channel 4 News Sue English in early 1997. To illustrate the way that the two news outlets co-operated, she told me that Channel 4's interview with the mother of the murdered schoolboy Stephen Lawrence would be made available to News at Ten. The Channel 4 News presenter Jon Snow commented later in conversation that News at Ten were refusing to show any of the interview, even though in news terms it was significant, simply because it was visually a Channel 4 News item and News at Ten did not want to give any free publicity to them. He cited this as an example of the editorial dangers of inter-ITN rivalry brought about by the separation of Channels 3 and 4 in funding terms.

negligible. He acknowledged that it surfaced during the 1997 re-negotiation of the price of the ITV news contract, but maintained:

We employ a pretty hot lawyer, and all our contracts with broadcasters cover just about every conceivable contingency. So ... therefore one can do all sorts of other things without actually having to consult the customer.

(in interview, 17 February 1998)

However, the fact that ITN had to lower the price it charged ITV for the Channel 3 news service from £57 million to £42 million in 1997, with a further reduction in 1998, was a clear indication that ITV were unhappy at the level of economies of scope employed, particularly those relating to the costing of Channel 5 news bulletins. When ITN announced in 1997 that the contract price to Channel 5 would be £6 million per year for a main bulletin and summaries, there was strong reaction from some ITV companies (those which no longer had a shareholding in ITN).

There is a lot of anger about this. We will be subsidising news for our new rival, Channel 5, just as we are currently subsidising Channel 4 News.

(‘senior source’ at YTTV quoted in ‘ITN fears half-price Sky news’ Daily Telegraph 1 April 1996)

We are very upset about the amount ITN currently charges ITV. We believe we are subsidising Channel 4 News and will be doing the same for Channel 5.

(‘spokesman’ at HTV quoted in ibid.)

Conflicts of interest

A further problem that ITN continued to have with its owners was that of the presence of conflicts of interest, particularly around the television news interests that ITN’s non-ITV shareholder Reuters held. While it is of some benefit for shareholders in a company to be in similar businesses and so share a common perspective, it can also lead to difficulty. The relationship that ITN had with Reuters

illustrated the problems inherent in an organisation and a key shareholder having interests in the same areas of growth activity.

There were a number of connections between the two organisations, not only that of share ownership. While Reuters PLC had a seat on the ITN Board and owned 20 per cent of the company, its subsidiary company Reuters Television provided news agency supply to ITN; was housed in the ITN building in Gray's Inn Road; had a large newsgathering contract with ITN's competitor Sky News; and began to move into 'quasi-broadcasting' activity rather than generic news agency supply.

The conflict of interest issue had been acknowledged at the time of Reuters' purchase of its ITN shares, for it had previously been widely expected that Reuters Television would make a bid to be one of the nominated news providers for the ITV channel. The Editor-in-Chief of Reuters Mark Wood made it clear that if Reuters became an ITN shareholder, such a bid would not take place:

Clearly if our bid [for the ITN shares] is successful, we would not want to compete with ITN for their main business.

(Quoted in 'Have we got news for you' Broadcast 23 October 1992)

ITN and Reuters subsequently signed a no-competition clause over the ITV contract.

However, in other areas their interests continued to conflict. In 1994 ITN's Chairman Michael Green (of Carlton) held secret talks with Rupert Murdoch and Sam Chisholm of BSkyB, suggesting that ITN take over Sky News' newsgathering contract from Reuters Television. According to David Gordon, ITN's Chief Executive at the time, Reuters 'went through the roof' when the news was leaked:

When [Reuters] ... read that the Chairman of ITN had been doing this without consulting the Board of ITN, they were furious. Because Michael Green was [also] on the Board of Reuters, and they felt that he should have declared a conflict of interest.

(in interview, 23 May 1997)

The expansion of Reuters Television into dedicated newsgathering and news programme production for GMTV was another source of contention. As mentioned in Chapter Four, ITN's sales director Mervyn Hall argued in 1995 that:

I'm a customer of ... [Reuters Television] and I'm suspicious of what's going on. I find it difficult to understand that if I'm paying them for an agency service and there's a story breaking in Belfast at two in the morning, at which I want to have the pictures for the Big Breakfast ... I find it difficult to understand that this Reuters crew here is working for GMTV, and this crew here is a Reuters crew working for ITN, and there is no collusion.

(in interview, 14 July 1995)

Thus, the benefits of synergies of purpose between ITN the news provider and Reuters Television the shareholder were vitiated by an increasingly competitive environment in news provision, with both organisations seeking to encroach upon each other's territories.

This issue of the endemic conflicts of interest between ITN and its shareholders is taken up again in the conclusion of this chapter. Before this, however, it is important to discuss two key events in ITN's development over the research period - the 1993 and 1998 attempts by the ITV companies to move the News at Ten bulletin.

7.7 Moving News at Ten

The decision to try to move the News at Ten bulletin in 1993 illustrates the wealth of contradictory relationships that ITN had to negotiate. ITN faced the ITV Association (ITVA) acting as the schedulers of the ITV channel; the ITV companies acting as customers; the ITV companies acting as shareholders; its own Chairman, Michael Green of Carlton Television, who had been instrumental in planning the move; and the wishes of politicians and regulators. While the outcome of the 1993 campaign was a victory for the maintenance of the status quo - the bulletin was kept in its 10 pm schedule - in 1998 the same issue arose, and the ITC allowed the bulletin to move to an earlier time slot. As is shown below, this latter decision was a contentious one. The arguments for the maintenance of the bulletin at 10 pm were largely unchanged, but the ITC felt that the changed conditions for growth within the television industry as a whole were substantial enough to merit a rejection of the factors which five years previously had been accepted. In other words, notwithstanding the difference in outcome, the two attempts to move the bulletin were broadly similar in terms of the arguments put forward and the extent of ITN's need to negotiate a number of influential and conflicting relationships.

The News at Ten bulletin had been running on the ITV channel since 1968, and was widely regarded as both ITN's and ITV's flagship programme. David Gordon, ITN's former Chief Executive, noted that:

When I got to ITN I very quickly realised that News at Ten was the only marketing asset that ITN had ... it was a known programme at a known time, it gave ITN the only profile that it had. Therefore it was in the interests of the shareholders that that be retained.

(in interview, 23 May 1997)

In more general terms, the ITC's Director of Programmes and Cable, Sarah Thane, argued that ITN news provision as a whole gave the ITV channel much-needed weight and respectability:

The political credibility of ITV really hinged on ITN's contribution to it. They were the ultra-respectable solid end of a channel that a lot of politicians would have regarded as a very fluffy sex and game show channel.

(in interview, August 1997)

During the 1980s the profile and profitability of News at Ten grew, as corporate and business advertising expanded and targeted television viewers (as described above in Chapter Four). By 1986, News at Ten advertising breaks were the most sought-after for the placing of financial and flotation messages, and for the promotion of airlines and newspapers ('MediaBank: News at Ten' Marketing Week 10 October 1986). The price for a 30-second advertisement around News at Ten at this time was £51,000. As a Media Director at Saatchi and Saatchi said in October of that year, 'there's such pressure to get on News at Ten, it's now almost mandatory for reaching business men' ('ITV airtime crisis: When high stakes force out the old stalwarts' Campaign 17 October 1986). Rather than being treated as part of general prime-time scheduling, advertisers started to ask specifically for a slot around the bulletin ('MediaBank: News at Ten' Marketing Week 10 October 1986). In October 1988, it was calculated that the mid-bulletin advertising break had brought in £68 million during the previous year, and up to 5 per cent of all television advertising expenditure was being spent on the one mid-bulletin break. In 1992, the revenue from all the breaks around the bulletin was £150 million ('Have we got news for you' Broadcast 23 October 1992). This left the ITV companies with a profit of over £90 million from the timeslot, for the price of the ITN contract to supply all news bulletins to ITV (not just News at Ten) was around £60 million at this time.

Nonetheless, ITV companies felt that they could generate more revenue by moving News at Ten and rescheduling the evening prime-time programming. In early 1993 they proposed moving the News at Ten bulletin to a 30-minute slot at 7.30 or 8pm and a 15-minute slot at 11pm. In particular, this would enable the channel to show films post-Watershed without having to cut them in two to accommodate the news bulletin.

One of the major points about the ITV companies' decision was that the Chairman of ITN, Michael Green, also Chairman of Carlton Television, had been heavily involved in the secret plans. David Gordon, ITN's Chief Executive at the time, noted how 'it gradually became clear that this was an initiative that Carlton had been very keen on'. This meant that there was a clash of strategy between ITN editorial management, who decided that they wanted to save News at Ten, and their Chairman. Michael Green had hoped for David Gordon's support, according to the latter:

[Green's] concept was 'I recruited David Gordon, he's my man, he should do what I tell him, and here he is going off and pretending he's an independent Chief Executive'. Our relationship never recovered, but it was tremendous fun.

(in interview, 23 May 1997)

There was a similar clash on the ITN Board between individual ITV companies as to whether the move was an acceptable strategy. David Gordon described their difference of opinion:

Our shareholders, like [Carlton]... and like Anglia, who were really quite opposed to what we were doing, were really pissed off that the Chief Executive was not acting in the interests of them *qua* ITV shareholders. But Gerry Robinson [of Granada] was completely supportive, saying 'Well I don't think this is in the interests of ITN, it

may not be in the interests of Granada TV, I think you're doing the right thing'.

(ibid.)

Thus, ITN had a Board whose Chairman and some of its shareholders wanted to move its flagship news programme, while other Board members wanted to keep it where it was. ITN also needed to maintain good relations with the ITV network as a whole, in their role as collective customers. Therefore, ITN was in a very delicate position. Nonetheless, it decided to fight the proposal, albeit secretly, according to David Gordon. 'We ... conducted an extraordinary campaign to save News at Ten and pretended not to', through lobbying politicians and the ITC. As David Gordon described, ITN's campaign used two arguments, that of the need for there to be an alternative to the BBC, and that of the use to politicians of a bulletin scheduled at a time that could cover late decisions in the House of Commons:

We managed to stop [the proposal] ... in its tracks, by encouraging the politicians to get involved. Basically the pitch to John Major was 'Do you want the BBC to have a monopoly of coverage of politics?' [because] ... in those days the BBC was quite unpopular with the Tory Party. And the second argument was 'Do you want the cameras not to be in the chamber at 10.15 when you have major constitutional-shaping votes?' And politicians were absolutely won over on this.

(ibid.)

However, it is evident that even without the lobbying from ITN, politicians would have intervened. The Report of the National Heritage Select Committee is a case in point (National Heritage Committee, 1993). The cross-party Committee felt the issue to be of enough importance to conduct an inquiry, and quickly produced a report which strongly criticised the proposal. This report, and the transcript of the MPs' exchanges with the witnesses from the ITV Association, illustrated the divergent views on the issue.

The ITV Association's arguments for moving News at Ten were based on the apparently decreasing share of men and 'light viewers' that News at Ten was attracting. It was argued by the Chief Executive of the ITV Association Andrew Quinn that whereas News at Ten had previously attracted more male viewers than ITV programming as a whole, in recent years the situation had reversed. Similarly, 'light viewers' (defined as those watching one hour or less of ITV or Channel 4 each day) were less prevalent during News at Ten than during the rest of the schedule. The problem was compounded by the increased competition for television advertising revenue:

The ultimate thing we have observed is that ... the nationally-sold channels [Channel 4, cable and satellite] ... are impacting adversely on a great many of the ITV regions and that is a trend which, if it continues, will take a great deal of money from ITV.

(Andrew Quinn, Chief Executive ITVA: National Heritage Committee, 1993: 2)

The ITV Association also argued that regulatory requirements were too stringent:

We are driven by the Broadcasting Act of 1990 and we are driven by our own commercial requirements ... We were told that we ought to be prepared to become more commercial because of the new competition that we faced, because of the separation of Channel 4, because of the new cable and satellite channels and that is exactly what we are reacting to and that is exactly why we have been having this debate about News at Ten.

(ibid.)

This view, that News at Ten was detrimental to ITV revenues, was rejected by ITN management. They argued that the benefits of News at Ten were its ability to provide a consistent audience, and that other programming was both too variable in quality to be relied upon to deliver the same audience, and also too expensive.

What News at Ten does for ITV is drag the whole network a little bit upmarket, and pulls in extra ABC1 viewers at a very reasonable cost. In other words if ITV wanted to attract the same viewers with something else, they would have to put on Morse or Cracker every night at huge extra cost. Alternatively you forget about dragging in ABC1 viewers and selling BMWs in the centre break, and you go for higher volume generally, with blockbuster films. But then you've got to have

enough blockbuster films to make it work. And the financial equation is extremely finely balanced... News at Ten is still a very effective tool in [the ITV] schedule ... It punches its weight.

(David Mannion, ITN Associate Editor, in interview 25 April 1995)

The argument always was that [the ITV companies]... could get even more profit doing something else. Now that argument has been damaged in recent years by the failure of a whole series of programmes that everyone thought would be successful but weren't. News delivers a very consistent regular audience, it never goes below a certain number.

(Stewart Purvis, ITN Chief Executive, in interview 17 February 1998)

The MPs on the Committee were similarly sceptical of the ITVA arguments. In their Report, they noted that

Rather than allay its misgivings, the evidence submitted by the ITV Association confirmed and strengthened them. No justification beyond arguments of financial benefit and audience retention was advanced for the proposal to reschedule News at Ten as an early evening news programme.

(National Heritage Committee, 1993: iii)

They concluded that notwithstanding the precise legality or otherwise of moving the bulletin, 'ITV's moral obligation is clear'. To move News at Ten would 'certainly be a breach in the spirit' of the 1990 Broadcasting Act, and therefore they 'urge[d] the ITV Council unequivocally to reject the proposal to make any change to the time at which News at Ten is shown' (National Heritage Committee, 1993: iv).

The Report thus reveals much about the diametrically opposed rationales of MPs and the ITV companies. The MPs based their questioning and understanding upon the issue of public service and refused to accept any economic justification from the ITV companies. Similarly, they formulated their final injunction as a moral obligation, thus relying on the resonance of the idea and ideal of public service. The ITV Association for their part failed to acknowledge the resonance of the political

importance of television news, and argued from a solely economic perspective. They had treated news as a simple broadcast product.

This bifurcation of perspective is illustrated by one of the exchanges during the hearing, when the Chairman of Central Television Leslie Hill asked rhetorically:

Why should we not contemplate something which might be in the best commercial interests of our business and was within the remit and was within our contract and was still adhering to the public service broadcasting requirements of our licences?

(National Heritage Committee, 1993: 13)

The reply from the MPs was that the ITVA had failed to realise the resonance of the proposal: 'Because so many people think it is unthinkable'. Leslie Hill countered that he did not feel it was unthinkable to many people:

Based on the information I have got, I do not believe so many people do think it is unthinkable. I think it is unthinkable to certain kinds of people, but we get far more complaints about splitting movies into two than we do about most other things.

(ibid.)

The response of the National Heritage Chairman Gerald Kaufman revealed who the Committee saw as being the real arbiters of the debate:

Certain kinds of people who include the Prime Minister and the Leader of the Opposition.

(ibid.)

The political importance of television news programming was thus spelled out. Politicians saw television news as an area of broadcasting where direct intervention on their part was legitimate.

The ITC, the regulatory body charged with the power to make the final decision, subsequently rejected the ITV proposal. It argued that the ITV companies had

recently committed themselves in their franchise bids to the continuance of the bulletin, and declared that the economic and competitive climate had not altered in the two years since the licence bids to such a degree that change was warranted.

