

Programme Services

Advertising
and Sponsorship

Cable and
Local Delivery

Technical Standards,
Service Planning
and Research

Teletext



Independent Television Commission

Licensing
and Regulating
Commercial
Television

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Established under the Broadcasting Act 1990, the ITC:

- Licenses all commercially-funded television services in the UK, whether delivered terrestrially or by cable or satellite;
- regulates these services through its published licences, codes and guidelines and has a range of penalties for failure to comply with them;
- has a duty to ensure that a wide range of television services is available throughout the UK and that, taken as a whole, they are of a high quality and appeal to a variety of tastes and interests;
- has a duty to ensure fair and effective competition in the provision of these services.

The Chairman, Deputy Chairman and (currently eight) Members of the Commission are appointed by the Secretary of State.

The Commission is supported by specialist staff, under the Chief Executive, and by a range of advisory committees.

Divisions of the ITC

Programme Division Ensures the programme requirements of the legislation, contracts and codes are fulfilled. In the process, the Division supports and encourages the highest possible standards in programmes and creativity in programme-making.

Advertising & Sponsorship Ensures that licensees comply with the Codes and Rules governing the content, amount and placing of advertisements and of sponsorship credits.

Cable & Satellite Licenses and subsequently monitors cable and local delivery systems and cable and satellite programme services.

Engineering Maintains high standards of technical quality, secures effective use of the spectrum, and promotes the development of enhanced technical standards for the benefit of viewers and licensees.

Finance The External Finance department provides economic and financial advice on policy issues, and assesses and administers the additional payments made by programme contractors for the Consolidated Fund. The Internal Finance department is responsible for the ITC's financial procedures and accounting systems.

Secretariat Organises the Commission's business and services the Commission's meetings. Has responsibility for the Commission's relationships with its licensees and contractors. Liaises with the Commission's legal advisers. Manages the ITC's records.

Licensing This Division initiates and coordinates the preparation of the published documents for all the terrestrial services which set the terms and conditions and timetables on which the assessment of applications will be conducted; and the licences under which the ITC's regulation will in future be operated.

Public Affairs Promotes awareness and understanding of the role and policies of the ITC through a variety of means including a press and information service, a public access library, publications and audio-visual material.

Administration Supports the ITC's operational and regulatory functions by the provision of support services including premises, office services, personnel and training. Manages the ITC's national and regional offices.

National & Regional Offices Monitor the content of programme contractors' and licensees' services and liaise as appropriate with companies' management. Promote awareness and understanding of the ITC in Scotland, Wales, Northern Ireland and the English regions.



The Secret Life of a Video Recorder

was the only British programme to win an award in the 1991 Japan Prize contest for educational broadcasts.



Sky Movies Plus

generated a higher share of viewing in cabled homes than any other cable and satellite channel.



Jim Hensons Greek Myths picked up a BAFTA award for the best children's fiction programme.

A year in **View**

The ITC's first year of operation has been a successful one, but not without controversy. In a year of change, some of the milestones include the awarding of Channel 3 licences by competitive tender, the publishing of new codes of practice and complaints reports, the growth of cable and satellite services, and a number of innovative technical research projects.

In February 1991, the ITC advertised the one national and 15 regional Channel 3 licences. By May, 40 applications had been received, three of which were for the national breakfast licence. After the difficult and complex task of selecting the successful bidders, the 16 licences were awarded in October.

New codes of practice published for advertising and sponsorship, programmes, technical performance and public teletext set the framework for the ITC's regulatory control.

As part of its policy of explaining its regulatory decisions, the ITC now publishes two complaints reports: a monthly bulletin on advertising, and a quarterly report on complaints concerning programmes.

The ITC is keen to promote higher technical standards through research and development. R&D projects currently managed under contract include the SPECTRE project on high quality widescreen digital TV within the UHF band.

The year saw 76 new licences granted for cable and satellite programme services. A rise of 60 per cent saw the number of satellite dishes soar to around 2,130,000 in 1991 (Continental Research). The cable industry began to make definite progress. Broadband cable now passes 1.3 million homes with one-in-five subscribing.

In the words of ITC Chairman George Russell the emphasis of the Commission's first year of operation has been one primarily concerned with managing change. Here he looks back at the year which brought the difficult and controversial task of awarding the new Channel 3 licences and one which laid the foundations for the future of commercially funded television.



The first year of any new organisation's life constitutes a major challenge. There could have been no sterner test for the Members of the Commission and its staff than the awarding of the new Channel 3 licences by a statutory competitive tender process widely regarded at best as controversial and by many as deeply flawed. In every area of the Commission's work the emphasis was on the management of change.

This first ITC Report to Parliament contains detailed information about the Channel 3 licensing process, the repercussions of which will be felt for many years to come. The ITC's handling of the process was challenged, through Judicial Review, by one of the disappointed applicants TSW, the ITV contractor for the South-West of England. Three other applicants, TVS, TVNi and White Rose Television sought, but were not granted leave to apply for Judicial Review.

The TSW case was heard by nine judges as it went through its various stages in the High Court, the Court of Appeal and finally the House of Lords. Eight of those nine found in favour of the Commission, including the five Law Lords whose judgments described the ITC's processes as "admirable" and "eminently fair". However, just as important were the statements of Lord Templeman in relation to judicial review. Where Parliament has not provided for an appeal mechanism, he said, the Courts must not invent one. Judicial review is there only to ensure that the decision maker does not exceed or abuse its powers.

The new Channel 3 licensees face a tremendous challenge in the run-up to the start of their new services on 1 January 1993 and beyond, especially those with substantial tender payments to meet in future. Their companies need to be run with the utmost efficiency. However, I remain confident

that ITV can build on the impressive creative performance and popular appeal of the past few years.

Parliament has entrusted the ITC with licensing and regulating commercially-financed television services in the United Kingdom. Dominant though the Channel 3 licensing work was in 1991, much emphasis was put on other licensing and regulatory work across a rapidly expanding industry. The ITC continues, until the end of 1992, as the broadcaster of ITV and Channel 4 and BSkyB's Marcopolo services and Oracle Teletext. We now have around 320 licensees which include cable distribution services and programme channels delivered via cable and/or satellite. All must adhere to their licence conditions and to relevant ITC codes, notably on Programmes and Advertising and Sponsorship.

The ITC seeks to regulate its services firmly but fairly. As competitive pressures increase

In every area of the Commission's work the emphasis was on the management of change.

through the 1990s, so will the challenge for the ITC in regulating services with the common aims of attracting viewers and revenue but which have differing obligations placed upon them.

The Commission must have at the forefront of its mind the interests of viewers. However, we are entering a new era. In an expanding television industry, there are limits on the powers of intervention of the ITC. Viewers recognise that the television landscape is bound to change, indeed at a faster pace than many other aspects of our society. Many are already exercising choice by purchasing new channels and services. We shall aim to set the standards and police those in an enlightened and effective manner. But we will not seek to impose where we have no mandate to do so.

The Commission will be greatly helped in its task of assessing the output of Channels 3,4 and eventually 5 and monitoring compliance by all licensees to their licence conditions and ITC Codes by 10 Viewer Consultative Councils. These Councils, comprising 120 viewers from England, Wales, Scotland and Northern Ireland are already making their mark and offering lively and diverse opinion on programme output and standards.

The Commission also values its specialist advisers in areas such as advertising, religion, education and charitable appeals. Arrangements for continuing specialist advice in the post-1992 era are under review.

Channel 4

Channel 4's programmes continued to meet the Channel's singular remit and increased its audience share. Channel 4 remains a subsidiary of the ITC until the end of 1992 when it becomes a statutory public corporation.

In February, Michael Bishop, the Chairman of British Midland Airways was appointed as Deputy Chairman in succession to Sir Brian Bailey. Knighted later in 1991, Sir Michael has made a significant contribution to much of the Channel's planning this year which has been directed towards its new existence when it will sell its own advertising. At the end of the year Carmen Callil retired from the Board and I would like to pay tribute to her distinguished contribution to Channel 4.

Discussion continued into 1992 about the size of subscriptions which the ITV companies should pay for the last nine months in which they are responsible for, and benefit from the sale of the Channel's airtime. The ITC has ruled that, for this period, the subscription should be 17 per cent of net advertising revenue (NAR) on ITV and the fourth channel, combined for the year to 31 January 1992, but multiplied by nine-twelfths in order to reflect the part year period. However, Channel 4 must not use its subscription revenues to fund its new headquarters building, or to meet the cost of establishing a sales force in preparation for the sale of advertising by the new Channel 4 Corporation from 1 January



1993. The ITC has also ruled that Channel 4 must not accumulate programme stocks above normal levels in anticipation of the new structure from January 1993, and any subscription revenues not spent by the end of 1992 should be returned to the existing ITV contractors.

Towards the end of 1991, the Commission was also addressing the appointment of new Members for the Board of Channel 4, appropriate to its continuing remit and to its new status in 1993.

Members of the Commission have given me tremendous support in a very testing year. They approached the discharge of their duties with considerable rigour, assisted by the ITC's skilled and conscientious staff (and our professional advisers at Allen & Overy and Hill Samuel). I am indebted to them all, as I am to many in the industry (and the press) who recognised that the ITC, particularly in the award of the Channel 3 licences, had a tough job to do in a very short time, and did it to the best of its ability. I am confident that the ITC came through its first and probably most difficult year with decisions that will enable commercially funded television to succeed in the 1990s.

Mr George Russell
Chairman

Members of the Independent Television Commission

Mr George Russell CBE
Chairman

Mr Jocelyn Stevens
Deputy Chairman

The Earl of Dalkeith*

Professor John Fulton*

Mr Roy Goddard

Mrs Eleri Jones*

Mrs Pauline Mathias

Lady Poplewell JP

Professor James Ring

Mr Pranlal Sheth

*The Earl of Dalkeith, Professor Fulton and Mrs Eleri Jones have made the interests of Scotland, Northern Ireland and Wales, respectively, their special concern.



ITC Chief Executive David Glencross contemplates a momentous year for the television industry, assesses the Commission's achievements and considers its strategy for the future.

