

A Bid Too Far

Ben Laurance looks at the flaws of the old ITV network, but asks will its replacement survive?

In the 80s, the independent television industry made itself into a natural target for a Margaret Thatcher hand-bagging. It was fat and prosperous, with profits having climbed steadily during the consumer boom as advertisers competed for the chance to carve themselves the largest possible benefit from the spend, spend, spend society.

That prosperity allowed the people at the top of several of the larger ITV companies to indulge themselves in a ritzy lifestyle without raising complaints from shareholders. (A director of one tv company had four company cars. Another ITV contractor reg-

they wanted, made some programmes itself which could then be broadcast elsewhere on the network and showed some effort in trying to give its region a local news service, then the worthy folk at the Independent Broadcasting Authority (IBA) found little reason to interfere.

It was probably this third aspect of the system which Thatcher found so particularly offensive: independent television had its own, comfortable establishment, able to dole out the valuable prize of broadcasting rights to members of its own number. For the most anti-establishment prime minister of modern times, it was a natural establishment to attack.

The need to renew broadcasting franchises from 1993 gave her the chance she sought. At first, she favoured a no-holds-barred auction of the rights to broadcast to each of the 15 ITV regions (plus the franchise for breakfast television currently held by TV-am).

Her thinking was simple. People make money from broadcasting. The monopoly right to broadcast terrestrial commercial television in a given area has a value. The government, as the agency with the right to grant that right, should be paid a rent. Therefore, each franchise should be awarded according to which company bid most. The bidders would be asked few questions about what they would broadcast in between the adverts. It would be in a bidder's interest to ensure that it left sufficient money after paying its yearly rent to finance the programmes needed to attract viewers and therefore advertising revenues. The market, Thatcher argued, would ensure three things: that the state would receive money to reflect the value of the ITV broadcasting rights it was granting; that the most efficient companies would win those rights; and that the old-boy network through which ITV franchises had been decided hi-

therto would be replaced by a system of pure laissez-faire transparency.

Thatcher's vision of the future of ITV met with howls of opposition from the ITV fraternity. And in true British style, a compromise was struck. Yes, franchises would be awarded by auction, but each bidder would have to do two things: it would have to clear a quality 'threshold', spelling out what programmes it would provide and showing that it could meet minimum standards in areas like news and religious programming; and show that its financial projections were realistic and therefore that it could meet its commitments over the full 10 years of the franchise's life to 2002. The promises, the projections and the bids are now being sifted through by the Independent Television Commission, the successor to the IBA. Soon, they will say who won and who lost in the competition to take ITV into the 21st century.

But, already, there is evidence that the auction process has had some bizarre consequences. The bidding system was 'blind': each would-be broadcaster had to submit its sealed bid by the same deadline without knowing what any rival might offer. Central Television gambled that it would have little competition for broadcasting rights in the Midlands: it covers a large and disparate area which would present grave logistical problems for any newcomer starting from scratch. Hence the company bid just £2,000 a year for the franchise. Its gamble paid off, as the region failed to attract any rivals. In contrast, TVS, the ITV company on the South coast, has bid £54m a year.

It is true that Central is a more costly area to service. But on the other hand, advertisers will pay more to reach the 9m Midlands viewers than they will to buy time on TVS. There is no logic in one contractor having bid 27,000 times the sum offered by the other in regions of broadly similar size. Perverse it may be. But far worse, the auction system is virtually cer-

tain to end up harming ITV and the quality of programmes which it offers its viewers.

The bids had to be submitted by May 1991. They were for the right to broadcast between January 1993 and December 2002. In pitching their bids, would-be broadcasters had to guess how much money they would be receiving from advertisers in 9, 10 and 11 years' time. Some will have miscalculated - easily done, given the huge uncertainties about the emergence of new channels and the growth of satellite television as well as the vast unknown of likely advertising growth over the coming decade. The prize of winning a franchise will have been the reward of over-optimism. And the consequence of that over-optimism is that come the mid- and late-90s, some will find themselves either unable to pay their annual rent or unable to fulfill their programme promises.

'Playing the internal politics of the independent television industry and keeping the people at the IBA happy gave a whole new meaning to the phrase ITV network'

And what will happen then? Will the ITC drop its insistence that pledges be adhered to? (If so, programmes will become worse; in effect franchises will have won on the strength of false promises.) Or will it demand that good programmes continue to be provided and the annual rental paid, driving ITV contractors to bankruptcy? The old system of granting ITV broadcasting rights may have been cosy and imprecise. It may have allowed television executives to pamper themselves with BMWs and trips to Australia. But at least it protected companies from the folly of their corporate hubris. And it kept programmes on the screens. O



ularly despatched the chairman, a group of directors and their wives to Australia at the company's expense on 'fact-finding' tours justified by the group's having bought a stake in a virtually bankrupt network Down Under.)

And above all, the whole system by which companies were awarded the right to broadcast in a given ITV area reeked of old-fashioned and quintessentially un-Thatcherite grace and favour. As long as an ITV company made a reasonable job of providing its viewers with the network programmes