By 1998, however, the ITC were more sympathetic to the ITV cause. The ITV lobbying tactics of 1998 were more sophisticated than those of 1993, with a gradual testing of opinion on the viability of changes, and early consultations with the ITC about the kinds of concerns they would have to overcome ('The Fatal Hour' The Guardian 23 November 1998). As the ITC Director of Programmes and Cable Sarah Thane acknowledged, the ITC in 1998 were more sympathetic to ITV's desire to 'invest more money in its network output and ... broaden the appeal of its mid to late-evening schedule' ('Why the ITC Agreed to News at Ten Axing' Broadcast 27 November 1998), which in ITV's view would be greatly aided by an ability to schedule post-Watershed programming without an enforced break between 10 and 10.30 pm. Although public and political disapproval of the proposed changes was as vociferous in 1998 as in 1993, with the Prime Minister Tony Blair, the Secretary of State for Culture, Media and Sport, Chris Smith, and the Culture, Media and Sport Select Committee all stating their opposition to the move, along with the findings from the ITC's own audience research on the matter, News at Ten ended in March 1999, and was replaced by a thirty minute bulletin at 6.30 pm, a twenty minute bulletin at 11 pm, and a headline summary at 10 pm.

The significance of the decision lies not in the fact that the ITV companies wanted to move the bulletin, for this has been the case since the early 1990s, but in the changed relationship between the regulator, the ITV network, and the Government. The ITC

chose to prove itself resistant to Government pressure rather than to ITV arguments about economic efficiency. It decided that in order for the existing terrestrial television system to maintain its position vis-à-vis non-terrestrial channels, the economic constraints upon the ITV network had to be acknowledged, and the ITV channel given the scheduling freedom to compete. In other words, that public service programming could only be produced satisfactorily if the economics of the channel allowed.

This emphasis by the ITC upon the need to take account of economic as well as strictly 'public service' factors was a result of the regulatory body's increasing wish to prove itself competent as an economic regulator.⁵ Such an approach involved rejecting the politicians' arguments about the need to maintain the News at Ten bulletin. The ITC's development as an economic regulator - a strategic move to help it compete against Oftel to be the eventual single communications regulatory authority - necessitated it taking a negotiating position which was more sympathetic to industry concerns than previously, and less accepting of governmental intervention. The ITC thus focused on developing industry support for its role, and turned away from relying upon support from government. Such an approach involves some risk to its position, as its decision to move News at Ten deeply

⁵ Whilst this has always been part of its remit, it was given extra impetus by a High Court judgement in October 1998 which validated the ITC's intervention in the channel packaging policies of platform operators. In June 1998 the ITC published rules that had as their goal the 'remedying [of] anti-competitive practices in the bundling of channels' ('ITC confirms end of Minimum Carriage Requirements', ITC press release 26 June 1998). The cable and satellite television company Flextech appealed, on the grounds that the ITC was going beyond its remit. The ITC argued that it was entitled to intervene on the basis of its jurisdiction over issues of 'fair and effective competition in the provision of TV services' and the High Court agreed.

angered a number of MPs who could subsequently be obstructive towards the ITC's development. However, it was a strategy that the ITC decided was viable.

It is too early to make an overall judgement about the implications of the changes. Indeed, the ITC made it clear that it was committed to reviewing the situation after a year to check that quality standards in programming had not diminished - both in terms of the funding, range and quality of news as well as in the diversity of programmes now scheduled between 9 and 11 pm. However, it must be stated that the benefits of such a move would appear to be doubtful. As a number of commentators within the news and advertising industries declared during the period of consultation, News at Ten acts as a significant branding mechanism for ITV, and its loss is potentially damaging for the channel, especially because of its occurrence at the same time as the launch of digital television, with viewers facing complex programming choices which arguably lead to audiences turning to what they know best.

The events of 1993 and 1998 show the precarious nature of ITN's position. Firstly, it is a reminder of how the company is powerless to schedule its programmes, and is instead reliant for adequate scheduling upon the buyer of its product and regulatory stipulation (although, of course, ITN does not *directly* require maximum audience ratings, as it is paid for by the channel rather than being directly funded from advertising revenue). Secondly, it underlines the importance of the ITV news contract for ITN. Indeed, it underpins ITN's entire operation. If the ITV channel starts to diminish its news output, and possibly commission less at a lower price, then

ITN's ability to maintain its other contracts is also threatened. As David Glencross, the former Chief Executive of the ITC described the situation:

The core business of ITN was and still is the supply of news to ITV ...
It's my view and that of a lot of people that ITN is a cost centre for ITV.
If you took away that contract ITN would be finished effectively as an
effective news force, because the income it generates from other sources
could not compensate for the loss of the Channel 3 contract.

(in interview, 10 July 1996)

7.8 Conclusion

This chapter has examined the position of ITN as an organisation negotiating political, regulatory and commercial imperatives. Its development during the 1980s and 1990s has been shaped through the impact of Conservative political policies, legislation, and the interests of its owner-clients, the ITV companies. What emerges is a set of paradoxes. Government policy both encouraged marketisation and also safeguarded public service elements of ITN news provision. It was political intervention, instigated by ITN, rather than the dynamics of the marketplace which enabled ITN to expand. ITN itself was split about whether and how far to develop. This concluding section describes these paradoxes, firstly in relation to government policy, then in relation to the ITV companies. It ends by summarising the complexity of ITN's position as a news organisation employing both public service and commercial imperatives, arguing that the two share some common interests.

Government and regulation

By documenting the interplay and impact of both regulatory and commercial policies on the development of the organisation, a detailed empirical understanding of how the political and the economic interact has been revealed. There was nothing

straightforward about the pressures that ITN faced from successive Conservative Governments and from the ITV companies. In political terms, ITN's personal popularity with the Conservative Governments of the 1980s did not save it from having to become a profit-centre-oriented company. ITN itself was split in terms of whether the move was beneficial to the company. Some staff saw it as a way to expand and develop overseas, others as a danger to editorial standards. The Government's way of ensuring a profit-centre outlook was to remove ownership of ITN from the ITV companies, acting upon the wishes of ITN management, specifically Alastair Burnet. Yet the Government, as well as encouraging, or going along with, certain ideas of ITN's, was also concerned to maintain ITN as a constant presence to offset the BBC. Therefore, it allowed the IBA to award ITN most of the domestic news contracts that came up during the 1980s and early 1990s (a further reason for ITN's success in gaining news contracts was that the regulator was scarred by TV-am's difficulties in providing an adequate service). In editorial matters, the Government intervened in 1993 to prevent the ITV companies from moving the scheduling of News At Ten to earlier or later in the evening.

The Government's direct role in shaping the development of ITN has therefore been significant, and variable. Sometimes intervention took the guise of encouraging market activities, sometimes of the encouragement of more 'public service' behaviour from the company: Government policy was composed simultaneously of the encouragement of marketisation *and* the limiting of its significance in editorial terms, by safeguarding 'quality' and ensuring scheduling times.

This government intervention suffered a setback in 1998 when, notwithstanding the political desire to maintain News at Ten in its long-established scheduled position, the ITC accepted the ITV companies' arguments about the need for it to be moved to make way for programming which would attract higher audience viewing figures. However, the ITC's approval of the move was qualified, with an assessment of the maintenance of news quality to be carried out after a year. In other words, the existence of news quality, which has been continually emphasised by government (see Chapter Five), has remained of particular significance.

The ITV companies

The relationship that ITN had with its client-owners, the regional ITV companies, was also variable, due to the different ambitions and interests of many of the ITV members. Many saw the amount that they had to pay for the news service as a cost that should be pared down if at all possible. On the other hand, it was acknowledged that a quality news service was beneficial in terms of attempting to ensure successful franchise applications. Thus, at the time of the franchise auction process in the late 1980s, bidders' applications placed news programming as a central pivot of their scheduling strategy, even as the same companies were refusing to give ITN the capital to invest.

Political and commercial imperatives are closely connected. Without the Government's decision to allocate ITV licences by auction, the ITV companies would not have been quite so concerned about ITN costs. Without the politically-induced recession of the early 1990s, the revenue for ITV as a whole and that around News At Ten would have remained buoyant and again alleviated the pressure by ITV

companies to think of moving News At Ten. Political imperatives forced ITN to expand, which otherwise would not have happened because of the caution of its owner-client ITV companies.

Summary

ITN thus exemplifies the complexity of the television news industry's position at the intersection of public service and commercial worlds. ITN's marketisation strategy, in other words its decision to expand, offering a range of news products, can simultaneously be seen as a move away from a primary emphasis on public service provision, *and* as a continuation of it, for such marketisation did have some public service-oriented results. The fundamental logic of news profitability is to be able to add extra contracts onto a core one, so that the fixed costs of bureaux, newsgathering, studio capacity and so on can be reduced. Extra contracts are thus of positive benefit to the core contract (although they also create some problems in newsgathering, as journalists have to file for too many outlets and thereby lose time for investigation). If the core contract is one which is public service-oriented, then the expansion of a news organisation can be seen as a public good, in that it enables the core public service-oriented contract to continue and develop in ways it would not otherwise have been able to afford to.

This chapter has shown that public service and commercial imperatives can dovetail. This is illustrated by the fact that it is commercially beneficial to develop economies of scope through the production of a number of different news bulletins. However, attaining the contracts to provide such bulletins involves being able to show that

various statutory or more informal quality thresholds are passed, and therefore, a core public service-oriented news outlet is of active commercial benefit.

However, it must not be forgotten that such economies of scope have been shown to be extremely difficult to maintain after a certain degree of expansion has occurred. The pressures from conflicts of interest have been particularly difficult for ITN to negotiate, for two reasons. Firstly, until its purchase of Euronews in 1997, it has not had control over its own distribution, which has made it particularly dependent upon its key ITV news contract. Secondly, it has been owned by organisations whose activities have involved competing to some degree with ITN. In other words, ITN has often behaved as if it were part of a vertically-integrated company, without the benefits that actual vertical integration can provide, namely parent company investment and security of distribution. The next chapter turns to Sky News, and assesses whether its vertical integration with BSkyB has been beneficial to its growth.

Chapter Eight

The Development of Sky News

Introduction

The Sky News channel provides 24-hour news aimed primarily at the domestic British viewer. Programming consists of half-hourly or hourly bulletins, with the 'back' half hours filled by bought-in news programmes from the US or domestically-produced current affairs programmes. The channel is a fully-owned subsidiary of the satellite platform and channel provider BSkyB, itself 40 per cent owned by Rupert Murdoch's News International company. It is distributed by cable operators as well as through the BSkyB satellite network.

This chapter describes the ways that Sky News has developed since it was set up in 1989, and delineates the contradictory imperatives that Sky News has had to negotiate throughout its existence. On the one hand, its genesis and continued existence has been due to the high degree of importance which Rupert Murdoch himself has attached to the principle of providing a 'quality' news service. His interest in the channel stems from the way that Sky News has added a useful element of political legitimacy to Murdoch's companies during a period of intense political concern over his expansionist activities. On the other hand, Sky News' parent company BSkyB has viewed the channel more negatively. BSkyB has become increasingly insistent that the costs of Sky News should be borne by the channel itself, arguing that there should be no subsidy involved in its provision. These two divergent viewpoints, and the strategies attached to them, have shaped the development of the Sky News channel.

The chapter begins by outlining the genesis of the BSkyB network, formerly Sky, and examines the main rationale behind the setting up of the Sky News news channel: that of the provision of legitimacy to the BSkyB network, and more generally, to News International and Rupert Murdoch. After this, the development of Sky News is described, including its target audience, news agenda, newsgathering capacity and position within the BSkyB 'bouquet' of programme channels. Its financial position, particularly in relation to its BSkyB parent, is outlined, and the two main attempts at revenue maximisation - those of revenue generation via international expansion, and cost-cutting via newsgathering agreements - are documented and assessed. Finally, the issue of Sky News' double imperative - to provide political legitimacy and to generate commercial return - is discussed again, and a judgement made on the ability of the channel to combine the two goals.

8.1 The genesis of BSkyB

The original Sky Channel was founded in 1980 by a former Thames Television researcher, Bryan Haynes. The channel consisted of largely US imports of general entertainment, pop music, sport and old movies, and was distributed by satellite to cable head-ends in a number of European countries as well as some local cable companies in the UK. Haynes' company, Satellite Television, was taken over by Rupert Murdoch in 1984 (Broadcast 26 April 1985). Murdoch began to plan for an expansion of the service into a network of channels that could be beamed directly to household satellite dishes (see Chippindale and Franks, 1991).

In February 1989, this Sky network was launched, under the wing of Murdoch's UK press company News International. The direct-to-home (DTH) satellite network comprised four channels - Sky News, the Movie Channel, the Comedy Channel and the general entertainment channel Sky One. Sky's forecasts for take-up of the satellite service were optimistic: 2.5 million homes in the UK and Northern Ireland by the end of 1989 rising to 6 million within 3 years. In fact, it took a decade for 6 million homes to be connected to either satellite or cable television systems.

The first couple of years of existence were extremely precarious for Sky. It faced a number of problems. At the outset, there was a lack of knowledge about the service at television retail outlets, resulting in potential customers being put off by incorrect advice about the facility, legality and cost of erecting a dish.¹ Secondly, advertising revenue from the channels was minimal. Advertisers were not used to dealing with a television medium which could not be measured - BARB audience figures were only available for cable and satellite viewing after November 1991. Some advertisers found that the cost of repeat fees payable to actors appearing in advertisements outweighed the cheap price of the advertising that Sky was offering. Thirdly, much of the media were hostile to the Sky network. While there was an element of snobbery in the attitude of much of the press toward the Sky programming which was mainly American, especially in comparison to the yet-to-be-aired public service-oriented BSB (British Satellite Broadcasting) satellite network, there was more

¹ In the first 3 months of operation only 28,000 dishes were installed, so Sky decided to use direct selling techniques to push through dish sales. Starting in the autumn of 1989, by February 1990 it was installing two thirds of all dish systems bought, and sales had risen to around 90,000 per month (Campaign 2 February 1990). Although an audience was therefore generated, it was an expensive one - the subsidiary direct sales company cost Sky £105 million when it was written off in August 1992 (Independent on Sunday 28 June 1992).

serious concern over the issue of cross-media promotion. Sky spent seven times more on advertising promotions for the Sky channels which appeared in the News International press than it did on promotions placed in the non-News International press. In June 1989 the Arts Editor of The Times resigned after a Sky promotion was placed prominently on the arts page against his wishes.

The main difficulty that Sky faced was the presence of BSB, its rival satellite public service broadcaster. Competition between them, not merely for audiences and programming but also for the technology format - the Sky round dish versus BSB's 'squarial' - resulted in spiralling costs for both networks, including a marketing battle in which they spent a combined £30 million in 1990 (see Chippindale and Franks, 1991 for details of the competitive relationship).

All these factors left Sky's financial position in its first two years extremely weak. Weekly losses varied between £2 million and £3 million. According to one account, Sky finances were so bad that 'every morning the [Sky] finance department at Osterley had to call the office of the News International finance director at Wapping. It was then informed how much advertising revenue had come into the coffers of the News International papers the day before, which in turn determined how much Sky could spend' (Chippindale and Franks, 1991: 270). The crisis grew so acute that in September 1990 the UK share price of News International fell by 22% in one week, and in the US, the value of the shares of its parent company News Corporation halved.