Preparation for the ITC's first year of operation started in 1989 as plans began for the dismantling of the IBA and the Cable Authority, from which the staff of the ITC were primarily drawn. It was widely recognised that the Commission would have a heavy workload in 1991 and 1992 as it handled a "bulge" of licensing activity and continued, as the transitional sections of the Broadcasting Act required, as the broadcaster for ITV, Channel 4 and

BSkyB's Marcopolo (DBS) services and Oracle Teletext until the end of 1992.

In the second half of 1991 the Management Board began to plan the ITC's future staffing and structure for the post-1992 era. The ITC will have substantial regulatory duties and powers in relation to programmes, advertising and sponsorship, and for Channels 3, 4 and 5 in relation to technical standards. However, certain functions associated with being the broadcaster, for example, advance approval of programme schedules and pre-viewing of programmes and advertising, will cease and new licensing work will focus on the relatively straightforward issuing of cable and satellite licences. As a result, the ITC will need fewer staff. This reduction is no reflection on the quality and dedication of the ITC's existing staff, to whom the industry as a whole owes a great deal.

During 1991, the ITC needed all its manpower to cope primarily with the Channel 3 licensing round. The work was vast in terms of the volume of material in the 40 applications to be assessed, and complex in terms of detail and the judgement which had to be exercised.

It was always going to prove difficult to administer a system which combined the unmistakable fact of the size of an applicant's bid with the complex judgements involved in assessing the quality of the programme proposals and the applicant's ability to maintain

the licensed service.

Most commentators recognised that the award of the licences by competitive tender was more likely to mean that not all incumbent ITV companies would be successful in winning a Channel 3 licence. There were attractive rewards on offer and no one company has a monopoly on creative ability and commercial expertise.

Not surprisingly, incumbent contractors found it hard to accept that a successful business should be "up for grabs" and even harder to contemplate and accept defeat. I would wish to pay tribute to the achievements of the four ITV companies who were not awarded Channel 3 licences, Thames, TVS, TSW and TV-am. All have contributed in significant and distinctive ways to the programming of ITV and to serving their particular audiences. Thames should be singled out for particular mention, given its long and distinguished record. All four companies will be missed in their present form from the end of 1992, but the increased opportunities for programme distribution through new channels means that their skills and experience will be available to play a key role in commercial broadcasting.

The next chapter describes in detail the Channel 3 licensing process and reflects, as 1991 progressed, how the ITC's effort had spread into the preparations for licensing public teletext, commercial additional services and Channel 5.

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Channel 5 demanded a very different approach from Channel 3, although sharing some of the same statutory requirements.

Although not as yet attracting the same degree of public and press attention, the ITC's work in licensing and regulating cable, local delivery, and satellite services continues to grow. Although only a small proportion of viewers have broadband cable available to them, the pace of cable development began to quicken during the year. The number of homes which can connect to cable increased by 62 per cent, from 828,000 to 1,344,000.

As cable systems began to expand more rapidly, so did the take-up by subscribers. By the end of the year, one in five of all the homes passed by cable were subscribing i.e., 269,000. The increase in subscriptions to cable television was supplemented by a greater interest than forecast in taking a cable telephone service, and this contributed to a more confident tone in the expectations of cable investors. One unimplemented cable licence for Belfast was, however, revoked by the ITC.

The Broadcasting Act 1990 requires the ITC to operate a licensing regime for cable and satellite channels which indicates that all applicants will receive licences unless there are specific grounds for refusal. This was one of the features of the new law which some observers found difficult to grasp in the year, particu-

larly faced with the number of licences issued and the nature of some of the proposed services.

Among the increasing number of cable and satellite channels the dominant player was still BSkyB. The company was for the time being both the ITC's DBS contractor, using the Marcopolo satellite, and the holder of non-domestic satellite service licences, in respect of its transmissions via the Astra satellite. Its channels took the major part of the viewing of all cable and satellite channels.

In the course of the year, BSkyB also made substantial progress in establishing the UK's first major television subscription business using its two film channels. By the end of 1991, this was already the second largest in Europe in terms of numbers of subscribers.

The European Community Directive on Broadcasting came into force on 3 October. One effect was that the ITC became unable to regulate the cable transmissions in the UK of European channels which might contravene the ITC's codes, although it had never been possible to regulate what viewers equipped with satellite dishes receive from abroad. The Directive meant that programmes which had previously been regarded as unacceptable on UK cable, now had to be

accepted if they were legitimately originated in another Community country.

Although the year was dominated by the Channel 3 licence process, both for the ITC and the ITV companies, the ITV programme service maintained its standards and popularity. It was consistently the most watched channel in the UK and provided good programmes both for its national and regional audiences. It is a considerable tribute to those who work in the industry that programme standards were maintained during a time of restructuring and great uncertainty about the future.

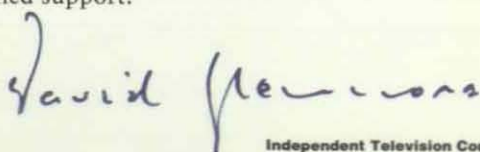
ITN, whilst not having to compete for its right to provide news on Channel 3, had to begin to address the new outside shareholding requirements imposed by the Broadcasting Act, and went through a painful process of staff reductions. Sir David Nicholas, ITN's Chairman and a pillar of the company for over 30 years, retired in October. His contribution to television news has been remarkable and his inspiration and flair are unlikely to be matched.

A new development in Scotland was the setting up by the ITC of the Gaelic Television Committee, established by law to administer Government funds for Gaelic programming.

1991 was a tough start for the ITC. I am grateful to all my colleagues for their unqualified support.

It is a considerable tribute to those who work in the industry that programme standards were maintained during a time of restructuring and great uncertainty about the future.

Mr David Glencross
Chief Executive



After months of preparation,
applications
are delivered.



Applications are sorted
for delivery to
the regions for public
consultation.

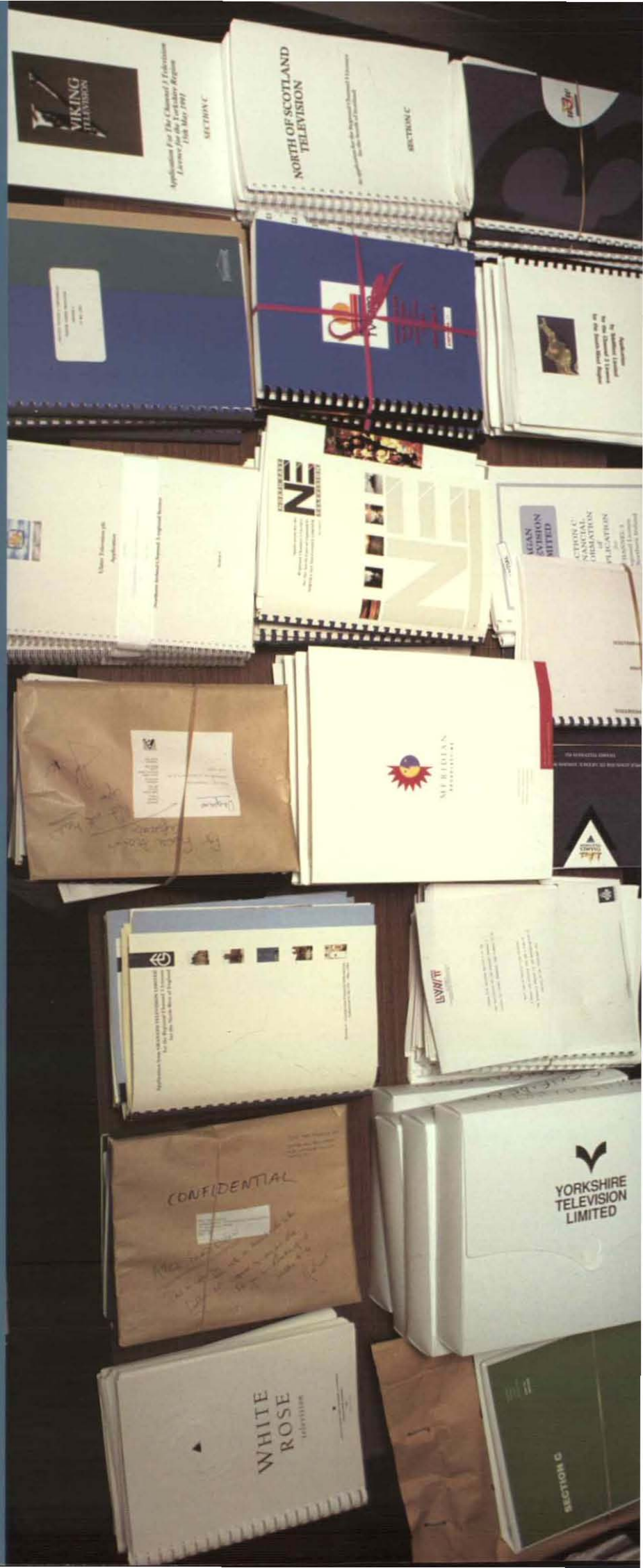


ITC Chairman
announces the awards
of Channel 3 licences



16 October 1991:
ITC Chairman
announces
Channel 3 awards
and the size of bids.

**Applications ready
for dispatch**
to the ITC's National
and Regional Offices,
and to 275
main libraries.



Licensing activity dominates a busy year

Licensing has been the dominant activity. 1991 saw the Commission award 16 new Channel 3 licences together with 76 licences for Cable and Satellite programme services and commence preparatory work for Channel 5 and for the new Channel 4 Corporation.

The major functions of the ITC are issuing the licences without which the provision of commercially-funded television services would be illegal, setting conditions in accordance with the Act which are to be attached to the licences, and regulating the services which are provided under the licences. Considerable effort was devoted by Members and staff in 1991 to the new licensing activity including preparation of codes of practice, for example on programme matters, advertising and sponsorship and technical performance. These are the instruments of detailed regulation which are prescribed under the Act. Although both the IBA and the Cable Authority had previously published codes, the new regime of licensing regulation involved reconsideration of the way requirements and guidance were to be expressed. The fact that, from the end of 1992 the ITC will not preview programmes and will not itself be the broadcaster, implies a new style of regulation compared with that of the IBA.

The licensing regime established by the Act includes provision for different types of procedures for awarding licences, and different conditions to be attached to licences for different types of service. The Commission's work in licensing cable and satellite services is outlined later in this chapter. However, the main licensing task of 1991 was the appointment of licensees for the 15 regional services and the national breakfast-time service on Channel 3. Work was also done on licensing of the public teletext service and commercial additional services which use spare capacity within the signals carrying the Channel 3 and Channel 4 services (including S4C in Wales), and preparatory work on Channel 5 and on the licence for the service to be provided by the new Channel 4 Corporation.

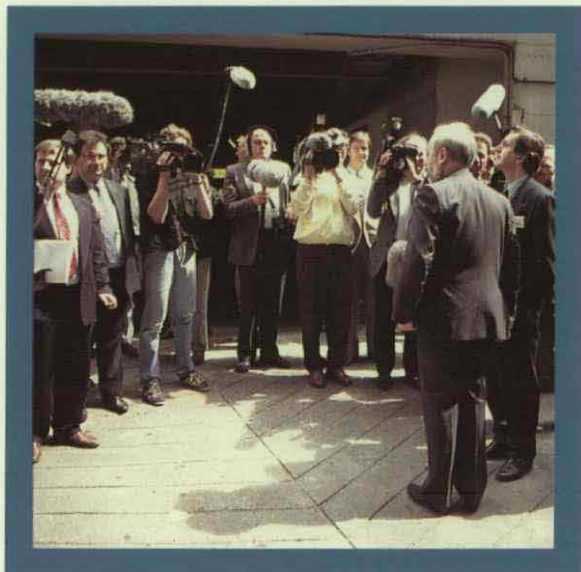
Channel 3

In licensing the new Channel 3 services, which will replace those provided by ITV companies under contracts until 31

December 1992, the Commission was conscious of the need to give the new licensees as long a lead-time as possible before their services were due to start. Not only would new entrants otherwise find it impossible to establish new broadcasting businesses, but there had to be time to adjust to the new system, and in particular to the new provisions on Channel 3. The objective was set of allocating the licences no later than the end of 1991, a minimum of 12 months before the services were due to begin.

The main features of the new licensing regime for Channel 3 are set out in the 1990 Act. The ITC has pursued two general objectives in applying the requirements of the Act. Firstly, it has tried to operate a "level playing-field" for all applicants for licences, to ensure not merely that it avoided bias in any particular direction, but that it was seen to do so. The most obvious form of such bias would have been in favour of the incumbent, which, apart from its

The ITC has tried to operate a 'level-playing field' for all applicants for licences, to ensure not merely that it avoided bias in any particular direction but that it was seen to do so.



15 May 1991.
The press prepares for the arrival of Channel 3 licence applicants.

It was valuable to canvas the views of those who would be directly affected by the approach taken by the Commission.

unfairness, would have had the effect of diminishing the prospect of introducing "new blood" to the system through the allocation of licences. Care was taken in setting requirements and deadlines and providing information to recognise the needs of the newcomer to the system as well as the already established player. Communication with potential and actual applicants was managed centrally in order to reinforce the policy that equal treatment should be accorded to all. Secondly, the Commission in every case encouraged and facilitated public comment on drafts of the key licensing documents before the decision was reached as to their final form. This applied to the licence itself and to codes of practice, as well as to the Invitation to Apply, in which the process of assessing applications and the information required by the Commission are all set out. In the case of Channel 5 and the commercial additional services, where there was no precedent for the proposed service, potential applicants or others were invited as a prior step to express interest or to provide views on particular aspects of the service to be advertised.

Although the Act does not require these forms of consultation, it was valuable to canvas the views of those who would be directly affected by the conditions set and by the approach taken by the Commission. About 300 copies of the draft documents for the Channel 3 licences were circulated for comment in November 1990 and well over 50 replies were received, many of them very detailed. The consultation process also allowed potential applicants to plan, well in advance of applications being invited, with

some knowledge of the direction of the Commission's thinking. It was also considered important that those affected as viewers of television, as well as professionals or commercial interests, should not feel excluded from the process of setting the ground rules for licensing.

The competitive tendering system, specified under the 1990 Act, for allocating licences for major terrestrial services (except for Channel 4) was used for the first time with Channel 3. A full statement of the terms and conditions for making an application were set out in two Invitations to Apply, one for the 15 regional licences and the other for the national breakfast-time licence, which were both published on 15 February. As well as amendments following public consultation, the documents reflected comments from the Office of Fair Trading on the guidance given on networking, which the ITC was bound by statute to take into account. More than 30 separate ancillary documents, codes, guidance notes and rules required under the legislation were also provided, all of which were available on request. These included rules on multiple bidding, which stated how licences would be awarded in circumstances where applicants had made applications for more licences than they were permitted to hold.

On the closing date, 15 May 1991, the Commission confirmed that it had received 40 applications in all, 37 for the regional licences, and three for the national breakfast-time licence. The Borders, Central Scotland, and East, South and West Midlands regions each attracted only one applicant. The Channel Islands, London

Weekend, North-East England and North-West England each received two applications. The remaining regions each attracted three applications, except South and South-East England, and Wales and the West of England, which each received four applications.

In considering the applications, Members were supported by teams of ITC staff. The assessment covered applicants' programme proposals, including networking, engineering proposals, business plans and ownership. The ITC had access to professional legal and financial advice. Each applicant's programme proposals were assessed without staff concerned being aware of the contents of business plans, the amount of cash bids. Individual Members were assigned a watching brief over specific licences as part of the assessment. However, the decisions on the awards were taken by the Members of the Commission collectively.

Members also took into account public comment on the applications. Copies of the parts of each application concerned with proposals for the service and the composition and identity of the applicant were placed in 275 major public libraries throughout the United Kingdom, the Channel Islands and the Isle of Man, and in the ITC's Headquarters and National and Regional offices. The business plans of each applicant were provided on the basis that they were confidential to the Commission, and were, therefore, not available. Summaries of the published parts of the applications provided by each applicant were made available by the ITC, and 21,250 requests for copies were received. By the deadline of

26 June comments had been received from 2,278 individuals, companies and organisations.

Public comment was analysed and summarised for Members, together with views of the ITC's 10 Viewer Consultative Councils (VCCs), and those of the Gaelic Television Committee in relation to the proposals by applicants for the two Scottish licences for Gaelic-language programmes. The views of the States of Jersey and Guernsey were also taken into account in relation to the applications for the Channel Islands licence. The ITC did not hold formal public meetings. But staff held meetings with interested groups, particularly in the regions, to explain the selection process and to hear their views. Where points about individual applications had been raised in the course of public comment which were material to the assessment, applicants were given the opportunity to respond.

The awards of the Channel 3 licences were announced by the Chairman of the ITC at a press conference on 16 October 1991. The applicants and the Stock Exchange were informed of the awards by fax immediately prior to that. The results are given in the accompanying table (see page 12). The Commission decided that there was no case of "exceptional circumstances" leading it to award the licence to other than the highest qualified bidder.

Grant of 14 of the 16 Channel 3 licences had been made by the end of the year. The single national breakfast-time licence was granted in January 1992, following notification by the European Commission that it would not be instituting a full

Where points about individual applications had been raised in the course of public comment which were material to the assessment, applicants were given the opportunity to respond.



After months of preparation, applications are delivered.



Security is tight.
TVs monitor the arrival of applicants.

Channel 3 Licences Facts and Figures

LICENCE	AWARDED TO	FIRST PART OF TENDER% <small>see note below</small>	CASH BID IN 1993 PRICES	OTHER APPLICANTS	CASH BID IN 1993 PRICES
Borders & Isle Of Man	Border Television plc	0	£52,000		
Central Scotland	Scottish Television plc	2	£2,000		
Channel Islands	Channel Television Ltd	0	£1,000	<input type="checkbox"/> C13 Group	£102,000
East, West & South Midlands	Central Independent Television plc	11	£2,000		
East Of England	Anglia Television Ltd	7	£17,804,000	<input type="checkbox"/> CPV-TV Ltd (East of England TV) <input type="checkbox"/> Three East TV Ltd	£10,125,000 £14,078,000
London Weekly	Carlton Television Ltd	11	£43,170,000	<input type="checkbox"/> CPV-TV Ltd (Greater London TV) <input checked="" type="checkbox"/> Thames TV plc	£45,319,000 £32,794,000
London Weekend	LWT (Holdings) plc	11	£7,585,000	<input type="checkbox"/> Consortium for Independent Broadcasting Ltd	£35,406,000
North Of Scotland	Grampian Television plc	0	£720,000	<input type="checkbox"/> C3 Caledonia plc <input type="checkbox"/> North Of Scotland TV Ltd	£1,125,000 £2,709,000
North-East England	Tyne Tees Television Ltd	2	£15,057,000	<input checked="" type="checkbox"/> North-East TV Ltd	£5,010,000
North-West England	Granada Television Ltd	11	£9,000,000	<input type="checkbox"/> North-West TV Ltd	£35,303,000
Northern Ireland	Ulster Television plc	0	£1,027,000	<input checked="" type="checkbox"/> TVNi Ltd <input type="checkbox"/> Lagan TV Ltd	£3,100,000 £2,712,000
South & South-East England	Meridian Broadcasting Ltd	11	£36,523,000	<input checked="" type="checkbox"/> Carlton TV Ltd <input type="checkbox"/> CPV-TV Ltd (South of England TV) <input checked="" type="checkbox"/> TVS TV Ltd	£18,080,000 £22,105,000 £59,758,000
South-West England	Westcountry Television Ltd	0	£7,815,000	<input type="checkbox"/> TeleWest Ltd <input checked="" type="checkbox"/> TSW Broadcasting Ltd	£7,266,000 £16,117,000
Wales & The West of England	HTV Group plc	2	£20,530,000	<input checked="" type="checkbox"/> CSW Ltd <input type="checkbox"/> Channel 3 Wales & the West Ltd <input type="checkbox"/> Merlin TV Ltd	£17,760,000 £18,289,000 £19,367,000
Yorkshire	Yorkshire Television Ltd	7	£37,700,000	<input type="checkbox"/> Viking TV Ltd <input checked="" type="checkbox"/> White Rose TV Ltd	£30,116,000 £17,403,000
National Breakfast-time	Sunrise Television Ltd	15	£34,610,000	<input checked="" type="checkbox"/> Daybreak TV Ltd <input checked="" type="checkbox"/> TV-am plc	£33,261,000 £14,125,000

Applicant did not satisfy requirements specified in section 16(2) (ie the programme quality threshold for Channel 3 regional licences) of the Broadcasting Act 1990.