Finally, in November 1990 a 'merger' plan was agreed between Sky and BSB, and the company renamed British Sky Broadcasting or BSkyB. The agreement largely retained Sky rather than BSB programming and staff, and was effectively a take-over by Sky. Staff at Sky headquarters were reduced by a third to under 1000, and overheads were cut from £6.5 million to £1.8 million per week (Screen International 28 August 1992). The merger was criticised strongly by the IBA, and seen as a serious breach of BSB's licence, not least because BSB had not sought the IBA's permission prior to the merger taking place. The IBA considered the possibility of forbidding the merger, but it was decided that such a move would be counter to the long-term interests of the viewers. Competition in terms of the type of satellite platform on offer did not appear to be a viable proposition, so an artificial prolongation of the existence of two platforms was pointless.

The Sky service had been transmitted via the medium-powered Luxembourg-based Astra satellite. Medium-powered satellites had not been thought powerful enough to work as 'direct-to-home' systems, and consequently had not been included in regulatory provisions. Thus, before its merger with BSB, Sky was not obligated by any UK regulations except for some technical requirements contained in Wireless Telegraphy and Telecommunications legislation (Monopolies and Mergers Commission, 1992: 8). While BSB was restricted in its programming strategy both by regulation and by the fact that other British television interests had invested heavily in it and required it to maintain a certain 'respectability', Sky had no such curbs placed upon its programming policy.

However, a liberal, 'piratical' existence was actually detrimental for Sky in public relations terms. As Hugh Williams, the former Head of News at BSB described:

BSB was always much more part of the broadcasting establishment, the broadcasting firmament, of the British nation of that time. Sky was always outside it. Sky always had more to prove in terms of its style and its approach.

(in interview, 22 May 1997)

Sky did not want to remain a maverick outsider. It therefore voluntarily placed its programming under the Programme Code of the IBA, and placed itself under the jurisdiction of the Cable Authority.² Thus, even though Sky did not initially have to ensure that its programming adhered to UK programme content norms, in fact since the network began in 1989 it followed the IBA and later ITC Programme Code guidelines. The major reason for this was the need for Sky services to gain credibility and consequent legitimacy. The Sky service and satellite platform was being set up at a time when Parliament was debating the provisions of a radical Broadcasting Bill. Rupert Murdoch's News International owned 37 per cent of the national UK press, and political and media concern over Murdoch's ownership of key press titles was considerable. It was therefore politically expedient for Sky to come voluntarily under UK jurisdiction and hence signal its responsibility.

The political role of Sky News

For these reasons, it can be seen that the existence of a Sky News channel could be particularly instrumental in furthering Murdoch's defensive strategy. The presence

² After the merger in late 1990, the BSkyB service came under IBA jurisdiction as a domestic satellite system for as long as it provided a dual service on both the Astra satellite system and BSB's Marco Polo satellite - until the end of 1992. After this it reverted to a position of non-domestic satellite broadcaster, a classification brought in by the 1990 Broadcasting Act, to bring UK legislation into line with the 1989 European Directive 'Television without frontiers'.

of a news channel within his Sky company's bouquet of channels was a signal to politicians that satellite television was committed to the public service goal of information-provision as well as to pure entertainment. Additionally, such a channel entailed direct access to politicians, enabling there to be contact at close quarters. The importance of this was spelled out by Sky News' Political Editor Adam Boulton:

The news industry is very, very, important because it raises the profile of a business, particularly a business such as the media which is heavily regulated. If you were running a biscuit factory, it doesn't matter how many billions you're turning over, unless you're making heavy donations to the Tory Party you'll probably see the PM and ministers at a distance once a year.

Our company, a media company, knows very well that on a regular basis the representatives of their organisation are making contact with the government, the PM, and the regulatory authorities. So there's a whole different profile about being involved in national news media to just being a businessman.

That ... was important to Sky ... because we were exploring ... an undeveloped legislative framework... [We] were going to be subject to very heavy regulation in all ... our ventures. Therefore to have a public service element, and an element which coincidentally brought you into the thoughts of the regulators, was quite an important thing to do.

(in interview, 22 September 1997)

Thus, Murdoch's interest in developing a television news channel was predicated on the understanding that it provided him with political power. This power was not the direct one of editorial control as in the newspaper industry, but was more insidious or indirect. The existence of Sky News helped the political profile and credibility of the overall Sky system, and it is this that Murdoch foresaw and defended: such political credibility was a commercial asset. As the senior KPMG management consultant Paul Styles noted:

There is an economic benefit to Sky News. It helps to legitimise the overall package of what is a pretty robust commercial operation and therefore is seen to have an economic benefit.

(in interview, 3 October 1997)

Of course, it is true that in any case many Thatcherite Conservatives welcomed the advent of the Sky system, seeing it as a triumph of deregulatory liberalism. As a senior broadcasting policy civil servant pointed out:

Politicians in the late 80s on the whole, certainly Conservatives, did not see dangers in what Murdoch was doing. They were inclined to excuse the downmarket taintiness of some of the product on the basis that this was a very brave and costly investment that Murdoch was making, and clearly he'd have to pick up audiences before he'd have the returns to plough into better quality material. I think there was a feeling that as time went on he would do that. Such fears as there were, were rather more on the Labour side, where there was questioning of Murdoch's overall global ambitions, and his ability to stifle any competition and opposition.

(in interview, 16 September 1997)

Notwithstanding Labour's concern with the existence of the Sky satellite system and Murdoch's ultimate ambitions, Labour politicians were largely in favour of the development of a third news journalism force. Sky News' Political Editor Adam Boulton recalled that there was little difficulty in getting access to Labour politicians, even though News International at the time was particularly vilified because of its treatment during the mid-1980s of the print unions at Wapping:

We never had any initial problems [with Labour politicians] which to a certain extent surprised me. When we set it up I wrote to the various politicians most of whom had an acquaintance with me .. What the Labour Party said to me, I think it was Roy Hattersley, he said 'First of all we welcome any news organisation, particularly in television, because we want an insurance policy against the BBC, and as long as you're straight with us we'll be straight with you'.

(in interview, 22 September 1997)

Thus, the foundation of the news channel was predominantly based on the need for political and regulatory legitimacy to accrue to News International and Rupert Murdoch. As the Chief Executive of APTV Stephen Claypole noted:

Sky News ... has given enormous credibility to the Sky channel system. It's also given Sky a lot of political clout. It adds a lot to the configuration of Sky Channels... It fulfils a number of things, it actually makes the quotient of programmes produced in house look quite respectable because it's there 24 hours a day ... There are a lot of advantages to Sky News running that operation.

(in interview, 24 October 1996)

However, it is important at the outset to distinguish between the opinions and influence of Rupert Murdoch and those of BSkyB. It was Murdoch's own personal interest and belief in the idea of a television news channel that ensured Sky News's survival. He was instrumental in developing certain investment strategies, documented below, and intervened on a number of occasions to save the channel from closure. For example, after Sky's merger with BSB, BSkyB's Chief Executive Sam Chisholm was keen to close the Sky News channel down, but Murdoch vetoed the idea. As a senior Sky News executive recalled:

Rupert was a firm believer in Sky News, he fought the shareholders... He was determined that there should always be a news channel at Sky. The crunch came when [BSB and Sky] merged, and the first thing that Sam Chisholm wanted to do was close Sky News down. And a massive fight took place apparently between Sam and Rupert. But the news channel stayed.

(in interview, 1 July 1997)

BSkyB management, on the other hand, have always been ambivalent towards the channel, accepting its indirect use but frustrated at its costs. In the words of its former Head of News Ian Cook, this makes Sky News a profoundly 'schizophrenic beast':

Yes there's the status and all that kind of stuff. The fact that it's very valuable and the fact that everyone wants to keep it. But overriding all that is that News Corp, News International, Sky, is a very strong, very heavily commercial operation. It's a very tough place, and every separate area is supposed to make money in its own right, there's no thought of one part subsidising another. Obviously, having said all that, Sky News has been subsidised all these years, but the overriding feeling is 'OK because of that there's a limit to how far we're prepared to go. Yes we agree it's valuable, but it's not going to be showered with loads of money'. And that's really been one of its big handicaps. Yes

it's been nice to have the protected status, but the fact that it isn't a money maker in its own right has been a big handicap to it.

(in interview, 19 February 1997)

8.2 The development of the Sky News service

The very first Sky news service appeared on the Sky general entertainment channel in 1988. It was a headline bulletin service, a 'rip and read' summary, with no use of footage, and no in-vision news reader (Campaign 11 March 1988). It was produced by The Times newsroom in Wapping.

For the reasons outlined above, this service was not sufficient for the planned four-channel DTH satellite system. Instead, an entire news channel was proposed. At first, it was considered possible to contract-out the channel to an existing news provider. Talks were held with ITN in July 1988, but no agreement was reached. Indeed, David Mannion, part of ITN management at the time, argued that Murdoch was never serious about using ITN:

I went to the Tower Hotel with David Nicholas and a few others to present our bid ... [Murdoch] said 'Well it looks a very good bid but you're going to have to cut the price by' - and he mentioned some ridiculous figure - 'can you do that?' and we said 'No' and that was it, off we went... He wanted a benchmark to say to his own people 'If ITN can do it for this then so can you'... I think we were used, but that's part of the commercial game.

(in interview, 25 April 1997)

Instead, Murdoch signed a contract with the television newsagency Visnews in November 1988, worth £30 million over five years. Visnews was to supply Sky News with world news in its traditional role as wholesale news agency, and also supply crews for international breaking news. The main part of the deal, however,

involved Visnews creating a specialised service for Sky by setting up five regional newsgathering bureaux across the UK (except for the Home Counties which Sky News covered itself). These bureaux included not only crews and facilities but dedicated correspondents. Although Rupert Murdoch wished to create a news channel which was distinguishably Sky's own, there was neither the time nor resources to set up a stand-alone newsgathering network in the short space of time between the final decision to set up a news channel in the summer of 1988 and its first broadcast in February 1989.

It is of note that Sky News did not use its parent News International's press resources to any significant degree, particularly in the light of News International's tendency to use its various media outlets to cross-promote its services. Although some cross-promotion certainly occurred, and some news personnel moved from Wapping to Sky, for example Nick Ferrari moving from The News of the World to be Sky News newsroom editor, there were few direct newsgathering links between journalists at Wapping working on News International press titles and those working at Osterley for Sky News. The only connection was the use made of News International foreign correspondents, as the Sky News Foreign Editor Nick Jennings recalled:

We had access, through our network, to all the resources of News International, in the sense of all the newspaper journalists The Times employs, scattered around the world that we would use for stories ... There was no instruction from above that they had to do it, but if they got a call from Sky News and they were working on a story that Sky was interested in, it was in everybody's interest if they did it. If they did find the time, we would bung them 50 quid or something like that, and it would encourage them to do it again.

(in interview, 13 March 1997)

This use of News International journalists was not widespread. There was little feeling of solidarity between the two camps of News International journalism. This was partly due to the resentment felt by Wapping journalists that their titles were underpinning a loss-making concern. A senior Sky News executive characterised the relationship as ‘hostile’:

We had nothing but hostility from News International since we started. Because they felt, probably rightly, that all the profits from the Sunday Times, £1 million a week, were going straight into a loss-making operation ... We used to have these fights, between for example the News of the World and Sky, because the News of the World would rather give their exclusive to ITN on a Saturday night than they would to Sky ... There’s still an inbred hatred of everything that Sky stands for, because it’s not only profits that were being taken away, but their expense accounts. Everything at Wapping was pared right back to the bone. Things were so bad for at least a year and a half. We used the Guardian correspondent more than we used the Times correspondent.

(in interview, 1 July 1997)

Adam Boulton, Sky News’ Political Editor since 1989, had further explanations for the lack of synergies between the two groups:

The relationship between Sky and Wapping has never been particularly good. Initially there was resentment because budgets were squeezed in Wapping... Secondly, as BSkyB became more successful there was resentment of the other kind, that we were successful and they were in a dwindling or contracting industry. And there’s also been the fact that with the exception of the Sun, the newspapers by and large have gone out of their way to ignore our existence. We get fairer and more honest coverage from the Independent and the Guardian than we do from the Times or the Sunday Times. I think that’s partly jealousy and resentment, partly that there is a tremendous public animus against Rupert Murdoch and a lot of people at Wapping felt that they would defend their own position but they certainly weren’t going to defend Sky. And they certainly didn’t want to appear in I-Sky-B in Private Eye or whatever. And frankly with the exception of the Sun I think the compliment was returned. I feel a corporate loyalty, but I don’t feel any editorial loyalty to what they do.

(in interview, 22 September 1997)

Therefore, when Sky News was set up, it did not draw upon existing News International newsgathering resources, using instead the Visnews arrangement described above.

The news agenda of the Sky News channel

Before its launch, the channel was planned as upmarket and business-oriented. It was to take daily feeds of news from financial centres from the European Business Channel. It was to have news bulletins on the hour, and back half-hours filled with a variety of current affairs and documentary programming, including 'The Reporters', general current affairs reports from the UK and US repeated three times a day, and NBC news programming (Broadcast 20 January 1989).

Such a news agenda was in marked contrast to the planned news service on the 'public service' satellite network BSB. BSB initially planned to broadcast a news and sport channel, NOW, with four segments of news programming at breakfast time, lunch-time, early evening and late at night. The news service was contracted-out, first to ITN and then, after talks broke down (see Chapter Seven above), to Crown Communications, owners of IRN (Independent Radio News). IRN reporters and bureaux would be used for newsgathering purposes. The aim of the NOW news output, according to its Managing Director Bob Hunter, was 'to set an agenda of relevance rather than record' (quoted in Campaign 4 November 1988). Within months, this idea of lengthy news segments had been scaled down for reasons of cost into the provision of hourly two-minute bulletins without moving images. In other words, the news service on the NOW channel was minimal.

Sky News' orientation towards business news was diluted by the time of its launch, possibly because of this diminution in potential competition from BSB's NOW

channel. A revised news agenda emphasised a wider appeal. A senior Sky News executive used the analogy of the middle-market press to describe its remit:

We've always said we're a kind of Daily Mail of the airwaves, so if you were editing the Daily Mail what would your main story would be, that's always the way we'd do it.

(in interview, 1 July 1997)

His own reason for leaving his editorship of the BBC Nine O'Clock News and becoming Editor at Sky in the late 1980s emphasised his commitment to news that was for a general, mass market audience:

I left the BBC in October 1988. I was a victim of the arrival of John Birt and what The Guardian described as the departure of the 'rough trade' in BBC news. In other words ... [Birt] wanted a new agenda for news that I thought was probably the right kind of agenda for Newsnight on BBC2 but not ... for mainstream news on BBC1.

(ibid.)

Mid-market was not to be confused with tabloid. Initially, the newsroom editor Nick Ferrari attempted to inculcate tabloid news values into the output, by refusing to cover certain key international or political stories. However, given that the purpose of Sky News was to provide a high quality news service in order to satisfy political concerns about Murdoch, a tabloid, entertainment-led news agenda did not suffice. Ferrari's plans were dismissed by his senior management and eventually he left the company, as one former Sky News executive recalled:

Nick Ferrari had some very good ideas but didn't have a clue how to do them for television. He called us 'wanker luvvies from telly': 'you talk about packages, I deal in news'. So he used to get very upset because he thought that everything we did was boring. He wanted something rather akin to Live TV. My view was that if we had done that Sky News would definitely not be there now. We didn't have a political department for six months, there was a massive fight over that, because Nick Ferrari didn't want a political outpost at Westminster, didn't want anything to do with politics, 'If we do politics we do it the Sun way, we do a comment column'. His job as news editor was to bring in all the stories each day, so he had a crucial role. There was one classic day when the report on the IRA killings in Gibraltar was released, and I came in in the afternoon to do the evening shift and we hadn't done anything, we hadn't sent a reporter, and he just said 'totally boring, not doing it', so we went into [Head of News] John O'Loan's office and had

a massive row. But Andrew Neil was in charge then, we used to get calls from him saying 'Why aren't you doing these stories'. In a way it was sad because Nick Ferrari had some great off-the-wall ideas. In the end the frustrations defeated him and he left.