Applicant satisfied requirements specified in section 16(2) but did not submit highest bid.

Applicant satisfied requirements specified in section 16(2) and submitted highest bid, but did not satisfy ITC that it would be able to maintain proposed service throughout licence period (section 16(1)(b)).

Applicant satisfied requirements specified in section 16(3)(ie the programme quality threshold for the Channel 3 national breakfast-time licence) but did not submit highest bid.

Note - Tender payments for each licence are in two parts. The first part is a percentage of annual qualifying revenue which was set in advance by the ITC. The second is the cash bid, the annual sum bid by the licensee, which will be index-linked. Neither part of the tender can be varied during the term of licence.

enquiry into the composition of the licensee under the terms of the EC Merger Regulation. Grant of the South-West England area licence was deferred pending the outcome of an application for judicial review of the award by another applicant for the licence. The licence was finally granted on 31 March 1992. Once granted, the licences became available as public documents.

Additional Services

Preliminary steps were also taken in 1991 to implement the new regime for the operation of public teletext and other text services on Channels 3 and 4. Like the main services on Channel 3, the contracts under which public teletext had been provided in the UK ended on 31 December 1992. The Act required that the "spare capacity" occupied until then by the public teletext service had to be divided from the start of 1993 between three different uses.

Firstly, an amount of capacity had to be set aside sufficient to allow the Channel 3 licensee to provide a technical and text service "ancillary" to his main service. (This also applied to the Channel 4 Corporation and to S4C in Wales.) Secondly, some capacity had to be allocated for the provision of services under Additional Service licences which did not have conditions as to content attached to them. One of the purposes behind these licences, for so-called Commercial Additional Services, was to allow for the continuation and development of data broadcasting services which had already existed on subscription terms within the teletext service. Finally, the bulk of the "spare capacity" was to be used, subject to the Secretary

of State's agreement as to the actual amount, for the provision of a single public teletext service meeting specific requirements set out in the Act.

During the passage of the new legislation, the Government had expressed the intention to allocate to a public teletext service only half of the "spare capacity" which was available for separate licensing. The Secretary of State agreed in May 1991 that the proportion available in this way should in fact be 7½ lines per field of the spare capacity on both Channels 3 and 4 frequencies (including S4C in Wales), which is nearer to three quarters of the available capacity.

On 10 June, the Commission invited expressions of interest for the commercial additional service licences. Information was sought from potential applicants on the types of services which might be offered in order to assist the Commission in deciding how the available capacity should be divided between licences, and how many licences there should be. A substantial response was received, largely from potential providers of data services or the brokers of capacity for such services. The draft of an Invitation to Apply issued on 8 November contained a proposal to offer three commercial additional services licences. The responses to this suggested that it would be more appropriate to offer two licences using equal amounts of capacity, one on the spare capacity on Channel 3 and the other the spare capacity on Channel 4. The formal Invitation to Apply for these two licences was issued on 19 December.

The draft of the Invitation to Apply for the public teletext

service was issued on 9 September with a deadline for public comment of 7 October. This set out the requirements for the service, including a new statutory requirement for strong regional provision throughout the UK. A separate Public Teletext Code was also published in draft on 25 October, establishing the standards related to content of the information, including advertisements and sponsorship, which the Act requires the Commission to apply in the case of the public teletext service. In the light of comments received, the formal Invitation to Apply for the public teletext Service licence was issued on 8 November. Five applications had been received by the closing date of 20 January 1992.

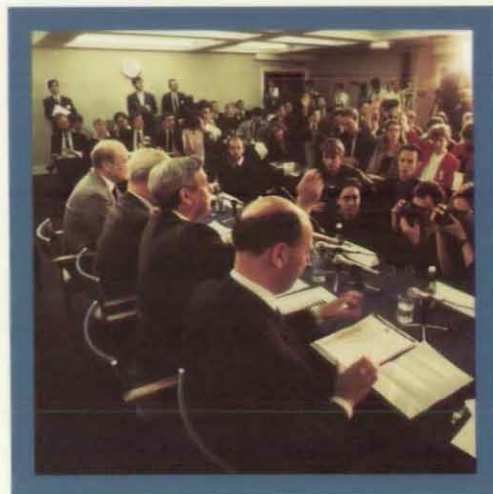
Channel 5

Preparations were similarly made during the year for the advertisement of the licence for a major new terrestrial television service, Channel 5. On 18 March 1991, the Commission issued detailed proposals for advertising Channel 5, based on the outcome of an earlier consultation exercise. The results had demonstrated a clear preference for a single licence rather than the division of the day or week under separate licences. In response to interest in the possibility of providing television services on a local basis as an element in the Channel 5 service, the Commission agreed to pursue the possibility of enhancing the transmission plan provided by the DTI to allow separate services to be provided, should the licensee wish to do so, for a number of major population centres throughout the UK.

A study of the likely extent of the VCR retuning problem associated with the introduction of Channel 5 was also commissioned.

On 30 July 1991, the ITC published a full list of the proposed transmission sites for Channel 5, together with their population coverage. Enhancements had been successfully identified to enable discrete local services for Liverpool and Manchester, Sheffield and Leeds, Nottingham and Birmingham, Edinburgh and Glasgow, and Tyne and Wear and Teesside, with the additional benefit that the predicted coverage of Channel 5 was increased from approximately 70 to 73 per cent of the UK population. Subject to international clearance, these sites would be included in the Invitation to Apply which was to be issued early in 1992. The study of the effects of VCR retuning was published in August. Details of two further transmitter sites at Sandy Heath and at Cheltenham and Gloucester were issued on 23 October, bringing the total to 33, and UK population coverage to almost 74 per cent.

In recognition of financial constraints on the operator, particularly in the early years of the licence period, the ITC proposed a graduated approach to setting certain of the key requirements which the Channel 5 licensee must meet.



ITC press conference announcing the awards of Channel 3 licences.

The Invitation to Apply and licence for Channel 5 which drew together the results of the various consultations were issued for comment in draft form on 19 November. In recognition of financial constraints on the operator, particularly in the early years of the licence period, the ITC proposed a graduated approach to setting certain of the key requirements which the Channel 5 licensee must meet. By the deadline of 17 December, 20 submissions on the draft documents had been received. These generally supported the ITC's approach but showed some concern about the high costs associated with starting up the new service, specifically the costs and uncertainty associated with the requirement to retune VCRs and other equipment which was susceptible to interference by Channel 5. The Commission had to address both these issues in particular early in 1992 before the Channel 5 licence could be issued.

Channel 4

Work also began for licensing of the Channel 4 service. Channel 4 will be provided from the end of 1992 by a statutory Corporation under a licence issued by the ITC. Special consideration was given to the way in which the remit for the channel which is defined in the statute should be embodied in the licence preparatory to making the licence available in draft for comment by Channel 4 and more widely.

During the course of the year the ITC granted 76 licences for cable and satellite delivery systems, 33 of them for non-domestic satellite services and 43 of them for licensable programme services, including a number of local cable channels.

Cable and Satellite

For the ITC, as for the cable industry, 1991 was a year of absorbing and coming to terms with past franchising activity rather than pursuing new initiatives. Although guidance notes on local delivery franchising were drawn up and distributed, no new local delivery franchises were advertised.

The ITC's major preoccupation in this area was in implementing the transitional provisions of the Broadcasting Act. As a result of these provisions, raising the licensing threshold to 1,000 homes, all the Cable Authority's licences for systems below that size lapsed. Where an existing upgrade or SMATV licence was in respect of a larger system, and the area concerned was not part of a franchise, the Act required all the licensees to be issued automatically with a new local delivery licence, valid for five years. The ITC issued 50 such licences in the course of the year. Moreover, all the Cable Authority's other licences, for franchises and for upgrade systems within franchise areas, needed to be modified to reflect the terms of the new Act.

The 32 cable franchises for which applications had been received by the Cable Authority before the publication of the Broadcasting White Paper in November 1988, were given the right by the Act to opt, if they wished, for local delivery status. This option had to be exercised before 30 June 1991. The main effect of such a change is that the franchisee obtains the right to utilise MVDS, if at some point it seemed technically feasible and commercially desirable to do so. As there was much confusion in the minds of franchisees about the basis on which the choice should be exercised, the ITC organised a seminar for the franchisees to identify, so far as was possible, what the implications were. As a result, nine franchisees decided to exercise their right to change from a cable programme service licence to a local delivery service licence. Given the frequencies which the Government has allocated for the purposes of MVDS, no franchisee has any present plans to provide a MVDS service but in some cases the technological options are still being considered.

The major change introduced by the Broadcasting Act 1990 for the programme services

- Programme Channels**
- Non-Domestic
- Satellite Licences
- MTV Europe**
- Olympus/Greensat**
- Sky Europe**
(Revoked 31.12.91)
- Sky Movies**
- Sky One**
- Japan Satellite**
- European Sports Network**
- Kindernet**
- Lifestyle**
- Eurosport**
(Revoked 31.12.91)
- The Children's Channel**
- Sell-a-vision Shopping**
- Super Channel**
- Bravo**
- Discovery Channel**
(Europe)
- Yesterday in the Commons**
- Channel e**
- Middle East Broadcasting**
- The Movie Channel**
- Sky Sports**
- Asian Television Network**
- Technology Channel**
- The UK Channel**
- Visual Arts**
- Sportscast Service**
- Supersell**
- The Comedy Channel**
- TV3 Denmark**
- After 12**
- TV Asia**
- HVC**
- London Live Television**
- TV1000**

which had been developed to serve cable systems and the users of Astra satellite dishes was a new licensing requirement. In the past, programme services had been subject to indirect regulation by the Cable Authority as a result of their need to satisfy the requirements of the licences granted to cable operators. Now, particularly following the drawing up of European agreements for all satellite programme services to be subject to regulation in their country of origin, they had to have their own licences.