(ibid.)

The eventual setting up of a Westminster operation proved to be a decisive factor in the growth of Sky News' status. The benefits of such an operation were significant in terms of its ability to further good relations between the Sky News channel and MPs, as its Political Editor Adam Boulton noted:

It very quickly became clear to politicians that our service was useful to them. That with the sort of hours they worked, they were watching us, they were increasingly turning to us for news events. We had a long battle with the House of Commons ... to get access to the Commons television system so that people could watch us there, but that was a battle where we had universal support from MPs saying that they wanted to see it. Gordon Brown actually refused to move his office until he could have Sky.

(in interview, 22 September 1997)

The high profile that Sky News had among MPs was thus based upon it being able to offer much more airtime to them than the terrestrial news bulletins could, and also because its emphasis on Westminster meant that it was used by MPs as a quasi-news agency.

Sky News' reporting style was very different to that of the existing news broadcasters, both in political reporting and in general reporting. The approach of Sky News to political newsgathering was more informal and less rules-based than those of other news organisations. For example, when the then Prime Minister John Major announced his resignation in June 1995, all reporters attending the press conference had their mobile phones confiscated for the duration of the session. However, the Sky News correspondent Adam Boulton, unbeknownst to Downing Street staff, was linked live to the Sky News studio, and decided to break the story:

We took it live, we broke the story ... I was sitting in Downing Street saying 'Well, what we are hearing is this ...' Now the BBC will never do that, because it's against the ethos of the organisation.

(in interview, 22 September 1997)

Similarly, the Editor described how the rolling nature of the news cycle was of benefit in avoiding the strictures of the political parties' attempts to manage the news, especially during the 1997 General Election:

We had lots of worries about spin-doctorism during the election campaign, and then we realised very quickly that the spin doctors couldn't get to us, because we'd already been on air and said it by the time that the spin doctors could make their influence known. It's like a bus, there's another one coming along in five minutes, 'too late mate, we've already done it, we're on to the next one'.

(in interview, 1 July 1997)

In its general reporting too, throughout its history Sky News reporters had been encouraged to emphasise the 'breaking story' aspect to any event, in order to add immediacy and to get the viewer involved. Adam Boulton recalled how, when he first arrived at Sky News, his producer had made a point of broadcasting unedited material, without removing any of the mechanics of the newsgathering process from the tape: 'I remember the first time I was shocked, because that was Not Television'.

A number of Sky News personnel defended the policy of emphasising the 'breaking news' aspect of news delivery. They argued that this was not done to attract a 'lowest common denominator' viewer, but rather in order to 'democratise' the viewing experience:

What we offer is what I term 'postmodern television', inasmuch as we inform our audience that we are on the cusp of a breaking story. 'We are not certain which way the story will go, here are the pictures that we have now'... Now I think people ... know perfectly well that what they heard in last night's News At Ten bulletin is not what happened today ... they actually know that news journalists are not omniscient, and it actually rather grates with them, having the self-important ex-cathedra style of news reporting... So I think a news service is appreciated which says 'We are giving you the best information which we have for

you to draw your conclusions', rather than saying 'We at the BBC think you should be thinking this about this particular world event which is important today'.

(Adam Boulton in interview, 22 September 1997)

If a mortar bomb lands in the garden of Downing Street and our reporter's on the corner and hears a bang, then that reporter's got every right to broadcast the fact that he has heard a bang. He does not have to be able to say what the bang was. If he knows about it, then my mum in Liverpool might as well know about it. There should be no barrier on who knows what, when... We don't believe the public needs their news digested... [Other broadcasters] would say we were irresponsible, we would say they were patronising.

(Lis Howell, Managing Editor Sky News, in interview 8 July 1991)

There is a distinction to be made here between 'informality' and 'tabloid news values'. Certain news stories would still be covered using an informal reporting style, which would not have been touched if 'tabloid' news values held sway within the organisation. As the Political Editor Adam Boulton noted, his own news agenda was one which treated his audience as equals:

I would say that the actual qualitative analysis that I supply or Keith Graves supplies ... because we're not having to worry about a mass audience, because we're not having to explain what the ERM is or who the Chancellor of the Exchequer is, although the style may be informal, the level of the analysis is pretty sophisticated, it's broadsheet rather than tabloid.

...

We are not aimed at a general audience, because a news channel by definition is an opt-in channel. It's not a channel people watch by accident because they're warming up the telly before Only Fools and Horses. We know that one of our major functions is ... to supply on the hour or half hour a product which leaves people feeling satisfied and not thinking 'Oh I wish I'd stayed in for the News At Ten'. But because we know it's an opt-in service, because we see from audience research that our audience is AB 20-45, a very desirable market profile, I am not expected to assume and I've never been asked, to talk down to the audience about any political story.

(in interview, 22 September 1997)

The audience being addressed was a British one. Since Sky News was set up, its target audience and consequently its news agenda, was one that was British-based.

As the News Editor recalled:

My initial chat with John O'Loan [Head of News 1989-93] was based entirely on the premise that we were setting up a news channel in Britain for British people.

(in interview, 1 July 1997)

The reason for this was that income for the channel would be based on its UK reach. Although the nature of satellite distribution meant that the satellite 'footprint' covered much of Europe as well as the UK, it was only in the UK that Sky focused its sales of dishes. It was not possible for Sky to collect revenues from Europe because it was not licensed there, and so it made economic sense to develop a news agenda which appealed to the British viewer:

It's impossible to provide a satisfactory service for both [the domestic and the international audience]. Sky News has always felt that since it's got to make the choice we really have to concentrate on providing the service for the domestic viewers because that's where the bulk of them are ... in terms of the paying customers for the Sky package ...

(Ian Cook, former Head of News, in interview 19 February 1997)

We have to target the UK audience because they're the ones buying the dishes and paying for the service.

(Chris Hampson, former Home Editor, in interview 8 July 1991)

A further reason for ignoring the European market was that in the regulatory climate before the adoption of the EC's Television Without Frontiers Directive of 1989, member states were much more protective of their broadcasting structures, as the former Head of News at Visnews, Stephen Claypole, underlined:

Initially Sky News was set up as a British news service because there were complications in the rest of Europe. Having performed a marvellous piratical exercise in getting Sky going, Murdoch did not want to open up flanks with the Belgians and the French: there were potential regulatory problems in a number of countries if you became too high profile.

(in interview, 24 October 1996)

Thus, at the outset, Sky News set out to provide British news to British viewers, rather than aiming for a news agenda that would suit an international audience. The type of audience that was attracted to the channel was, unsurprisingly, more 'up-market' in demographic terms than the viewership of the rest of the BSkyB bouquet of channels. Sky News' reach among ABC1s gave BSkyB a better advertising profile, allowing it to maintain that 'it wasn't all council houses using dustbin lids' as its Political Editor expressed it. A senior BBC executive argued in similar terms:

You need a news channel in order to complete the bouquet, so that you can persuade the customer that by buying the Sky bouquet you get a complete television programme service. I think it's a loss leader for the balance of the bouquet... It legitimises the up-market purchaser's purchase of something they might otherwise be ashamed to buy.

(in interview, 5 August 1997)

The channel was seen as bringing an element of much-needed status to the BSkyB bouquet of programme channels. As the Sky News Editor acknowledged,

[Around 1990] Sky News was the acceptable face of satellite television. There was nothing else to praise satellite television for, frankly it was rubbish.

(in interview, 1 July 1997)

It was thought that customers would be more likely to buy a Sky satellite dish if they were buying a comprehensive range of programming, not least because they could use the news channel as an excuse for buying the system. It gave the network the opportunity to market itself as an all-round broadcaster. Sky News management described the position of the channel as completing the BSkyB 'bouquet' of programming:

It's a clear commitment to factual programming and shows that Sky is serious about being an all-round broadcaster.

(Nick Pollard, Head of News, in interview 14 April 1997)

News is an integral part of the mix, of the package.
(David Butorac, Station Manager BSkyB, in interview 30 June 1997)

8.3 The financing of Sky News

Notwithstanding this clear strategic role that Sky News played within the BSkyB network, the channel has since its inception faced severe budgetary constraints. It cost £15 million to set up, and in its first year it was expected that running costs would be in the region of £30 million (Campaign 4 November 1988). There was little prospect of recovering such sums from advertising at this time: advertising revenue across all four Sky channels was projected to be around £20 million for the entire year of 1989.

Although Sky News' costs were kept to a minimum - wages bills were a lot lower than those of ITN because of the non-unionised workforce at Sky, and far fewer personnel were employed - 220 at Sky News when it was set up compared to over 1000 at ITN at the same time - the channel made a yearly loss of around £20 million until the mid-1990s. In 1995/6 the loss dropped to approximately £10 million, and in early 1997 senior personnel were forecasting a break-even point within the following two years.³

The BSkyB company, on other hand, became profitable within two years of the merger with BSB. It moved from a deficit of £47 million in early 1992 to break-even point later in the year, and after this its profits grew considerably year on year. Its

³ These interviews were conducted before the launch of the BBC's News 24 as a free news service for cable operators, which was having an adverse effect on the take-up of Sky News in late 1998 (see Afterword).

vertically-integrated hold over much of the UK's multichannel broadcasting through its purchase of rights to premium programming, its distribution mechanisms, and its encryption technology, ensured continued financial success. By the end of 1996 it was bigger than its original parent company News Corporation, and its share price peaked at 678p. It was the 14th largest company in the UK. However, despite its high profits, it maintained strict central controls over the funding of its wholly-owned channels, a strategy which was detrimental to the security of Sky News.

BSkyB-owned channels were funded through a centralised system of allocation of receipts from advertising, cable carriage fees and subscription revenue. Advertising for each channel was sold centrally, and the revenue allotted to each channel on the basis of their audience share. However, those channels which were not encrypted did not get a proportion of satellite subscriptions, which were by far the greatest source of revenue for BSkyB - in 1995, 84 per cent of BSkyB's total revenue came directly from subscription. Because Sky News was not encrypted (see below for the reasons why), its revenues stemmed primarily from advertising and from cable carriage fees, which were not large. According to Sky News internal sources, its 1997 revenue in percentage terms was as follows:

Advertising Sales	53%
UK Cable fees	40%
International Distribution	6%
Other	1%

Without a proportion of the revenue from subscription fees, Sky News income was inadequate to cover the costs of the channel. It was therefore necessary for BSkyB to subsidise Sky News in order to ensure its survival, which BSkyB management

were very loathe to do. The Head of News between 1994-96, Ian Cook, described BSkyB as

a very tough place. Every separate area is supposed to make money in its own right, there's no thought of one part subsidising another. Obviously ... Sky News has been subsidised all these years, but the overriding feeling is ... 'there's a limit to how far we're prepared to go'.
(in interview, 19 February 1997)

The Foreign Editor Nick Jennings described the degree to which BSkyB management focused on the precise costs of the channel:

We have accountants in this organisation that are very conscious of the bottom line, who look at Sky News as a single channel and work out how much it costs to run it, and can work out how many people watch it, and can work out what its revenue is, and can see that it's losing money, and they wonder 'Why do we have it if it's losing money?'
(in interview, 13 March 1997)

A senior Sky News executive put it succinctly:

Sky News gets what Sam [Chisholm] hands out, and it's a huge fight each year to get more.
(in interview, 1 July 1997)

8.4 Strategies for economic stability

There was thus a continual search by BSkyB and Sky News to find ways of cutting costs and maximising revenue sources. Measures to maximise revenue included the prospect of encrypting the service and so generating subscription revenue from the channel; developing a news agenda more attractive to Europe which would hence get more carriage on cable platforms across the continent; developing a separate international channel; and setting up a series of 'regional' news channels using a combination of local programming and Sky News bulletins and resources. Cost-cutting measures included attempts to sell an equity stake in the channel and the

further development of the newsgathering deal with Reuters Television. These strategies are now discussed, and their limitations assessed.

Encryption

BSkyB management attempted on occasion to encrypt the channel so that extra subscription revenue could be made, but the idea was successfully fought off, according to the Foreign Editor Nick Jennings:

There were those that thought it was a very good idea ... and there were those of us that said 'as soon as you do that we'll die' ... As far as [British viewers] ... were concerned they got free news on BBC and ITN....why should they pay more money to watch another news service?
(in interview, 13 March 1997)

Sky News remained free-to-air, even when the rest of the BSkyB channels were progressively encrypted. Sky Movies was encrypted in 1990, with The Movie Channel and Sky Sports joining it by August 1992. In September 1993 the erstwhile 'basic' channels such as Sky One were encrypted at a cost to subscribers of £6.99 per month for the package. Sky News remained the sole BSkyB-owned free-to-air channel on the satellite bouquet. The arguments of Sky News management, that such a move would be counter-productive in terms of audience take-up, and would therefore not result in greater revenue streams, over-rode the short-termism of attempting to generate subscription revenue from a genre which, as noted in the BBC chapter above, is not one which viewers are prepared to pay for directly.

A European news agenda

As stated above, the remit of the Sky News channel was to provide news for British viewers. Such a remit was to a certain extent counter-productive, because while its

audiences have remained small in the UK, it has always had many more viewers across Europe. As its Foreign Editor described,

Sky News has always has a bigger audience outside Britain, even from the very first days we started. When the Czech Revolution happened and they threw out Communism in October or November of 1989, the first year we were on air, we sent our team to Prague, and our correspondent Jacky Rowland was recognised everywhere she went. She was hailed in the street 'Oh it's Jacky Rowland, Sky News'. It was astonishing to us, because she could walk naked into her local newsagents in Richmond and nobody would know who she was, but she was a household name in Czechoslovakia. And John Simpson from the BBC ... nobody knew him. So we've always had a much bigger audience outside of this country.

(Nick Jennings in interview, 13 March 1997)

While Sky News used this international popularity as a promotional tool - its promotional literature and on-screen trails highlighted 'an audience of over 70 million viewers in over 40 countries' - it had difficulty in transferring this high profile into a source of commercial revenue. Its actual receipts from international distribution to cable operators in 1996-7 accounted for only 6% of the total revenue income for Sky News, and came from approximately 3 million paying subscribers globally as distinct from the '70 million' that could receive it via satellite.

There were a number of reasons for this anomaly between the minimal revenue receipts and the large number of viewers in Europe. Firstly, as outlined above, advertisement sales were conducted centrally at B Sky B, and were focused on the British market. It was not cost-effective to develop a pan-European or global advertising sales strategy. Secondly, although Sky News had a number of re-broadcast deals with cable operators and terrestrial broadcasters, they were costly to negotiate. Thirdly, until the late 1990s, the costs of satellite distribution impeded expansion. As the Foreign Editor explained,

Only three or four years ago ... the main cost of a 24-hour international television news channel would be the cost of the satellites in the sky to distribute material around the world ... You would need a number of satellites to do that, which you would have to lease on an annual basis, and the cost of leasing satellites three or four years ago was very high. It's already a lot cheaper now to do it, and with digitalisation it's getting cheaper and cheaper, so the modes of production are coming down.

(Nick Jennings in interview, 13 March 1997)

Fourthly, rights agreements with news agencies and allied broadcasters would have needed to be renegotiated if Sky News had explicitly targeted rather than simply overlapped into the European market (see below for more details of the difficulties that Sky News had over rights agreements).

However, the main drawback to generating revenue return for Sky News in Europe was that it would entail a change in the news agenda of the channel. As outlined above, one of the core strengths of Sky News's domestic news provision was its Westminster coverage, both as a way of attracting ABC1 viewers and also as a direct means of gaining political status. To alter this balance by turning Sky News into an international news channel would have been hazardous.

Sky News were also unwilling to lose a British-oriented news agenda because of their overall position as the news arm of a British-based television company.

According to Nick Pollard, the current Head of News:

Logically I think you can only do so much with one channel. It's fairly UK-dominated at the moment. The alternative is to make it much more international, but then of course there's a danger of alienating UK viewers. So I think the trick is we've got the mixture about right for the current audience, which has to be UK at the moment because they're the ones that provide most of the revenue. If you want to super-serve viewers abroad I think you then need a separate channel.

(in interview, 14 April 1997)

A separate international channel

One possible way around the problem of needing to retain a British political focus to the Sky News channel was to develop a stand-alone international channel, in the way that CNN International had developed from the CNN domestic core. In 1992 plans were developed to do this, instigated by Rupert Murdoch. In late 1992, talks were held with the American broadcaster CBS, with which Sky News already had close newsgathering links. CBS and Sky News would set up a joint venture company, with CBS becoming a 50 per cent partner in Sky News, and the two broadcasters would share bureaux and newsgathering costs around the world. However, CBS was about to be sold and so did not want to invest in anything that was not going to show a swift financial return. It asked for solid guarantees of future income which Murdoch refused to provide.

After this deal fell through, there was a short period in which Sky personnel were told there would still be an international channel, and journalists continued to be recruited from the BBC and ITN to expand the international news dimension of Sky News. Eventually it became clear that a separate international channel was not going to emerge. According to Nick Jennings, the main reason for this was that 'Murdoch didn't think he had the basic infrastructure in the States. We could have done it there and then internationally, without getting penetration into America ... but Murdoch decided he didn't want to do that'. According to a senior Sky News executive, it was Sam Chisholm, BSkyB's Chief Executive, who vetoed the plan.

By the mid-1990s Sky News were again interested in the possibilities of developing a spin-off channel in order to generate revenue. As the current Head of News Nick

Pollard described, the benefits of such a move were that economies of scope could be employed between the various subsidiaries of Murdoch's News Corporation and Reuters Television:

If you put together an ... option based on the use of material by Sky, by Reuters, by Fox, perhaps by CBS, then you can do it without spending a huge amount of money. If you want to set up a much more elaborate and expensive newsgathering operation for this new channel, another 10 foreign bureaux for example, the price of it is going to be so high that you'll never make a return on it...

I know that CNNI makes genuine profits, it makes good profits on a pretty modest turnover, and that's probably because a lot of the costs are being borne by Atlanta. That's why I think the way forward is not to invent an entirely new type of channel. [Instead], 60 per cent or so of everything that went on an international channel for Sky would be material that either we use already or have access to already, maybe higher. You'd strip out as much of the parochial UK domestic news that was of interest to Sky UK viewers, but not particularly to viewers abroad, and you'd replace it with more overseas news. As simple as that. It's not a difficult thing to do.

(in interview, 14 April 1997)

However, the channel has not materialised, arguably because Murdoch's strategy for international development has shifted from that of news provision to the ownership of key television distribution platforms. Additionally, the move from analogue to digital satellite distribution has incurred enormous costs, leaving less opportunity for investment in television news channel expansion.

Another option for international growth was to develop a series of 'regional' news channels which used a combination of Sky News and home-produced programming. The channels were to be either stand-alone or in partnership with other broadcasters. In February 1996 Sky News set up Sky News Australia, a 24-hour news channel. The channel was a three-way joint venture between BSkyB, Nine Network Australia (owned by Rupert Murdoch) and Seven Network Australia. The channel was sold to the two nationwide cable networks. Sky News contributed all its output, with Sky

News Australia inserting its own local bulletin into it at various times of the day, as a former Head of News Ian Cook described:

[The balance of coverage] boils down to about 50:50... Some parts of the day like midnight to 5 am they just switch to London and take the British signal with their own local news inserts every half hour.

(in interview, 19 February 1997)

The eventual revenue from the service was planned to come from individual cable subscribers, although Sky News has continued to lose money from it because of the expense of setting up the delivery of the signal. Once the signal connection was there, however, it could be built upon for further distribution of the Sky News channel. Most recently this occurred with Sky News India on the Star TV system:

Sending the signal down to Australia also gave us the path for other people to come along and say 'Hang on, that signal's going to Australia. Why don't we take a side cut of it?

(ibid.)

You have the mother ship, if you like, that provides the broad church, then off that you have your individual divinities.

(Nick Jennings, Foreign Editor, in interview 13 March 1997)

Both these methods of enlargement - a stand-alone international channel, and regionalised news channels - contained drawbacks. The main problem with a single international channel was that of deciding on the news agenda. There are few stories with genuine global interest and impact, as the Foreign Editor noted:

What story is of universal interest to the whole world on any one day? Sometimes when there's a plane crash or a coup or an act of nature it's obvious, but most days it isn't.

(ibid.)

Even regionalising the news output depending on the time of day of transmission - providing Asian news when Asia is awake, American news when America is awake - can be a problem when time zones overlap. While the solution might seem that of conducting a series of alliances with partner broadcasters in order to generate a

number of discrete channels, this is also not without obstacles, of which the main one is the issue of rights and carriage agreements, as the current Head of News Nick Pollard acknowledged:

It does mean that you've got to go and find a local partner and you've got to negotiate different types of carriage deals on the ground everywhere.

(ibid.)

This can be illustrated by the development of Fox News in the US as a sister channel to Sky News, and the concomitant problems this may bring to Sky News' relationship with the US broadcaster CBS. Sky News has partnered CBS since its inception. Both are members of ENEX, the European News Exchange.⁴ Both own a lease on a satellite transponder to cover events and exchange stories. CBS and Sky News also have separate commercial deals for access to each other's footage and to programming. However, as Fox News develops, this close relationship is likely to become more difficult, as the former Sky News Head of News Ian Cook described:

[The CBS-Sky News relationship] hasn't yet created problems for us because Fox hasn't really had a national news service in the USA. Fox has been a collection of a few local stations, some of which do news and some of which don't. But just in November they started up a full-on cable service in the USA, Fox News, so that very obviously as time goes on that's going to become a problem for CBS and for us ... That's obviously where you could see us heading, that sooner or later we'll have to bail out of our relationship with CBS and just cleave only unto Fox News, because that's the natural thing to do.

(in interview, 19 February 1997)

Another difficulty that Sky News faces in trying to develop its position both overseas and domestically is the degree of antipathy felt by many regulators towards Rupert Murdoch, and the fact that the ownership structure of its parent company did not fit regulatory requirements. For example, Sky News's lack of success in its bids for UK

⁴ Other partners include VTM from Belgium, RTL in Germany, and the Japanese broadcaster TBS.

terrestrial news contracts was partly due to its connection to Murdoch. As the Political Editor Adam Boulton argued,

There's no doubt that if our biggest shareholder was not Rupert Murdoch but Kerry Packer or The Guardian, there would be a less tight regulatory framework on us than there is at the moment. So in that sense it's been double-edged, it's been a liability in our expansion [to be under Murdoch control].

(in interview, 22 September 1997)

Sky News's bid to provide the news for the ITV contract in late 1995 was unsuccessful partly because of the nature of BSkyB's ownership structure. In order to qualify as a nominated news provider on the ITV network its shareholders had to have no more than a 20 per cent holding in the company, and News International had 40 per cent. The option of setting up Sky News as a separately-owned channel with at least 5 shareholders was therefore considered. Yet these shareholders had to be UK-based, and as Ian Cook noted:

We had any number of overseas people, all keen to jump in with us, but we couldn't do it, we needed five domestic providers.

(in interview, 19 February 1997)

There was little interest from UK companies, not least because the television companies which might have been interested - the ITV contractors - had by this point been bought by the major ITV companies, all of whom had shares in the incumbent ITV news provider ITN, and so were unable to support a rival bid.

The only UK terrestrial news contract that Sky News won was a newsgathering deal with the outgoing breakfast news contractor TV-am, arguably because it was a short-term contract, lasting from March 1992 until TV-am went off air at the end of that year. The contract was for £10 million, and provided the breakfast news

broadcaster with news bulletins in return for Sky News gaining access to TV-am's regional news bureaux (Broadcast 22 November 1991).

This section has described the difficulties that Sky News faced in its attempts to generate revenue. These included generic restrictions such as the limitations of transborder communication, as well as the more BSkyB-specific problems of its market power and vertically integrated structure causing regulatory obstacles to growth. The final section examines the development and outcome of the other major way of revenue maximisation - that of reducing costs, in this case through the implementation of an outside newsgathering deal.

'Outsourcing'

'Outsourcing' can be defined as 'the sub-contraction of key recurring activities to third parties' (Tony Donovan, Reuters Television 'Outsourcing the News' seminar at the 1996 Newsworld Conference, Berlin). These include newsgathering alliances between broadcasters, and tailored, exclusive arrangements between a news agency and a news broadcaster. Sky News' relationship with Visnews/Reuters Television was an example of the latter.

As outlined earlier in the chapter, the agreement between Visnews and Sky News in 1989 was instrumental in getting the channel on air in time. As described above, Visnews undertook to provide Sky News with most of its home news correspondents, as well as crews and facilities abroad. The deal saved Sky News

about £5 million a year in newsgathering costs, according to a Sky News source. However, there were a number of drawbacks to using such a contract.

Firstly, the fact that the contract was for five years effectively prevented Sky News from developing its own newsgathering infrastructure during that period. One of Sky News' senior executives was unhappy with the arrangement, but his view was over-ridden:

My argument was that I felt that it should be a one or two year contract, so that after that time we could say 'thanks very much, we've now had time to breathe, this is where we're going to set up our own bureaux'. But a five year deal was done.

(in interview, 1 July 1997)

Instead of being able to move towards an autonomous position, Sky News was dependent on another news organisation.

Secondly, the contract in effect helped another, potentially rival, news organisation to develop its own newsgathering infrastructure. Until the contract, Visnews had received most of its UK footage from the BBC, having few dedicated Visnews crews. With the contract in place, Visnews had bureaux it could use to service clients for its main news agency business - especially welcome because its long-standing connection to the BBC was coming to an end at this time (see Chapter Four above).

Thirdly, the deal allowed Visnews to own the overseas copyright on the news material gathered. This arguably hampered Sky News's attempts to develop as an international channel. Sky News could not use its 'own' news footage for international sale without a lengthy renegotiation of contract and increased cost.

Notwithstanding these negative aspects and outcomes to the deal, the contract between the two organisations was expanded in 1995, when Reuters Television (the erstwhile Visnews) took over the entire newsgathering operation for Sky News, international as well as domestic, with Sky News retaining editorial and presentational control.

The reason for the expansion of the contract was, as before, the financial difficulties that Sky News were experiencing. In the period of 1993-4, Sky News made a loss of £21.6 million. BSkyB management's concern over this deficit was fuelled by a desire to reduce BSkyB overheads prior to the flotation of the company in December 1994.

As the Sky News Political Editor Adam Boulton outlined,

The reason [for the Reuters Television - Sky News deal]... was because of the [BSkyB] flotation. At the time there was very much a ratio between overheads, something like every million pounds you could cut off your overheads was worth 10p on your flotation price, which obviously in commercial terms is pretty significant.

(in interview, 22 September 1997)

Ian Cook, Sky News' Head of News at the time described how, although 'Sky was happy to have Sky News as part of its bundle ... the general feeling was that [the losses] shouldn't be allowed to go on. The pressure was on ... to try to find a partner somewhere who could share the load'.

The first possibility examined was a link between ITN and Sky News. ITN offered to take over Sky News and provide a news channel for BSkyB from within ITN. According to Ian Cook, 'That was looked at - not necessarily seriously but it was certainly looked at. They decided not to go ahead with that one either because the

savings weren't that great and the giving away of that much autonomy was just not worth it'. Then Reuters Television were approached. The first proposal was that it buy into Sky News via the formation of a partnership, which would then give Reuters 50 per cent of Sky News. Reuters rejected this, and further talks developed the plan of expanding the newsgathering agreement already in existence.

The nature of the contract, and the difficulties which it presented to both organisations, are worth examining in some detail, as they illustrate a fundamental issue for news organisations - how far economies of scale and scope can be pursued before the drawbacks inherent in attempting to service a variety of different needs outweigh the cost advantages.

The provisions of the 'outsourcing' contract

The new contract gave Sky News UK copyright on all the material that Reuters Television gathered exclusively for it. However, Reuters Television had distribution rights for international sales, and the revenue that it made from such sales was split between the two organisations. Sky News also had the opportunity to sell the material abroad if it so wanted. In addition, Sky News had the exclusive distribution rights to any news programme over 60 minutes in length, so that the sale of the channel itself world-wide was its own sole responsibility. As Ian Cook, the Head of News at the time, argued:

It seemed important at the time not to give Reuters any exclusive right to handle our service, we wanted to retain control over it ourselves.

(in interview, 19 February 1997)

Sky News was also to exercise control over editorial matters:

We own the editorial, we firmly control the editorial part of it, we decide everything that goes into it ... We have to be able to decide what we want to cover, and the quality. The contract is shot through all the way with benchmarks about quality. [Reuters] ... had to be able to provide us with a service which 'in the opinion of the Head of News is of sufficient quality' ... It's important to have those controls.

(ibid.)

The Sky News correspondents within the Reuters Television operation did not work for any other broadcaster, except for those with whom Sky News had reciprocal agreements like CBS. Reuters Television had to provide dedicated news crews and facilities on a particular story if the news values so required, although at other times it was allowed to use just one crew to provide material for all its news clients - thus, in the UK Sky News, GMTV and its core agency business received the same pictures on such occasions. As Ian Cook outlined,

If it's something like watching the outside of a courtroom ... then we're quite happy to have one crew who provides it for us and for GMTV and for general clients. But they'll be other things like Dunblane, where obviously we were on air so much we wanted our own dedicated facilities. GMTV felt the same, and Reuters also had to provide facilities for other clients who were interested from all round the world. So in a situation like that Reuters really isn't gaining anything at all.

(in interview, 19 February 1997)

Sky News' Station Manager David Butorac characterised the deal as one which illustrated the increasing synergies between organisations at an operational and technical level. He argued that this did not undermine any degree of editorial control or integrity on the part of the broadcaster:

Over the last 7-8 years, there has been recognition that we [can] share facilities with each other, [that] where we compete is editorially... In terms of the technology we co-operate far more often than we did... We should be competitive with our journalism and not necessarily with our technology.

(in interview, 30 June 1997)

Contractual difficulties

However, the Reuters Television - Sky News contract was not a success. Firstly, there was disagreement between the two organisations as to what constituted adequate coverage of particular news stories. As stated above, the contract stipulated that Sky News was entitled to the use of a critical mass of correspondents and resources for certain key news stories. However, Reuters Television queried the amount of staffing and facilities that Sky News required for certain news events. As a senior Sky News executive explained:

Latterly there's been massive arguments between Reuters and Sky News over major breaking stories, and the most recent one was over the [1997 General] Election. Reuters ... were saying crazy things like 'On election night you don't need more than two OB [Outside Broadcast] units'. We had 28 live positions. 'You shouldn't need more than four regional reporters'. We had every reporter we could find out and about that night. So there was a huge argument over that.