The ITC decided to grant licences automatically to all those channels which had been approved by the Cable Authority. Moreover, a straightforward system was adopted for issuing licences to new applicants to provide a cable and satellite programme service amounting, essentially, to licensing on demand. Unless an applicant for a licence is to be regarded for some reason as unacceptable - the law lays down certain prohibited categories for a licensee - a licence can be refused by the ITC only if it appears that the proposed programme service will infringe the consumer protection provisions of section 6(1) of the Act. There was, therefore, no question of the ITC deciding whether a service was worthy enough to receive a licence or to attempt to lay down quality requirements or financial tests. In most cases, the grant of a licence was virtually automatic.

From 3 October 1991, the date on which the European Community Directive on Broadcasting came into force, the United Kingdom was duty

bound to use the licensing powers provided under the Broadcasting Act to regulate services directed from the United Kingdom to other Community countries, even though they were not received here. Two Scandinavian channels fell into this category, TV3-Denmark and TV1000-Succe, and ITC licences were granted to them.

One prohibited category of licensee consists of religious bodies, and by definition this includes bodies whose objects are to provide a service of religious programmes. However, the ITC has discretion to grant a licence to a religious body if it is satisfied that it is appropriate to do so. As required by the Act, the ITC published guidelines on the way in which it proposed to consider applications from religious bodies, and made one determination, in relation to Vision Broadcasting, that it was appropriate to grant a licence in that case.

During the course of the year, the ITC granted a total of 76 licences for cable or satellite programme services, 33 of them for non-domestic satellite services and 43 of them for licensable programme services, including a number of local cable channels. Two licences were revoked at the end of the year at the request of BSKyB, the licensee, because the services concerned were no longer being provided by them.

Programme Channels
 Licensable Programme Services
Channel Guide
 Hellenic Television
 Landscape Channel
 Grapevine
 Uzay Television
 The Adult Channel
 Indra Dhnush
 Channel 15
 Multi Screen Channel
 Arcade
 Black Music Television
 Aberdeen Channel
 Clyde Cablevision local
 Cable Jukebox
 Redbridge Community Channel
 Tower Hamlets/Newham Community Channel
 Cable 7
 Vision
 Swindon Local
 Colt TV
 Westscan
 Mind Extension University
 Arcade
 Community Channel
 CNN International
 The Afro Caribbean Channel
 The Arabic Channel
 Satellite Information Services - Racing Facts
 Education & Training Channel
 Star Television - The Black Entertainment Channel
 CBP Sport
 Your Channel
 The Egyptian Channel

Channel Seven
 Local 8
 The Skelmersdale Local Channel
 Videotron Channel
 LTV
 'Cable 10'
 British Greek Community Channel
 The Education Channel
 Channel A
 Jukebox Network





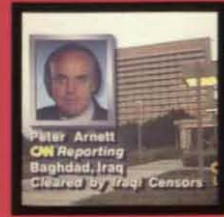
The outstanding drama serial on channel 4 was Alan Bleasdale's **GBH**



Sky One's most popular programme; the American cartoon series **The Simpsons**



The BAFTA award for originality went to **Vic Reeves's Big Night Out**



CNN was first off the mark with news of the outbreak of the Gulf war.



Expanding choice and maintaining quality

Against a background of change and of growing competition to attract audiences, ITC programme staff oversaw the programme content of an expanding range of services.

In February 1991 the ITC issued its Programme Code. This was based on the IBA's Television Programme Guidelines and the Cable Authority's Programme Code, but also took into account the new requirements in the Broadcasting Act 1990 relating, for example, to impartiality and religion. Although these requirements do not apply to ITV, Channel 4 and DBS services until the beginning of 1993, it was felt appropriate that 'guidelines' should be issued for the interim period. This also enabled applicants for Channel 3 licences to consider fully the requirements which they would need to meet from the start of the new licence period. Most parts of the Code also apply in full to satellite and cable television services licensed by the ITC. Before the Code was published in its present form, comments were invited from existing broadcasters and other organisations and individuals. The response focused heavily on the sections dealing with impartiality and religion. All the comments received were given careful consideration, and in some cases, meetings were arranged with those who had written to the ITC to discuss points in more detail.

This chapter offers an overview of programme content of the services which the ITC licenses and regulates. Analysis of ITV and Channel 4

is more detailed because of the programme requirements laid on these channels and because the ITC remains, until the end of 1992, the broadcaster of these services.

ITV

In a year in which ITV has had every excuse to take its eye off the programming ball, it has nevertheless registered a number of substantial achievements. Two conventional measures of success are audience ratings and programme awards. The network's audience share has risen steadily, as has the proportion of the prizes taken at home and overseas. For an unprecedented third year in succession, ITV took the Golden Rose of Montreux, the premier international prize in Light Entertainment. ITV's share of the year's BAFTA Awards was this time greater than that of any other single network.

A different test is how well ITV, and ITN responded to the major challenges of the year, of which the greatest was foreign news coverage. It was by any standards a momentous year which began with the Gulf war and moved on to the coup attempt in Moscow, the collapse of the Soviet Union, the release of hostages in Beirut and the Yugoslav civil war. Reporting these stories from distant locations taxed

ITN's resources to the full, but throughout, they managed to provide consistent and comprehensive coverage. There was some notable on-the-spot coverage by ITN reporters, particularly of the allied attacks on Baghdad at the height of the Gulf war, and from inside Dubrovnik whilst under attack from the Yugoslav Federal Army.

The Baghdad coverage provoked a degree of criticism from viewers and from some MPs that ITN should not have reported from the heart of enemy territory during the allied offensive on the grounds that they (ITN) were being used by the Iraqis for propaganda purposes. Both ITN and the ITC rejected the criticisms: in times of war it is the role of journalists to report events from as many locations as possible, providing the safety of allied forces is not endangered. All ITN's reports from Baghdad during the war made it clear that they had been subjected to Iraqi censorship. ITN, with full ITC approval, issued detailed guidelines on war reporting to all its staff which were followed throughout the conflict. Every ITN bulletin was extended during the war and an additional 8.00pm bulletin was transmitted. Not surprisingly, all gained very high audiences. ITN's success in the Gulf was recognised by the BAFTA Award for Best Actual-

In a year in which ITV has had every excuse to take its eye off the programming ball, it has nevertheless registered a number of substantial achievements.



ITN's reporting in the Gulf won it a BAFTA award for Best Actuality Coverage, and five RTS awards including all three news awards

ity Coverage in 1991. ITN also won five Royal Television Society journalism awards, including all three news awards.

Dissatisfaction, however, was voiced regarding the frequent changes to the scheduling of news at weekends.

Another test for the future will be of excellence in diversity.

The aftermath of the war, especially the plight of the Kurds and the ravages of Kuwait, were also fully covered by ITN, but the focus of foreign news shifted to Eastern Europe and to Yugoslavia and Moscow in particular. The major domestic stories during the year centred on the recession and growing election fever, and also on the arrival home of the Beirut hostages. There was particular delight at the release of television news producer John McCarthy. High standards during the year were also achieved by TV-am, whose excellent coverage of the Gulf war owed much to the deployment of the company's own reporters and crews. Domestic coverage was enhanced by an extensive regional network of TV-am studios and news centres.

News reporting was discussed at the meeting of the ITC's Viewer Consultative Council (VCC) Chairmen in October -

which Stewart Purvis, Editor-in-Chief at ITN, attended - and at the local VCC meetings. There was general praise for the professional and balanced service provided by ITN, but also some criticism of over-concentration on particular stories such as the Gulf war and the release of Terry Waite.

Conscious, perhaps, of the battle ahead to earn a niche for current affairs in a more competitive peak time schedule, the two ITV flagships *World in Action* and *This Week* both made strenuous and successful efforts during the year to attract a larger audience. By including more stories with broad appeal, and helped in part by undistinguished opposition on other channels, both strands achieved encouraging increases in audience share over the previous year, with *World in Action* attracting up to 9 million viewers, and *This Week* up to 8 million at their peak. Important political, economic and foreign stories added weight to the subject mix and standards of investigation and research remained as high as ever; a hopeful indication of a robust future for current affairs on ITV.

The debate about programme standards in a period of tightening television purse strings has focused most sharply on drama. It may be that the long run, high quality period drama serials of the 1980s really belong to an economically less competitive television age than the present one. That has not prevented the screening of ITV drama in 1991 of great style or popularity, and frequently both at once. Established successes have continued to sustain the prime-time evening schedule: *Jeeves and Wooster*, *London's Burning*, *Taggart*, *Inspector Morse* and, unflaggingly, *Coronation Street*. Network drama has been consistently well-served by Thames Television with *The Bill*, *Minder*, *Selling Hitler* and *Titmuss Regained*; and also by TVS with the excellent *Ruth Rendell* series and *Perfect Scoundrels*. The single drama is rare and yet one of the smaller ITV companies, Tyne Tees, in a remarkable achievement, won the Drama Section of the International Emmy Awards in New York with an adaptation of Catherine Cookson's *The Black Velvet Gown*.

The two outstanding successes of the year were *The Darling*

Buds of May and *Prime Suspect*. The former may have owed much of its initial startling popularity to the appeal of its principal star. Its continued success no doubt owed as much to the charm and sureness of its writing and production. *Prime Suspect* was an altogether grittier piece which won four BAFTA awards.