(in interview, 1 July 1997)

Such arguments illustrated the way that the strategic agendas of the two companies were in tension: Reuters Television wanted to impose a cost 'ceiling' on its newsgathering for Sky News; Sky News wanted an optimum news service from its contractor.

Secondly, the standard of reporting undertaken by Reuters Television crews was felt by a number of Sky News executives to be more allied to the news agenda of a news agency rather than the requirements of a news broadcaster. As a former Sky News Deputy Head of News argued, the quality of the news output, in particular the style of camera work, was more in keeping with Reuters' news agency standards than the particular needs of a news broadcaster:

One of the biggest problems we had from the birth of the Sky/Reuters arrangement was that we, as a broadcaster, were looking for something

other than Reuters as an agency were supplying. We were looking to maintain our quality of camera work in a story-driven manner which was identifiable with Sky. Reuters thought that they were supplying us with [this] where in actual fact all they were giving us was agency material. We weren't really looking for agency material, we were looking for our own Sky brand ...

It took a while for the [Reuters Television] cameraman in Singapore to recognise that when Sky came on board we were a gold card carrying member with a particular requirement. We weren't just another client. We were asking for specific things ... I think it took quite a few Reuters people in the field by surprise. I think that they thought, or assumed, that they could just keep on working at the level that they wished, which was quite fine, but it wasn't the particular way of us doing it.

(in interview, 20 February 1997)

Again, the agendas of the two organisations were in conflict. Sky News expected a level of newsgathering that was of optimum quality; Reuters Television thought it could provide a more generic service.

Thirdly, the ethos of working as a team had been lost, according to the Foreign

Editor Nick Jennings:

The real issue with going hand-in-glove with an agency like that is that you lose your sense of identity, you lose your exclusivity, you lose your edge, your initiative.....all those things that journalists hold pretty dear. I mean, all our cameramen are now employed by Reuters ... somewhere down the line, when you want these guys to stick their necks out, when the bullets are flying or working an 18-hour day, I think there's less motivation now than there used to be.

(in interview, 13 March 1997)

In other words, there was only a limited sense of loyalty that Reuters Television crews could display towards the Sky News contract. Even if correspondents were dedicated Sky News personnel, their crews were not, and there were inevitable tensions between the two in terms of corporate motivation.

Fourthly, the contract meant that Sky News continued to have no incentive to develop its own news infrastructure, and was also effectively subsidising its rivals:

If we continue to pay Reuters £10 million for ten years that's £100 million we've put into Reuters to develop their newsgathering ... which inversely is of benefit to our competitors ... We should be putting that money into our own newsgathering and building for the future, creating our own international infrastructure and newsgathering which will be for the benefit of Sky and its sister companies like Star and Fox ... An investment in your product pays dividends in the long run.

(ibid.)

As described in Chapter Four, there was plenty of similar comment from executives at other news organisations, who argued that Reuters Television was using methods of cross-subsidy to serve rival outlets. There was concern from Sky News personnel that the dedicated footage provided for them by Reuters Television was being sold on by Reuters to its international clients as generic material, as a senior Sky News executive described:

Since the [contract was signed], all home news coverage has been copyright of Reuters. Which is one of the reasons that Sky wants out of the deal. Because you see on all these EVN exchanges, that Sky aren't allowed on, you see all these Sky pictures going around the world, and it's immensely frustrating, that Sky's home bureaux, run by a home news editor employed by Sky, coming up with the great stories, finding all these things put out under the Reuters banner. Obviously the BBC and ITN can't use them, but it's still frustrating.

All picture material that's generated through this Reuters contract is copyright of Reuters.

(in interview 1 July 1997)

Similarly, the Foreign Editor noted that with many international stories, Reuters retained control over footage copyright, making it logistically more difficult for Sky News to get an 'exclusive'. ITN and BBC would be just as likely to have access to the footage:

Say if we sent [a Sky News correspondent] out to Albania to work with the Reuters crews that were already there, anything they shot would be available to all their subscribers.

(in interview, 14 March 1997)

The only way that Sky News could get an exclusive story was to send a Sky News *crew* to the scene, one that was paid for by Reuters but attached to Sky on a full-time

basis, and thus the material shot would be for the exclusive use of Sky News in the UK. The material would still be sold abroad by Reuters, but UK exclusivity would be maintained.

However, not all Sky News executives agreed with this reading of events. (Reuters Television interviewees refused to comment on the matter.) The BSkyB Station Manager David Butorac, who was Operations Manager at Sky News from 1989-92, was adamant that all footage was in fact copyrighted to Sky News:

We own the copyright for our stories... We can use that product worldwide, and pass on as if it were our own... Reuters market our footage for us globally, but not exclusively.

(in interview, 30 June 1997)

This anomaly in understandings between personnel is indicative of the confusion and secrecy surrounding the contract. Copyright ownership and consequent distribution rights were important tools for growth, as was outlined in Chapter Four, and it was crucial for Sky News to be able to have both exclusive rights to its material in the UK, and also have autonomy over international sales of its product. The fact that there was doubt over this position was a further indication that the contract was not working in Sky News' interests.

In 1997 the tension between Reuters Television and Sky News intensified, with Reuters Television setting a daily 'cap' on the amount of resources it allotted to the news channel. After a series of High Court writs, the situation was resolved in June 1998, with Sky News taking control of its foreign news coverage for the first time since its inception. The pressure of divergent market agendas proved too formidable for a close working relationship between the news channel and the agency.

Summary

Thus, the development of 'outsourcing' at Sky News underlined the short-termism of its news strategy. Although there were some benefits to the system - the initial need to acquire a newsgathering infrastructure, the brand status of Reuters as a respected news organisation, and above all the cost - these were outweighed by the difficulties of making a workable distinction between the strategic imperatives of both parties. Reuters wanted to be able to duplicate as many resources as possible; Sky News wanted as much exclusive material as possible.

Furthermore, the separation of 'technical' and 'editorial' functions between the two organisations was spurious. Firstly, because technical quality was important and strategic: as the former Deputy Head of News argued above, the 'look' of the reports was a key factor in quality provision, not just the type of story covered. Secondly, the technical fed into the editorial: again as noted above, if the technical infrastructure was not there then this had an impact on the editorial quality of the coverage. The distinction between the two was therefore artificial, and serves as a reminder of the difficulties that arise when the goals of financial return and news quality are being pursued by different organisations working on the same news product.

8.5 Conclusion

The question that all three case studies ask is whether it is possible to operate a television news service that is oriented both to a goal of revenue generation and to the production of public service programming. Each case study reveals a different set of variables, but each does show that with some qualification, it is possible. The case of Sky News exemplifies the way that there is both contradiction and harmony in simultaneously aiming for a public service remit and a profitable revenue stream.

Sky News was set up in 1989 with a dual remit, one which has been increasingly hard to follow. On the one hand its role was to add credibility, status, and brand strength to a new satellite distribution system. On the other hand, it had to attempt to make and save money in a variety of ways. As was shown above, the cost-cutting measures involving newsgathering served to cause difficulties for the channel. The attempts to generate revenue were also problematic. Firstly, Sky News had to wait for the costs of satellite distribution to come down in order to be able to think seriously of expanding its reach. Secondly, in tandem with other television news operations, Sky News remained free-to-air on the Astra satellite and therefore had less chance to add to revenue streams through subscription. Thirdly, the size and influence of its parent company was at times a hindrance, in that the anathema that the British broadcasting establishment had towards Rupert Murdoch meant that Sky News was unsuccessful in its bids for terrestrial news contracts.

Nonetheless, it has been shown that there was a certain degree of overlap between the imperatives of public service and commercial return. Quality news provision was of commercial as well as public service benefit, through giving the BSkyB network a

consumer legitimacy, as well as ensuring that political concern over the growth of the network and its take-over of BSB was reduced. Its free-to-air distribution benefited both the public service goal of universality and the commercial need for a large audience reach for advertising sales purposes. Its provision of informal Westminster-focused news reporting was a counterweight to the entrenched reporting styles and political news agendas of ITN and the BBC, while giving the channel an important role as the legitimate arm of the BSkyB enterprise.

Notwithstanding these 'public service' results stemming from the particular political role that Sky News played, a prominent message from this assessment of the development of Sky News has to be that of the pressure from BSkyB to make money. It is of key significance that on two occasions BSkyB was prepared to sell half the channel's stake in return for finance: the political prestige arguments for a fully-owned news channel were secondary to the need to save money, even though BSkyB had started to move into profit when the idea was first mooted in late 1992.

Finally, however, the fact that the channel has *not* been shut down over-rides the above point. The continued existence of Sky News is an affirmation of the particular importance of news provision as a tool for the manufacture of political legitimacy.

As Sky News' Political Editor Adam Boulton noted, the channel is used to underpin the status of the BSkyB operation:

There have been many moments where straightforward commercial pressures would have said let's not do a news service, but both because of the company ethos and also because of wider considerations the company has survived, and I think that's more than just good luck. When they set up they didn't have to do a news service, but they chose to, and indeed Murdoch is losing now much more money than he ever lost on Sky News trying to establish a Fox News service. There is an

understanding that a news service underpins the whole purpose, the
raison-d'être of the company if you like.

(in interview, 22 September 1997)

Thus, the development and organisational structure of Sky News has illustrated a number of the arguments of this thesis: that its very inception was predicated on its ability to take advantage of the newly 'marketised' television news industry, in that it did not need to sink large amounts of capital into setting up its own newsgathering infrastructure before launch; that its existence was a result of the particular resonance that television news provision carried with politicians; that pursuing an imperative of economic *maximisation* caused conflict with its more public service-oriented strategies, although commercial funding, i.e. a goal of economic revenue *generation*, was not a hindrance to public service programming goals. These issues are now developed more fully in the Conclusion.

Chapter Nine

Conclusion

Introduction

The purpose of this thesis has been to document and assess the degree of structural change within the UK television news industry since the early 1980s, in order to answer three questions. Firstly, to what extent has a market system evolved for the provision of television news? Secondly, what has been the impact of broadcasting regulation upon this development? Thirdly, is there any compatibility between the goals and the practices of the market and those of public service?

This final chapter explores the answers to these questions in analytical terms. The first section summarises the extent of development of a market system within the television news industry. The second, main section of the chapter analyses each aspect of the industry's limited market activity, and discusses the relationship between the goals of public service and economic return. This analysis is conducted through a comparison of the economic attributes of the television news product with those of the generic broadcast product.

9.1 Definitions of the market and public service

Before analysing the empirical findings of the research, it is important to be reminded of the definitions of the market and of public service employed in this thesis. As Chapter Two described, both 'the market' and 'public service broadcasting' can be

defined according to the empirical conditions under which they operate, and also according to a more normative understanding of their respective roles.

The market

This thesis has not used the term 'market' synonymously with perfect competition, or the economy of the free market, as many media academics have done (see Chapter Two). Rather, it has focused upon examining the market in the television news industry from the perspective of whether the activities of disaggregated production and trade were being carried out. In other words, it has used the term 'market' to describe the presence of the necessary components of *any* market infrastructure, regardless of its degree of competitiveness or extent of market failure. Such fundamental requisites of any market system are a discrete product which can be exchanged for other goods, services or money; the presence of potential buyers of this product; and the existence of (at least one) producer. It is the tracing of the development and expansion of the types of news product available for sale (the disaggregation of the vertically integrated companies, and the development of product differentiation), the sales strategies of producers, and the strategies of buyers, that this thesis has focused on in its assessment of the degree to which a 'market' has grown in the television news industry.

The thesis has shown that this marketisation of the television news industry, or the *process* of developing this market infrastructure, has been limited due to a number of market failures inherent to the television news product. It is these market failures which this Conclusion now addresses.

Public service broadcasting

As stated above, definitions of public service broadcasting are both structural and conceptual in scope. In terms of structure, public service broadcasting is most commonly delineated as a public good, providing indivisible, universal access. Hence it is often seen as synonymous with non-commercially-funded broadcasting. However, public service programming does not have to be tied to a publicly-funded organisation. Its broad conceptual definition, used interchangeably with 'quality content', is the provision of programmes with high production values and thought-provoking, entertaining, or informative content, broadcast to a wide audience at peak times of viewing. This latter definition of public service broadcasting thus encompasses commercially-funded as well as publicly-funded services, and is used by legislation and regulatory codes of practice. It is this definition which has been used throughout the thesis when discussing the degree to which news organisations follow public service imperatives.

9.2 The findings of the thesis

The evidence of the thesis points to two main conclusions. Firstly, a market for television news exists, in the sense that there is a trade in television news output. In other words, 'market activity' in the television news industry comprises the existence of processes of disaggregation and of replication, resulting in discrete products being traded. Secondly, other types of 'market activity', namely those which aim for revenue maximisation and perfect competition, are less evident. Instead, the television news market (as defined in the limited way above) operates according to a

number of non-free-market, non-perfectly-competitive premisses due to its various market failures. In terms of output, television news largely consists of public service-oriented programming, partly as a result of regulatory stipulation, and partly as a result of the branding and status that television news programming gives to a channel, a broadcasting organisation, or a proprietor. In terms of the ownership of news organisations, an oligopoly has been maintained, due to the high capital costs involved in the development of a news organisation. In terms of economics, revenue maximisation is not pursued, because of the existence of a number of structural impediments. These findings are now discussed in more detail.

9.3 The development of a market in the television news industry

As the body of the thesis has described, the movement towards a market for the purchase and sale of television news product developed incrementally during the period under analysis. During the early 1980s, the news agencies were the first to move into the single provision of services which had previously been bundled together, namely news production facilities like satellite communications, editing suites and transmission facilities.

News broadcasters followed suit. Both the BBC and ITN began to develop ways of selling their own footage, news items, and bulletins. At the BBC, this meant that a progressive centralisation of the production of news, current affairs, television and radio outputs was necessary. In 1982, the news and current affairs divisions were brought under one directorate. In 1987, further centralisation took place, with the creation of a 'bi-media' news department, bringing radio and television journalism

under a single jurisdiction. Finally, in 1997, there was further centralisation, this time to make all licence-fee-funded newsgathering centrally allocated. Such centralisation meant that the BBC news product was more generic, which aided the packaging of sales. In particular it allowed for the use of items across a variety of outlets without the need for expensive and time-consuming 're-versioning' - making a separate version of the news story for each outlet.

ITN during the 1980s and early 1990s also developed an organisational structure more weighted towards the sale of its product. It increased the number of contracts for the supply of news bulletins - Channel 4 News in 1982, Superchannel World News in 1987, and Channel 4 Business Daily in 1989. This expansion in the volume of output enabled certain economies of scale to be introduced. It also ended its relationship with WTN and started to sell its own footage directly to foreign broadcasters.

The organisational structure of Sky News since its inception in 1989 shows how it has attempted, with varying degrees of success, to make use of the conditions of market trade - disaggregation, diversification, and replication. It 'outsourced' most of its newsgathering capability to Visnews/Reuters Television, thereby not having to invest in significant capital expenditure at a time when the financial position of its parent company was precarious. It thus took advantage of the diversification of the television news agencies into the provision of a range of services to news broadcasters. It would not have got on air without this contract in the six months it had to set up its operation between the summer of 1988 and February 1989. This

single fact acts as strong evidence in support of the premise that marketisation - the ability to contract-out discrete parts of the news operation - has been instrumental in the expansion of the television news industry. However, the development of the Sky News - Reuters Television relationship, as analysed in the previous chapter, showed the weaknesses of such contractual alliances. A number of factors caused problems, including those of the quality of supply, and the ownership of rights to sell the footage generated abroad. Additionally, Sky News attempted to replicate its product during the mid-1990s through developing secondary markets for its material in Australia, India and South Africa, hoping to generate economies of scale, although such a policy was again largely unsuccessful.

Overall, the thesis has shown how the 1982 structure of a closed, non-market, vertically-integrated duopoly, with the BBC and Visnews on one side and ITN and UPITN on the other, was altered over the period of analysis into a system where television news broadcasters used their news product as a source of commercial revenue, entering new markets for the distribution of a variety of broadcast news products. The television news industry developed a 'market' orientation to the extent of producing discrete news products and trading them.

9.4 The constraints upon market development

However, the evidence of the previous chapters has shown that the television news industry also contains a number of market failures which prevent its product from operating as a conventional market good. The market structure of the television news industry is oligopolous, and is constrained by the particular attributes of the

television news product and inter-industry relationships. Such differences between the television news product and other types of broadcast product are summarised below. It is shown that television news cannot profit from time-delayed distribution to ancillary markets, and that widespread distribution of the television news product results in conflicts of interest with erstwhile partners or other parts of the same news organisation. It is argued that the maintenance of oligopoly of supply, the particular nature of the television news viewing experience - which has an impact upon the pricing strategies for television news products - and the continued resonance of television news as a way of bringing status and political legitimacy to an organisation, all point towards a limited type of market behaviour; one which does not include the attributes of the free market.

Distribution and economies of scope

Conventional broadcast economics positions the broadcast product as a commodity from which revenue can be generated in a number of ways. Programmes are sold to a variety of ancillary markets, with different prices being charged depending upon the age of the programme - either 'first-run', 'second-run' or tertiary rights. A programme can also appear on one type of platform and then move to another - for instance, Christmas special episodes of popular soap operas like Coronation Street appear first on video before being shown terrestrially. Thus, revenue from programme sales no longer relies on a single purchase. As the OECD set out in its discussion of competition policy within the broadcasting industry, 'revenue from each of several releases may be so important that it is misleading to talk of the programming being produced for the initial release' (OECD, 1993: 70).

For such broadcast product, the use of economies of scope in production is a straightforward way of maximising resource capacity. Because the content of each product is different, for example in the case of drama programming, then any economies of scope that can be generated add to the possibility of creating extra revenue. Economies of scope do not constrict the 'core' drama product's content, development, or distribution.

Television news programming differs from other broadcast programming in both these areas. Firstly, it is unable to take a temporal approach to the distribution of its product. Television news programming has a very short 'shelf-life', being measurable in hours and minutes rather than the months and years of other programmes. The economic value of news programming thus quickly reduces to near zero, except for the provision of library or archive material. Therefore, television news programmes need to be sold 'across' as many outlets as possible, rather than 'down' the ancillary market chain.

However, although the television news product needs this concurrent distribution rather than distribution over time, news organisations need to ensure that distribution is not spread too wide, for this will diminish the economic value of the news product. A buyer of tailored news programmes or items in a given territory will pay less if its competition has access to exactly the same product. Therefore, news producers must ensure that they limit their distribution. For example, ITN sells its reporter packages to only one terrestrial and one non-terrestrial broadcaster in each country.

Additionally, an increase in overseas sales of an organisation's news items or newsgathering capability can have a negative impact upon overseas sales of the same company's bulletins or channels. For example, when in 1996 the BBC negotiated a deal with the Australian broadcasters ABC, Network Seven and Network 10 to sell them its reporter packages, concern was expressed that such a deal would have a detrimental effect upon the take-up of the news channel BBC World which was being offered on the Australian Foxtel pay-television network ('Oz snaps up BBC "reporter packages"' Broadcast 19 April 1996). Similarly, the close relationship that Sky News had with the Reuters Television news agency meant that when Reuters Television started to develop its own programming interests it was thereby setting itself up as a competitor to a major client. As outlined in Chapter Four, Reuters Television's newsgathering relationship with Sky News was disliked by many of the former's newsfeed customers who were suspicious that the agency gave precedence to the needs of Sky News. Equally, Sky News was concerned that Reuters Television sold on to other clients material which was meant to be for the exclusive use of Sky News.

Such endemic problems of expansion and the use of economies of scale have been particularly acute for ITN. It has faced continual and increasing pressure from the ITV network to ensure that it did not marginally cost new activities from its core ITV contract. For example, in 1996 the ITV companies threatened not to supply ITN's Channel 5 News with their ITV reporters' local footage because of the fact that ITN was supplying news programming to a channel which was a close rival to

ITV. This resulted in a renegotiation of the price of the ITN contract for ITV, from £55 million in 1996 to £42 million in 1997.

ITN was equally under attack if its strategy was the other way around - the protection of the core ITV contract at the expense of new contracts. One of the reasons that the talks between TV-am and ITN over the provision of news coverage foundered in 1984 was because of the issue of footage 'sovereignty' - TV-am were not prepared to accept that ITN would withhold some material for its ITV bulletins. The same issue came up again in 1988, when ITN's talks with BSB over the provision of news to the new satellite network were called off due to BSB's refusal to accept that ITN could reserve 7 per cent of its output for its ITV service.

In summary, if the core news service was used to service an additional outlet, there was suspicion from both 'sides': the additional contractor felt that the original service was getting the best treatment, and the original service was concerned that it was underwriting the costs of its rivals. In other words, marginal activities made their own direct editorial demands on the core newsgathering operation, with the possibility that this reduced the value of the core product. If core product and marginal product were part of the same whole, as in the case of the BBC, then the problem was surmountable. If they were not, in the case of ITV and ITN's variety of customers, the issue was more serious, as ITV could - and did - threaten to take its custom away.

Therefore, widespread distribution of product is more complex, and less beneficial, than a cursory examination might imply. There is no simple correlation in the television news sector between expansion in the number of outlets provided and the ability to take advantage of economies of scale through organising cost-efficient production and distribution.

The maintenance of oligopoly

Notwithstanding these problems inherent in the attempts by news organisations to employ economies of scale, the structure of the UK television news industry has remained one of oligopoly rather than a development of numerous competing organisations. Although the number of outlets for television news expanded rapidly during the period of analysis, there was no significant expansion in the number of news organisations.

The main UK-based news providers to emerge since the early 1980s have been TV-am, GMTV, Sky News, and EBN. Of these, TV-am lost its franchise in 1991, and EBN was merged with CNBC in late 1997. Both TV-am and its successor for the ITV breakfast time contract GMTV had their news coverage provided by Visnews/Reuters Television. EBN relied for its non-business news coverage upon ABC, APTV and WTN. Sky News has a newsroom operation of its own and some correspondents, but until very recently relied heavily for most of its newsgathering upon Reuters Television.

Thus, although some new providers of television news programming emerged, of which the most significant has been Sky News, few of them conducted their own primary newsgathering. There was little need to embark upon such significant capital expenditure, because the existing news organisations were able to offer newsgathering and news production to the new players. Notwithstanding the fact that economies of scope were difficult to employ in the television news industry, the major television news organisations thus managed to hold on to and increase their market positions.

The merger of WTN with APTV illustrates this tendency towards oligopoly of supply. In June 1998 the Associated Press bought the WTN news agency for approximately £33 million, and merged it with its APTV subsidiary to form APTN. The business model of a news agency requires a critical mass of activity, involving a near-ubiquitous presence in most areas of the globe, so that its clients can be confident that the agency will be able to provide material from all major news events. The agency then needs a large number of clients so as to be able to benefit from economies of scale and marginally-cost its activities. The situation of the mid-1990s, when three major news agencies competed heavily for clients, was untenable in the long term, and resulted in the WTN - APTV merger.

Although there is a perception among some media academics and politicians that oligopoly is detrimental to the public good because it entails a concentration of ownership and a consequent diminution of the number of editorial voices heard (see

Chapters Two and Five), this thesis has shown that an oligopoly both in the supply of news and in the ownership of news outlets enables and furthers the public good.

This point is predicated on two factors. Firstly, the capital costs of newsgathering and news production are high. This means that the employment of economies of scale and scope are particularly necessary in order for television news organisations to remain financially viable (even if, as discussed above, such economies of scale are difficult to pursue). To replace the large-scale news organisations with a number of smaller ones would run the risk of diminishing the ability of any one news organisation to allocate a critical mass of resources to a given story.

Secondly, oligopoly stems from the inability of news programming to be priced as a conventional market commodity. As the next section details, the price relationship between a viewer and a news programme cannot be directly captured, and so there has to be funding revenue additional to that which can be raised from advertising. Subsidy from a parent organisation is the most common source. This situation creates a system of vertically integrated organisations, which makes market entry very difficult for smaller operators.

The existence of oligopoly both in the supply of news material and in the ownership of news outlets is therefore largely an outcome of the specific characteristics of television news production. As such, oligopoly of supply and of ownership furthers rather than diminishes the likelihood of the existence of television news outlets.

Pricing

The methods of pricing the television news product, as mentioned above, are different from those involved in pricing most other broadcast products. Conventional broadcast economics bases the price for a given programme upon its likely popularity, measured in terms of audience share. In other words, a pricing mechanism can be built upon correlating audience appreciation of a programme with the time that is spent viewing it. Commercial broadcasters then receive revenue from advertisers depending on the popularity of the programming, measurable by the size of the audience watching. In the growing pay-television market, broadcasters and viewers have a more direct relationship, by which the broadcaster can capture a lot more of the viewer's willingness-to-pay for certain types of programming by charging viewers directly for particular channels, namely films and sports, in addition to receiving advertising income. Developments in the packaging strategies on multi-channel television mean that viewers can select more precisely the channels they wish to pay for. There is a slow trend towards the implementation of a publishing-analogy model of broadcasting, first seriously raised in the 1986 Peacock Report, where consumer preference and desire can be more directly 'fulfilled' by the broadcaster through a range of 'narrowcast' techniques: the viewer plays an active role in the choice of channels he or she pays for, and does not have to pay for that which he or she does not watch.

However, the pricing and sale strategies of different types of news product diverge from this model. Audiences do not value television news bulletins solely according

to consumption of the product. Television news is also of *potential* value to audiences: as the OECD noted, 'The value of having CNN available to monitor occasional important news may mean its value ... is understated by the average amount of time spent watching' (OECD 1993: 262). In other words, television viewers appreciate and value the existence of television news bulletins and channels without necessarily watching them that often. As indicated above in Chapter Eight, the existence of the Sky News channel on the Sky satellite package gave some subscribers an excuse for their purchase, and thus acted as a driver for take-up, regardless of whether or not subscribers actually watched the channel.

This factor has important implications for the way that broadcasters of television news bulletins or channels can generate revenue from their audiences. The value that the viewer ascribes to television news cannot be fully captured in a commercial price relationship. The evaluation of television news by viewers cannot be ascertained from average viewing figures, and hence advertising revenue cannot fully capture the extent of viewer interest in television news.

Subscription would appear at first sight to be the best option for capturing a viewer's willingness-to-pay for the provision of a service that was not actively required (i.e. watched on a regular basis). However, the imposition of subscription shuts out the large surges in audience figures at times of crisis breaking news. For instance, in 1996 Sky News' overall average audience viewing figures were around 23,000, with a peak average figure of 60,000 during its Live at Five bulletin (Sky News 'Audience Report' December 1996), but for key news events these figures increased greatly -

the murder trial verdict of the former US baseball star O.J. Simpson on 3 October 1995 brought in 1.2 million viewers, and the trial of the British nanny Louise Woodward during the autumn of 1997 1.7 million.

Therefore, during the period of analysis, news channels have avoided wherever possible the need for viewers to pay directly, preferring to keep the channels 'open' so that many more viewers can watch during times of crisis news. Thus, in Europe, the BBC World news channel is advertising-funded and broadcast 'in the clear' - i.e. it can be received without the payment of a subscription - while its sister general entertainment channel BBC Prime is encrypted; and Sky News is the only BSkyB-owned channel on the BSkyB analogue satellite bouquet that is broadcast in the clear.

Advertising has thus remained the least-worst method of revenue-generation for news channels. However, advertising revenue has not covered costs. As each case study chapter showed, income from advertising on non-terrestrial news channels was minimal throughout the period of research enquiry. Therefore, subsidy from some quarter has been necessary. Each of the main news organisations - the BBC, ITN, and Sky News - has benefited from subsidies, either direct or indirect, from its parent company or shareholders. Such subsidies are given, not because of the hope of short-term repayment and profit, but because of the particular status that the provision of television news endows.

Status

Thus far, financial profit has been shown to be difficult to achieve for UK television news organisations. What makes the provision of television news a worthwhile venture for news organisations is the degree to which television news acts as a branding mechanism and purveyor of status. News bulletins or channels provide a short-cut delineation of the ethos of a channel or bouquet: BBC1 bulletins aimed at different sections of a nonetheless cohesive population, ITV bulletins similar but more informal in approach, Channel 4 News and BBC2's Newsnight as alternative and distinctive, Channel 5 News as populist and youth-oriented, the News Bunny bulletins on Live! TV as deliberate, arch, populist self-parody.¹

In addition to this role of *reflecting* the value of its carrier, television news programming also *adds* to its value, most commonly by bringing status.² It does this to an extent and resonance that is simply not present in even, for example, high-quality drama. There is obviously an increasing need for news organisations to maximise their audiences and consequently their funding streams, but there is equally a recognition that the pivotal function of news programming is to provide a symbol and to bring prestige to the channel or carrier. For example, as was mentioned in Chapter Six, the BBC's Head of Newsgathering Richard Sambrook recalled in interview that he 'had heard [the Director General] John Birt say that having BBC

¹ Sky News does not fit this pattern, however. Its role is primarily one divergent to its BSkyB parent, providing legitimacy and status to a network that otherwise would have struggled to establish itself in such ways.

² Although there are some exceptions to this, namely the short summary bulletins of Live! TV and Channel 4's Big Breakfast.

World as a platform for the BBC is more important than whether Worldwide makes a buck’.

In particular, the proprietorship of television news outlets is a way of attempting to gain political legitimacy in order to leverage other activities. As Chapter Five discussed, there is a great deal of political interest in the provision of television news. Because television news provides accurate and impartial news, is watched by many (on terrestrial channels at least), and is therefore seen as a basic bulwark and building block of democracy, there is a distinct government interest in maintaining regulatory control over the genre.

During the 1980s Conservative liberalisation policies were brought to bear upon the broadcasting industry, and organisations were expected to generate profits or at least show much more transparent methods of accounting and organisation of resources. As the then Prime Minister Margaret Thatcher described in her autobiography, her aim was in the case of the BBC to make it ‘more cost-conscious and business-like’ (Thatcher 1993: 636). Her Governments introduced a number of policies - including a 25% independent production quota, the pegging of the BBC’s licence fee to the Retail Price Index, and the auctioning of ITV franchises to the highest bidder - which directly and indirectly led to a more market-oriented direction for television news organisations.

However, alongside this emphasis upon the encouragement of market practices was an acknowledgement that television news was an area of programming that had a strong public service orientation. Regulations for content quality and impartiality, and rules about concentration of ownership in the television news sector, were extended rather than relaxed. This was the case both on terrestrial television and for cable and satellite channels: the non-terrestrial operators did not have to include news in a channel or programming 'bouquet', but if they did then they had to ensure its accuracy and impartiality. The importance of television news as a forum for national public debate remained unquestioned and unassailable. Thus, an increasingly marketised structure – i.e. a market system for the purchase and sale of discrete and disaggregated news products - and orientation towards economic return went hand in hand with a continued emphasis upon quality news output.