Another test for the future will be of excellence in diversity. ITV's successes in 1991 were drawn from an unusually broad spectrum. The sporting highlight of the year was ITV's coverage of the *Rugby World Cup*. Rugby Union was relatively uncharted territory for Independent Television but ITV Sport rose impressively to the occasion. 72 hours of coverage involving 24 live matches plus highlights from the remaining eight matches were presented with a high degree of skill and professionalism.

There have been high standards also in children's programmes. Saturday mornings have produced lively programming, notably from TVS. Further series of established favourites included the film drama *Woof!*, the practical arts and craft magazine *Art Attack* and the popular game shows *Nightmare* and *Finders Keepers*. Among completely new series were an animated revival of the Rupert Bear stories, based on the original illustrations, a live environment information magazine presented by children, *Go Wild!*, and independently produced drama series *Runaway Bay* and *South by South East*. The teenage drama series *Press Gang* deservedly won the Royal Television Society award for the best children's drama.

Children's programmes received particular attention from the VCCs during the

year. Members canvassed a wide range of views from young people and their parents and the resulting discussions were lively and helpful. The VCC's commended the overall quality and variety of children's provision, noting the excellence of some drama. There was, however, criticism of scheduling, a perceived lack of informative material and an over-supply of animation.

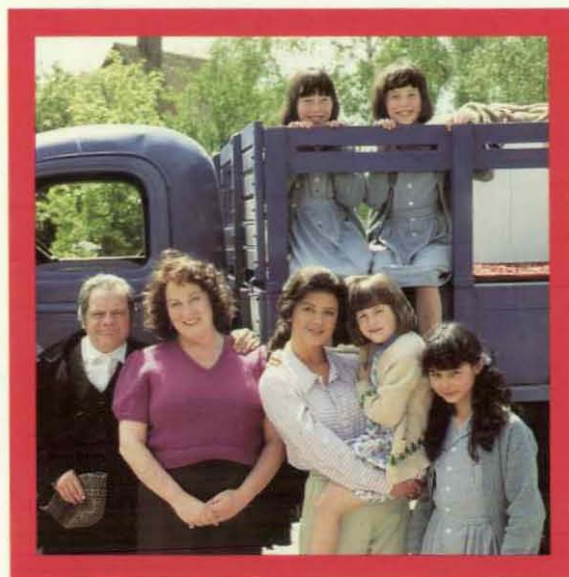
Other programming often perceived as outside the mainstream schedules included work of high quality. The adult education series *Legacy* was an outstanding co-production comparing five great civilisations of the past with the present day. *Breadline Britain*, a series about poverty, achieved critical acclaim and - in a late night slot - exceptionally high ratings. The documentary *Beggars in Paradise* won the Sandford St Martin Premier Award for religious broadcasting. It was unfortunate that, scheduled in the Sunday noon factual religious programming slot, it was seen by a smaller audience than it deserved.

On the debit side, there was a decline in the number and range of networked documentaries in comparison with previous years - although the general standard remained high. Nor was the year one of sustained achievement in light entertainment. Notwithstanding the success of LWT's *A Night On Mount Edna* in winning the Golden Rose of Montreux, and *The Curse of Mr Bean* from Thames in carrying off an International Emmy for comedy, ITV continued the struggle of recent years to find successful comedy formulae. Situation comedy in particular made few inroads to public popularity. Old formats still sustained

important parts of the peak time schedule especially at the weekend.

In comparison with the rival attractions of the video rental shop and BSkyB's film channels, ITV's scheduled feature films have inevitably arrived rather late in the day and have infrequently achieved substantial viewing figures. *Big, Fatal Attraction*, *Lethal Weapon* and *Beverly Hills Cop II* have been exceptions. Not for the first time the different standards accepted in America

ITV continued the struggle to find successful comedy formulae..... but old formats still sustained important parts of the peak time schedule.



The Darling Buds of May
- an outstanding popular success.

have caused difficulty when translated to British screens. The content of the *Baywatch* series was at times questionable in the earlier part of Saturday evening. Its images of buxom female life-guards and sun lovers on Malibu Beach attracted both a large following amongst younger viewers and criticism from others who found its fleshy emphasis sometimes gratuitous. This was not a difficult year, however, in terms of programme interventions by the ITC or complaints by viewers (see Complaints Summary page 28). A few difficulties arose during the year when the ITC found that programmes had been scheduled earlier

What is most remarkable about the ITV output of the year is that through all the unique difficulties and disruptions of the 1991 Channel 3 licence round, the ITV schedule as a whole remained consistently sound.

than was appropriate. The very great majority of programming, however, was suitably placed. Schedulers were reminded from time to time of the rules particularly applying to Family Viewing Policy which requires that no programme unsuitable for children be placed earlier than 9pm. Generally, however, disagreements came down to a question of judgement, pointing to a problem which may increase when the ITC takes a more strictly regulatory role, no longer as broadcaster, after 1992.

Regional Programmes

ITV companies continued to develop new regional programming ideas and to extend the range and diversity of the local output. Both the Gulf war and the Rugby World Cup provided notable opportunities for topical coverage of regional aspects. Items related to the war included special features about the oil spill base in the South of England, preparation of emergency hospital facilities in the South West, and items reflecting the concerns of service families

from many parts of the country with strong military connections. An important and widespread contribution was in television publicity for help lines.

Opportunities for quicker regional news gathering came with the setting up of further local news offices in key centres which are not bases of ITV companies. Several companies varied the scheduling of local programmes, seeking to give the potential audiences the benefit of more convenient viewing times. In addition some companies undertook internal reorganisations intended to extend the range and improve the appeal of local interest material.

Sponsorship was introduced for a wide range of regional programmes, including local sports coverage, programmes on the environment, business, and pop music as well as documentaries and weather forecasts.

Locally-made and transmitted drama included a weekly soap featuring an Asian family and a series of plays in one region by locally-based writers.

Other initiatives during the year included new religious, investigative, community and arts listings programmes. In Scotland, plans for Gaelic broadcasting were put firmly into place, and in Northern Ireland the first documentary in Irish, with English subtitles was broadcast. Meanwhile HTV Cymru Wales enjoyed great success at the inaugural BAFTA Cymru Film and Television Awards held in November 1991.

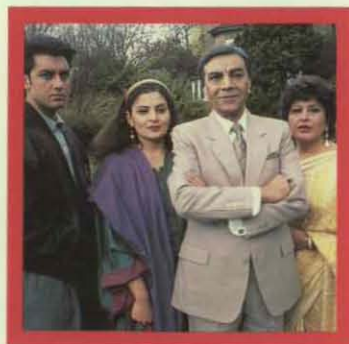
What, in conclusion, is most remarkable about the ITV output of the year is not the general absence of serious

shortcomings or regulatory conflict, or the number of popular successes and award winners. It is, through all the unique difficulties and disruptions of the 1991 Channel 3 licence round, the fact that the ITV schedule has as a whole remained consistently sound. There was no cynical pattern of programmes scheduled only to impress the ITC earlier in the year, and no sharp decline after the licence winners were announced in October. This continued to be true in the best sense also of breakfast television which sustained a major share of the available audience throughout the year with its easy-viewing formula supplemented by an impressive news service and, in *Frost on Sunday*, a regular strong current affairs contribution.

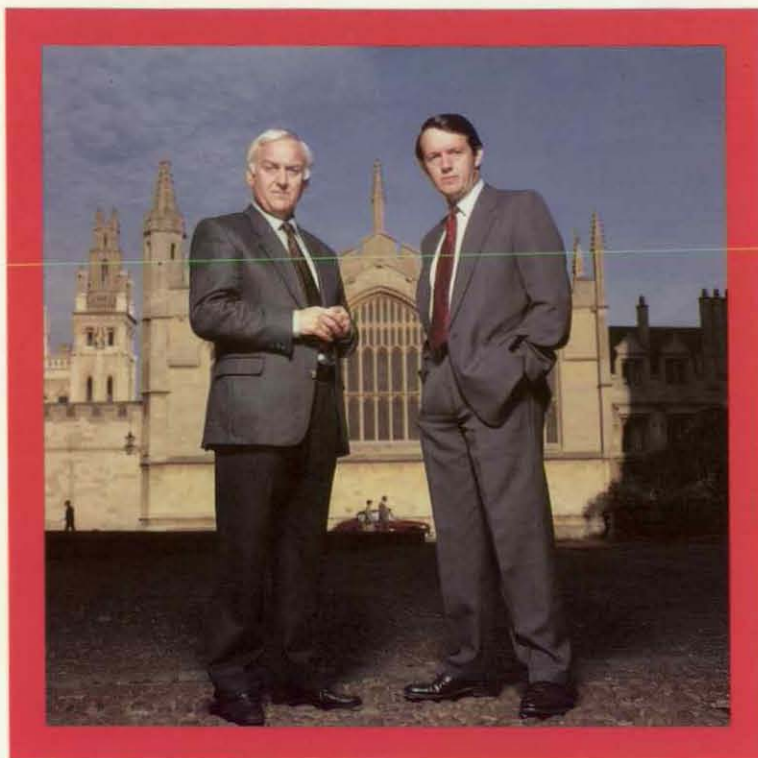
The continuity provided on ITV generally, by so many familiar programme titles, (*World in Action*, *This Week*, *Wish You Were Here*, *Morning Worship*, *Highway*, *Survival*, *First Tuesday*, *The South Bank Show*, *News at Ten*, *Blind Date*, *Spitting Image*, *Coronation Street*, *Emmerdale*) some running back over years and even decades, is not to be underestimated. This, combined with the increased volume and the vitality of independent productions, some of which, for example *Inspector Morse*, are themselves established favourites, means the Channel is well placed to cope with increased competition ahead.

Independent Productions

During the year under review, transmissions on ITV of new programmes commissioned from independent producers totalled 1,396 hours of which 622 hours were shown on a network basis, and 774 hours were shown regionally. The



Locally-made and transmitted drama included a weekly soap **Family Pride** featuring an Asian family.



Established
favourite
Inspector Morse.

total value of these programmes was in excess of £95.8 million. By the end of 1992, ITV is committed to reaching a transmitted target of 25 per cent of all new programmes made for the channel (excluding news and news magazines), produced by the independent sector, and from the beginning of 1993 the 25 per cent quota becomes a statutory requirement.

Progress has been encouraging, and ITV is now close to achieving the target with new independent productions on ITV reaching 21 per cent of qualifying programmes in 1991.

Since the voluntary initiative was agreed in 1987, over 4,600 hours of new programmes worth £411 million have been commissioned from independents by the ITV companies.

ITV Support for the Arts and Sciences

ITV continued to provide considerable support for the arts, sciences and education. In the year to 31 July 1991, financial support of over £3 million was

given by the industry as a whole.

Grants were made in two ways: nationally by all the ITV companies acting together through the ITV Fund, which accounts for 44 per cent of the total donated and locally by each individual company in support of organisations within their own region.

ITV Fund grants were made to organisations such as the National Museum of Photography, Film and Television; the British Film Institute and the National Film Archive; the National Film and Television School; Ravensbourne College of Design and Communication; the Actor's Centre and the London College of Music. Grants are given to organisations in the arts, sciences and education, which are nationwide in their scope and likely to improve, or maintain the quality of programmes on television.

The ITV Fund is also responsible for the Regional Theatre Directors Scheme, the only scheme of its kind in Britain, which annually awards grants

for the training of young theatre directors. Four one-year bursaries were awarded in 1991.

With effect from August 1991, decisions on grants currently made from the centre, will be made at regional level, and the nature of ITV's continuing support for the arts and sciences will be considered by the new licensees in 1993.

Charitable Appeals

Until the end of 1992, any organisation with charitable status may apply for one of the free monthly five-minute Sunday appeal slots on ITV. Every application is considered initially by the Central Appeals Advisory Committee (which also advises the BBC), and the Committee's recommendations are then submitted to the ITC for formal approval. The appeals are networked throughout the United Kingdom, except for Scotland and Northern Ireland where separate committees make recommendations on behalf of locally-based charities.

During the year under review, 58 applications were received for the 12 available slots. The networked appeals raised a total of £143,518, while those in Scotland and Northern Ireland raised £22,411 and £13,940 respectively. Disasters Emergency Committee appeals for Africa and Bangladesh raised around £8m and £3m, and a Red Cross Gulf Appeal £1.6m.

Members of the three committees are listed on page 44.

The chilling, BAFTA award winning documentary **Children of Chernobyl** told the tragic story of children who developed tumours following the nuclear disaster.



Training in ITV and Channel 4

The Channel's remit is unique. Its programmes have to contain a suitable proportion of matter calculated to appeal to tastes and interests not generally catered for by ITV.

An average of around 58 per cent of ITV company staff received some form of training during 1991. The highest volume of training was in administrative skills, computer skills and health and safety, rather than production training. Financial and business skills for managers and 'multi-skilling' for technical and operational staff were also important priorities, as was training in preparation for redundancy.

ITV maintained the level of grants to training bodies at just over £1 million, however, training activities were adversely affected by uncertainty over the future caused by the Channel 3 licensing

process. Thames, TVS, TV-am and TSW were all strongly committed to training and many of their activities ceased soon after the decision not to award them licences were announced. Continued reductions in staffing levels also affected training, although this was balanced, to some extent, by the need for training among freelancers and in the independent production sector. In this context, the first training courses supported by the Freelance Training Fund took place in 1991. This Fund was set up in 1990 with contributions from ITV (£200,000) and Channel 4 (£100,000). A new initiative was launched for the Fund to assist the development of open learning packages.

ITV was again successful in winning National Training Awards: TV-am for its Operations Training Scheme; TV-am's Programme Director, Ronnie West, for his individual work; and the ITV Association (on behalf of ITN, Central and TV-am) for its Editorial Training Scheme.

At Channel 4, staff received training in computers, languages, basic production skills, management development and on numerous specialist topics such as copyright, sign language for the deaf, accounting and pension fund trusteeship. Two Assistant Editors also attended the Single Camera for Directors Course at the National Short Course Training Programme, which is part of the National Film and Television School.

Channel 4 continued to run a number of training schemes for people with disabilities and for people from ethnic minorities, in conjunction with JOBFIT, the North East Media Training Centre, the Cardiff

School of Journalism and the London Film School. The cost of training for non-Channel 4 personnel, including a grant to the National Film and Television School, amounted to approximately £450,000.

Channel 4

The Channel's remit is unique. Its programmes have to contain a suitable proportion of matter calculated to appeal to tastes and interest not generally catered for by ITV. A suitable proportion of programmes has to be of an educational nature. Innovation and experiment in the form and content of programmes is to be encouraged. The Channel must have a distinctive character of its own. These are high demands and it is hardly surprising if, from time to time, there is criticism that not all have been consistently achieved. In the year under review, a general increase in Channel 4's audience figures has been accompanied, not coincidentally, by some sharp criticism that the remit is under threat.

The ITC's VCCs were asked early in 1992 to review Channel 4's performance with particular regard to the remit. There was a high general level of approval and many expressions of satisfaction that the Channel was doing an excellent job. There was criticism that programmes were occasionally eccentric; that the schedule was padded out with repeat films; that the Channel tended to very high peaks and low hollows; that there were too many American comedies. There was praise for scheduling material other channels would not attempt; for themed programming; for minority sports coverage; for thought-provoking and controversial documentaries. *Channel 4*

News was considered the best on any channel. There was nothing in the views of the Councils to support an impression that the Channel had in any sense 'lost its way' or that overall increased popularity implied a failure to fulfil the remit.

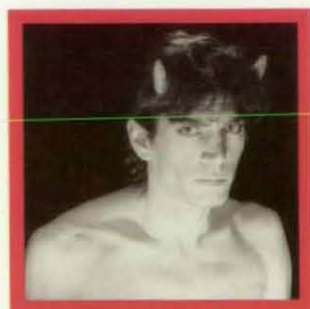
Nevertheless, this has not been a year of major innovation or challenge. Potentially the most striking event was the three-week *Banned* season about censorship in various media, including television. However, its reliance on too many programmes and films which had been run (uncensored) before, and its failure to put together a coherent challenge to conventional standards was reflected in sharply declining interest amongst media commentators and a general absence of controversy. A few programmes in the season stood out, notably the documentaries *Children of Chernobyl* which won a BAFTA Award, and *Damned in the USA* which won an International Emmy Award for best arts documentary of 1991. The latter programme drew a censure from the Broadcasting Standards Council for its brief clip of two of the photographs by Robert Mapplethorpe with which the documentary was concerned. The ITC did not find that they had caused any general offence.

The ITC previewed a number of programmes in the season and asked for some minor cuts in several factual programmes to confirm with the law and the ITC Programme Code. One short film, *Dick*, consisting of close-ups of penises, was not accepted for transmission. Explicit stills of female genitalia were also removed from *Sex In Our Time* at the ITC's request.

Another programme in the *Banned* season did, however, draw widespread criticism. *Sex and the Censors*, which the ITC had not previewed, went out at 9pm on 21 April, included film extracts of graphic violence which were wholly unacceptable particularly so early in the evening. Channel 4 formally apologised for a serious error of judgement.

There was nothing comparably offensive in the rest of the year though the ITC, after previewing the film *Sid and Nancy*, declined to allow it to be scheduled on Channel 4 because of the unprecedented and unacceptable volume and intensity of bad language involved. The ITC intervened with the Channel on two separate episodes of *Tonight with Jonathan Ross* because of offensive language, and on a third episode because of marginally acceptable taste. It was apparent that this series was uncomfortably scheduled as early as 6.30pm. Finally, the ITC disagreed with the Broadcasting Standards Council findings against four late evening Channel 4 programmes (as well as *Damned in the USA*, these were the cinema film *Hotel New Hampshire*, *WR Mysteries of the Organism* - considerably bowdlerized - and the surreal short *Salt Saliva Sperm and Sweat*), none of which were considered offensive or unacceptable to their audience as a whole.

Difficulties of this nature have been rare occurrences. Much more characteristic of Channel 4's output has been the solid achievement of regular programming. In factual strands, *Channel Four News* has continued to stand out for its unusually measured and analytical approach, deservedly



Damned in the USA won an International Emmy award for best arts documentary of 1991. The programme focused on the, sometimes, controversial and explicit photographs of Robert Mapplethorpe.

gaining its highest audiences ever during the Gulf war. There was a lively variety of current affairs formats alongside the main *Dispatches* strand. These included *Black Bag* (concentrating particularly on issues affecting and of interest to British black and Asian communities), the access programme *Free for All*, *Critical Eye*, the ultra late night *After Dark*, and four experimental current affairs formats piloted in *4 Thought*. Documentary strands mixed the familiar (ITV's *Survival*, and C4's long-running science and technology series *Equinox*) and the new, notably *Cutting Edge*, one episode of which won a 1991 BAFTA Award.

The BAFTA Television Award for Originality went to the light entertainment programme *Vic Reeves Big Night Out*. There were few other successful new shows, and a continuing reliance on longer-running formats and, for comedy, on a narrow base of independent production companies (among which Hat Trick was especially prominent). *Drop the Dead Donkey* continued to be one of the cleverest and funniest series on any channel. The outstanding drama success of the year was the award-winning *GBH*, written by Alan Bleasdale. There were fewer *Film on Fours* than in previous years, but those that were seen were of high quality: *A World Apart*, *Hope and Glory*, *The Dressmaker*,

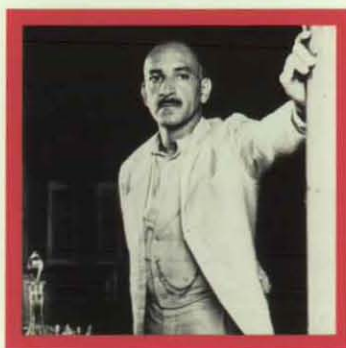
Channel Four News has continued to stand out for its unusually measured and analytical approach.