To put it another way, the power of television news as a conduit of political communication has meant that politicians have retained control over its development. In turn, this means that those media organisations which need to maintain or develop legitimacy in the eyes of the government of the day - the BBC because of its licence fee link with Parliament, BSkyB because of its need for Government acquiescence over its dominant supply position - can do so most visibly through their television news output. To this end, content regulation is accepted by television news organisations, because it acts as a 'kite mark', underlining the legitimacy of the broadcaster. Sky News, CNN International and EBN all chose at various times to have their programme content regulated by the ITC's Programme Code, instead of basing their operations in a territory which would require minimal compliance.

To a certain extent, all economic production is interwoven with the pressures of regulation, goodwill, and prestige, in addition to the main imperative of the search for profit. What is unusual in the television news industry is the extent to which the former factors are foregrounded, and the way that the pursuit of revenue maximisation still takes second place. In other words, the development of news outlets is determined by a combination of the political goodwill that accrues from operating a news organisation, and the status that it brings to a network or parent company: *not* solely by the amount of revenue that it brings in.

The BBC's development of its World channel illustrates this point. As Chapter Six shows, after successive Conservative Governments during the 1980s rejected the idea of providing public financing for a BBC World Service television news channel, it was instead fully developed from money from the commercial Star satellite system in Asia. Star chose the BBC and commissioned its news channel because of the BBC's reputation for accurate, impartial and high quality news. To develop a news channel without such characteristics would run against the prevailing understanding of news being the way that broadcasting organisations can collect political and brand status. Thus, both a public service broadcaster (the BBC) and a commercial platform operator (Star) shared similar goals. Both were keen to develop a news service of quality. The divergence of their ultimate aims - the BBC with its Charter remit of public service provision, Star with the desire to generate political legitimacy if not economic return - does not preclude the fact that both organisations wanted to develop the same, public service-oriented product.

Concluding remarks

Analyses of the broadcasting industry which are conducted by market economists tend to describe the broadcasting market as one which is increasingly easy to enter, which offers plenty of ancillary markets for further sales of the product, and where scale economies are unproblematic (see Entman and Wildman, 1992; KPMG, 1996; OECD, 1993; Vogel, 1998). However, as this thesis has shown, the television news industry does not operate according to the same rules as other genres of broadcast product. For example, Owen and Wildman make a distinction between the economics of the programme supply industry in general and the specific case of television news. For the general programme industry, they argue that entry is easy, the industry unconcentrated, and that the market share of individual firms varies from year to year due to the unpredictability of viewer preferences. They conclude that the programme supply industry therefore operates competitively (Owen and Wildman, 1992: 61-2). In the case of television news, however, 'the large investment required to maintain a news organisation ... tends to inhibit entry' (ibid.: 174), and television news organisations need to employ economies of scale. It has therefore been necessary to modify this model of generic broadcast economics in order to accommodate the particular ways that television news production and distribution methods are structured.

The particular character of the (UK) television news market means that certain assessments of the impact of a market structure in television news provision need revision. As described in Chapter Two, many academic studies of broadcasting have

expressed concern about the impact of commercial funding upon public service or 'quality' norms of television news content. The perceived dangers are that the market limits diversity, encourages an homogenised culture, involves control by media 'moguls', and leads to a lack of informed political debate (see for example Blumler, 1995; Congdon et al, 1995; Franklin 1997; Keane, 1991).

This thesis has argued that the UK television news industry's increasingly marketised system has not resulted in a diminished concern with generating public service-oriented content. Rather, the development of television news as a business has been *predicated upon*, not antithetical to, the delivery of content which fulfils certain public service requirements. It is the status and higher profile which accrues to organisations that produce quality, i.e. public service, television news output which provides the main rationale for organisational investment in the genre. In other words, the thesis has shown that due both to political interest in the genre, and to the particular features of the economic structure of the television news product (when compared to other types of broadcast product), which limit the extent to which it can be developed as a market product, there is a significant degree of compatibility between the television news activities of public service broadcasters and those of commercial players.

Afterword

This thesis has been written during a time of unremitting change in both the broadcasting environment as a whole and in the particular sector of television news. At the outset of the gathering of research data in 1994, digital television services were still some way in the future. At its close, in the spring of 1999, digital terrestrial and digital satellite television had been launched, and digital cable was due to begin later in the year. In 1994 the debate over the scheduling of ITN's News at Ten had just been won by those wanting to maintain it in its 10pm slot; in November 1998 the debate was lost, and News at Ten was replaced in March 1999 with bulletins at 6.30pm and 11pm. In 1994, a third television news agency was set up; in 1998 APTV bought WTN, bringing the number of agencies back down to two. In 1994, the BBC's 24-hour television news service was focused predominantly in Asia; by 1998, its reach had extended to the USA and to Europe, and a separate, licence-fee funded 24-hour news channel had started in the UK.

It is the first of these changes that is likely to have the most long-term significance for the television news industry. It is important to stress that this thesis has described the development of the UK news industry in an *analogue* environment. This brief Afterword has been written to make some preliminary remarks about the impact of the development of digital television upon the provision of news channels, with a particular focus on the position of Sky News. However, due to the fact digital television has only recently been launched - Sky Digital in October and the digital terrestrial service ONdigital in November 1998 - the following points must be seen as provisional, as scheduling and programming strategy is likely to change considerably

as the competing platforms of operation - digital satellite, cable and terrestrial - attempt to gain market share.

The competitors are Sky Digital with 55 separate television channels, 34 audio music channels, and 48 channels dedicated to the provision of a 'near-video-on-demand' service - films with staggered start-times. ONdigital has far fewer channels. Its bandwidth and compression restrictions meant that at launch, 23 channels were available. Furthermore, ONdigital's coverage of homes was not universal, with many areas unable to receive either some or all its signals, further reducing the number of channels available for viewing in some parts of the UK. Digital cable has not yet started, although it is planned to begin in the autumn of 1999, with the three main cable operators - CWC, Telewest, and NTL - looking increasingly likely to consolidate.

The provision of news channels varies considerably across the digital platforms. Sky Digital places Sky News and Bloomberg business news in its cheapest 'Value' Pack of £6.99 per month, CNBC in its £8.99 'Knowledge' Pack, and BBC News 24 and CNN International as in-the-clear services, available to all subscribers. The digital terrestrial platform operator ONdigital provides only one news channel, BBC News 24, which is an in-the-clear service. The CWC cable analogue package, which is likely to be transferred onto its digital service, places BBC News 24 and Sky News in its mandatory 'Access' pack at £9.99. A 'News and Sport' pack costing between £1 and £3 extra depending upon the number of other packs taken, contains CNN International and BBC Parliament (as well as listing BBC News 24 and Sky News).

Thus, at the time of writing Sky News carriage was non-existent on the ONdigital platform, and likely to be further marginalised on cable platforms (see below). The long-term viability of Sky News therefore looks increasingly precarious in the digital environment.

This precariousness is due to a number of factors. The first of these was the arrival of the 24-hour news channel BBC News 24, launched in November 1997, in direct competition to Sky News. BBC News 24 has three major advantages - brand status, a free-to-air position on all digital platforms, and the ability to take advantage of economies of scale and scope.¹ Of these, its free-to-air status is most important, for it means that BBC News 24 has been offered to cable networks as a free service. By contrast, cable operators had been paying 49p per subscriber per month for Sky News. As a result, two major cable companies - NTL and General Cable - dropped Sky News from their channel 'bouquets'. BSkyB reacted by lowering the price of Sky News to 9p per subscription, and raising that of Sky One from 49p to 89p, arguing that if it was accused of cross-subsidy, that was no more than the BBC was doing by using licence fee money to develop a channel only accessible to multi-channel homes. While this tactic may have worked in the short term - as of March 1999 Sky News was still present in just over two million cable homes - there is a more long-term threat to the distribution of the Sky News channel.

¹ Because the BBC News 24 channel is funded by the licence fee, it does not have restrictions upon it using the resources of the BBC domestic news operation, which had limited the development of its sister international news channel BBC World.

In June 1998 the ITC ruled that packagers of channels - i.e. platform operators - had to 'unbundle' what they offered to customers, in order for there to be more freedom of choice for subscribers to pick the types of channels they wished to pay for. Additionally, the 'minimum carriage requirement' system was abolished, whereby cable operators had to guarantee widespread carriage of channels. BSkyB had acted under this system as a monopoly provider of certain channels, refusing cable operators access to them unless they also took other less popular ones. However, there was a particular public service benefit from such a system - namely, that Sky News was included in the 'bundle' of channels that BSkyB negotiated with the cable operators and consequently had to be made widely available to viewers because of the minimum carriage agreement. Cable operators now have more autonomy to construct 'mini-basic' tiers of programming, and decide which channels go in which tier. It is much less likely than before that Sky News will be placed in such mini tiers.

The main strategic defence that Sky News possesses is the strength of its parent, BSkyB. While much of the control that BSkyB exercises in the broadcasting environment can be characterised negatively, its ability to support its loss-making news channel, and furthermore to position it on a multiple-channel Electronic Programme Guide (EPG) in a relatively strong position, is of positive benefit in the attempt to maintain an oligopoly rather than monopoly in the supply of UK-focused 24-hour news channels.

In summary, the development of digital television will change the relationships between regulators, politicians, broadcasters, news organisations and their sources of

funding. There is likely to be an increase in the power of the platform operator as the new 'gatekeeper' of content in the form of channels and interactive services. This may mean that platform operators become less dependent on political favours, and consequently have less need to maintain quality television news provision. However, in counterbalance to this, the increased importance of branding in a multi-channel environment may mean that television news continues to be used as a provider of channel or platform status. While this thesis cannot predict the future development of the television news industry, it would seem from the evidence of the research that a public service orientation to television news provision plays an important role in an organisation's generation of political legitimacy and consumer acceptance, and that such a role for television news will not disappear in the digital environment simply because there is more available spectrum for a larger number of channels and services.

There is likely to be a continued tension between the respective positions of platform operators who control the means of access, and those of content brand leaders who will have increasing power to dictate terms of carriage.² The implications of the current system of organisation of news channels on digital platforms have not yet been addressed by regulation, but as this Afterword has briefly shown, there are important public policy considerations to be resolved.

² It is relevant in this regard to note that ITN's World News bulletins were dropped from New York public cable in the summer of 1998, and replaced with BBC World bulletins, largely because the BBC brand was better-known.

Appendix A

Interviewees

Name	Position held (at time of interview unless otherwise indicated)	Date of Interview
Attwell Rachel	Deputy Controller BBC World	July 1997
Baker Kenneth	Member of Parliament	July 1996
Beynon Rob	Managing Editor, European Business News; <i>journalist, Sky News, ITN*</i>	July 1995
Boulton Adam	Political Editor, Sky News	September 1997
Brown Alistair	General Manager BBC Worldwide	May 1997
Butorac David	Sky News Station Manager 1992-	June 1997
Claypole Stephen	APTV Chief Executive 1994-98; <i>Visnews Head of News/ Reuters Television Editor 1988-93</i>	October 1996
Cook Ian	Sky News Head of News 1994-6; News Development Manager 1996 -	February 1997
Davey Jon	ITC Director of Cable & Satellite 1991-6; Director-General Cable Authority 1985-90	July 1996
Deverell Richard	Head of News Strategy, BBC	June 1997
Dorrell Stephen	Member of Parliament; <i>Secretary of State for Department of National Heritage</i>	November 1997
Dunsford Wayne	Director of Distribution and Marketing, European Channel Management, BBC	May 1997
Emery Dick	Strategy and Marketing Director BBC Worldwide	August 1995
Evans Elwyn	Editor, Sky News 1989-97	July 1997
Feingold David	CNN International London Bureau Chief 1990-96	October 1996
Gale Roger	Member of Parliament	11 July 1996
Glencross David	Chief Executive ITC 1991-96; Director IBA 1983-90	July 1996
Gordon David	Chief Executive ITN 1993-5**	May 1997
Hall Mervyn	ITN Sales Director	July 1995
Hampson Chris	Home News Editor Sky News	July 1991
Hayton Philip	BBC news presenter	July 1991
Hoff Charles	CNN International London Bureau Chief 1996-8	February 1998
Hoon Geoff	Member of Parliament	11 July 1996
Howell Lis	Managing Editor Sky News	July 1991
Inglish Sue	Deputy Editor Channel 4 News	March 1997
Jennings Nick	Sky News Foreign Editor	March 1997
Knowles Peter	Deputy Editor BBC World Service Television News	April 1997
Kogan David	Reuters Television Managing Director	July 1995
Leuchars Ann	ITN news presenter	July 1991
Lipscombe Lowndes	WTN Managing Editor	August 1995
Mackenzie Niall	Department of Culture Media and Sport, Head of Commercial Policy	August 1997
Maglioni Paul	NBC Superchannel Head of Marketing	21 August 1995
Mannion David	Associate Editor ITN 1990-5	April 1997
Mitchell Austin	Member of Parliament	27 June 1996
Nicholas Sir David	Chief Executive ITN 1987-91**; <i>Editor ITN 1977-89</i>	November 1996
Nolan Mike	Sky News Deputy Head of News 1994-6	February 1997
Onions Ron	Visnews Managing Editor, Special Projects**	August 1996
Paxman Jeremy	BBC journalist	July 1991

Perkins Steve	ITC Senior Programme Officer	July 1996
Phillis Bob	BBC Deputy Director General 1993-98; <i>Chief Executive ITN 1991-3; Managing Director BBC World Service 1993-4</i>	August 1997
Plouffe Yves	VP. Interactive Television and Research, Videoway	July 1995
Pollard Nick	Sky News Head of News	April 1997
Purvis Stewart	ITN Chief Executive 1995-; <i>Editor, Channel 4 News 1983-6; Deputy Editor ITN 1986-9; Editor ITN 1989-91; Editor-in-Chief 1991-5</i>	February 1998
Quay Diana	Reuters Television Sales Manager UK	August 1995
Ramsland Johan	BBC World Service Television News Editor	July 1995
Richards Ed	BBC Controller, Corporate Strategy	November 1997 & 6 January 1998
Rooper Jonathan	BBC Special Assistant Accountability, Daily News Programmes	September 1996
Roycroft David	ITN Director of Marketing 1990-92 **	October 1996
Sambrook Richard	BBC Head of Newsgathering	August 1997
Smith Mark D.	APT V Director of International Television Development	July 1995
Snow Jon	Channel 4 news presenter	July 1991
Styles Paul	Management Consultant, KPMG	October 1997
Tarrant Julian	Reuters Television News Editor	October 1995
Thane Sarah	ITC Director of Programmes and Cable 1996 -; <i>Director of Public Affairs 1990-96; IBA Deputy Controller Public Affairs 1987-89</i>	August 1997 & 14 August 1997
Thompson Rick	BBC 1994-97 World Service bi-media newsgathering department; <i>1982-6 Editor Nine O'Clock News</i>	May 1997
Turner Steve	WTN Editor British Satellite News	January 1996
Tusa John	BBC Head of World Service**	January 1996
Van Zwanenberg Nick	BBC Worldwide Commercial and Business Development Manager	May 1997
Wheaton Bob	Commissioning Editor BBC Worldwide 1996	January 1996 & 4 June 1997
Whittle Stephen	Director, Broadcasting Standards Commission	November 1997
Williams Hugh	BBC Worldwide Director, Channels; <i>Chief Executive WSTV News; 1989 Head of News, BSB</i>	May 1997
Witchell Nicholas	BBC news presenter	July 1991
Wright Paul	Head of Broadcasting and Media Group, Department of National Heritage 1992-97	September 1997
Young Mark	Commercial Director, BBC Worldwide and Managing Director BBC World	August 1997

Notes: * Titles in italics give previous positions held where relevant
** Former position within the industry relevant to the thesis

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