Distant Voices Still Lives, and *Pascali's Island* in particular. It was encouraging also to note the Channel's continuing support for single dramas shot on video: *4 Play* again featured works from writers generally new to television. New work of this kind was balanced by attractively themed film seasons. These included a survey of Satyajit Ray's work to celebrate that great director's 70th birthday; a season of Louis Malle films; of challenging and original Australian work; and seasons of post war British films.

In providing alternative fare to ITV, Channel 4 forfeited none of its range. *Channel 4 Racing* provided a first rate service throughout the year, and less popular sports such as American football, cycling and even sumo wrestling were well covered. Youth and children's programming included the successful *Teenage Health Freak* and *Jim Henson's Greek Myths* (which won the BAFTA Award for Best Children's Fiction). Weekend children's programmes continued to be the most widely viewed element of Channel 4's breakfast time service - an enterprise which has during the rest of the week failed to attract or build a sizeable audience, in spite of substantial repackaging and a relaunch. Good programming has turned up in less mainstream areas such as adult education, notably *Citizen 2000* and *The Secret Life of Machines*. *The Secret Life of the Video Recorder* was the only British programme to win any award in the 1991 Japan Prize Contest for educational broadcasts.

Schools programmes supplied by the ITV companies have been broadcast on Channel 4 since 1987. The Broadcasting Act 1990 requires the ITC to

do all it can to secure a programme service to meet the needs of UK schools. During 1991, the Commission has worked with all interested parties to progress the necessary arrangements for Channel 4 to take direct responsibility for the entire service from the beginning of 1993, including liaison with schools and the provision of support materials. Schools programming's solid achievement was recognized when ITC research (Television in Schools 1992) showed that most British teachers use television services at least once or twice a week.



There were fewer Films on Four than in previous years, but those shown like **Pascali's Island** were of a high quality.

In religious programming, the series *Faith Hope and Clarity* made a significant contribution to increasing knowledge and understanding of the beliefs and practices of the major world faiths. There was also a rare, and welcome, venture into religious programmes aimed specifically at a young adult audience with the series *The Footsteps Echo*.

Finally, in arts programming the continuing success of the established *Without Walls* series was reflected in the prestigious Huw Wheldon Award for Best Arts Programme for its '*J'Accuse - Citizen Kane*'.

Cable and Satellite Services

The programme channels licensed for distribution via cable and satellite ranged from the best known and most popular channels provided by BSkyB to various small scale services designed for the communities covered by local cable systems, or for various ethnic minorities, including Greeks, Turks, Arabs and the Afro-Caribbean and Asian communities.

BSkyB and the other channels which use the Astra satellite increased their audiences markedly during the year as both the number of dishes installed rose and cable connections increased. Most of these channels, like those delivered by other satellites or distributed only on cable, have been designed to meet more specific viewing needs than the general broadcasting channels. Although some, like Sky One and SuperChannel, provide general entertainment, the more common practice is that each channel has a specialised theme. The best known are those which provide only films, or which specialise in sport, or which cater for those wanting continuous news, children's programmes, rock music or programmes for women.

BSkyB

BSkyB is in the unique position, following the merger of BSB and Sky, of transmitting five channels throughout the year from the UK Marcopolo satellite (under the DBS contract), and simultaneously from the Astra satellite (under a non-domestic satellite licence). A sixth, the Comedy Channel, was introduced towards the end of the year on the Astra satellite only. The ITC continues, until the end of

1992, as the broadcaster of the services on Marcopolo and, therefore, approves BSKyB's schedules in advance of transmission.

BSkyB continued to make full and effective use of its Sky News channel, and the benefits of flexibility in having a single channel dedicated to news were seen on a number of occasions. Coverage of the Gulf war was comprehensive and immediate with Sky News able to adapt well to rapidly changing events. A more specific example was the channel's live coverage of the dramatic Moscow street scenes at the time of the abortive coup. Sky News was able to provide extensive live coverage of Parliament. The press conference at which the ITC announced the award of the new Channel 3 licences was similarly covered. A particularly dramatic piece of live coverage towards the end of the year was that of the Kennedy Smith rape trial in Miami. This illustrated very clearly some of the difficulties which may arise if the televising of court cases, especially those involving vivid and explicit evidence, were to become a regular feature of daytime television.

The Sky Sports channel provided a varied diet of sporting coverage, ranging from popular mainstream events to the more arcane reaches of sport in the USA. There was much excellent coverage in particular of soccer, rugby league, motor sport, boxing, tennis, cricket and golf.

The most popular channel was Sky Movies Plus, which generated a higher share of viewing in cabled homes than any other cable and satellite channel, or than BBC 2 and Channel 4, demonstrating that interest in seeing relatively new films is one of the driving forces in the growth of television choice.

The ITC carefully monitored compliance with the ITC Programme Code on the content and scheduling of programmes on the two feature film subscription channels, Sky Movies Plus and The Movie Channel. Both supplied a range of mainly contemporary films of American origin to growing audiences. Subscribers to Sky Movies Plus were also offered the opportunity to view a live relay of the acclaimed, but rain-soaked performance by Luciano Pavarotti in Hyde

ITV's sporting highlight of the year was its coverage of the **Rugby World Cup**. Over 72 hours of coverage were produced involving 24 live matches.



Park - Pavarotti in the Park. Sky One, the general entertainment channel, was the next most watched channel, aided by its most popular programme the American cartoon series *The Simpsons*.

The value of more specialist channels in meeting the demands of particular segments of the audience is seen by looking at the extent of children's viewing of The Children's Channel or at the experience of the sports channels in providing more extensive coverage of sporting events than is possible on a general channel. Screensport, for example, did well in its audience figures in providing comprehensive coverage of the Rugby World Cup.

Two new satellite channels began transmissions in October, BSKyB's Comedy Channel and the Middle East Broadcasting Centre. The latter, founded in and operating from London, is designed as an international television service in Arabic to cater, not only for minority audiences throughout Europe, but for viewers in North Africa and the Middle East. For those whose first language was one of those from the Indian sub-continent,



Sky Movies Plus, the most popular channel. The interest in seeing relatively new films is a driving force in the growth of television choice

Indra Dhnush remained the only specialised programme service, but the licence granted to TV Asia began to be exploited in January 1992, and a number of other Asian services were in preparation.

Not surprisingly, MTV has a strong following among the young, while the appeal of the Discovery Channel's documentaries to a young audience might be greeted as less obvious but with greater adult approbation. Lifestyle's appeal was mainly to a female audience, particularly in the older age groups.

Many channels targeted even smaller audiences, some of them being unique to individual cable systems. Community television services continued to grow as cable systems developed, to the point where community programmers decided to reinforce their commitment and share experience by creating a new Guild of Local Television.

Not surprisingly, **MTV** had a strong following among the young.



The ITC received few complaints about cable and satellite programmes (see table page 28), continuing the Cable Authority's experience that the viewers of a new range of channels which had been specifically "bought" either found it easier to avoid material which offended them or were prepared to accept on such channels material which might have given offence when transmitted on a channel available to all. The exception was viewers now receiving BSKyB who had originally bought equipment to watch BSB. Many of these remained disappointed at the loss of the original BSB channels, dissatisfied with the quality of BSKyB's five channels and disgruntled at the availability of the new Comedy Channel to Astra viewers only.

Apart from BSKyB's Marcopolo services and in accordance with the remit of the ITC as a licensing body rather than a broadcaster, the ITC did not vet the advance programme schedules for the multitude of cable and satellite channels, or expect to view programmes in advance. While the small number of programmes which gave rise to complaint were naturally investigated, the ITC also took steps to monitor on a dipstick basis, the output of the channels concerned, naturally paying extra attention to those which were more calculated to cause problems.

One area in which the ITC felt that it needed to exercise more stringent supervision related to religious programmes, taking into account the special provisions on this subject contained in the Broadcasting Act. Those provisions had generated a good deal of debate while the Broadcasting Bill proceeded through Parliament,

and the ITC was sensitive of the need to strike a balance between freedom of religious expression and the protection of the susceptibilities of certain viewers. For a time, some of the programmes in the series provided by Morris Cerullo World Evangelism were suspended from their normal slot on Super Channel, pending adjustments to them which the ITC felt necessary to conform with the provisions of the Act and the ITC's Programme Code. They were reinstated before the end of the year.

The ITC received two complaints about sex films included in German channels shown on British cable systems, where it agreed that the programmes concerned did not conform to the ITC's codes. However, the explanation had to be given that, as a result of the coming into force of the European Community Directive on Broadcasting on 3 October, this material fell outside the ITC's jurisdiction.

Under the Directive, the United Kingdom became obliged to accept for retransmission in the United Kingdom, any channel which originated in another member State of the European Community. This meant that on 3 October the ITC had to drop the restrictions it had previously imposed on the carriage by cable systems of the German channel RTL Plus and the Spanish channel TVE. The ITC was concerned that this situation might be seen as reflecting either on its lack of responsiveness to public feeling, or on its willingness to implement the codes it had itself drawn up.

Monitoring

The monitoring of ITV programmes began in 1955 and the service was expanded 10 years ago to include Channel 4's output. During this year programmes from BSkyB's satellite channels were also regularly monitored.

Monitoring is carried out on a sample basis. Each week 75 hours of programmes are selected from ITV, Channel 4 or the services delivered from the Marcopolo satellite. These are viewed by ITC staff who report on aspects of the services, taking account of relevant parts of the Broadcasting Act and the ITC's Programme Code. Whether viewed live, or from tapes, monitors are aware of the time at which programmes are transmitted and report on whether the material shown was suitable. Monitors are also asked from time to time to contribute towards a detailed analysis of programmes or topics of particular concern or interest to staff.

Audience Research

The 1990 Broadcasting Act requires the ITC to take account of public opinion about Independent Television services. While much valuable feedback is received from consultative committees, advisory bodies, meetings and viewers' letters and telephone calls, these specialist or self-selected groups cannot always provide views that are fully representative of public opinion. Audience research offers systematic measurement and assessment of opinion based on scientifically representative samples of the population.

The ITC uses a variety of research sources including

BARB's (Broadcasters' Audience Research Board) television audience measurement and reaction services. Research is also commissioned from other suppliers and research bodies as required.

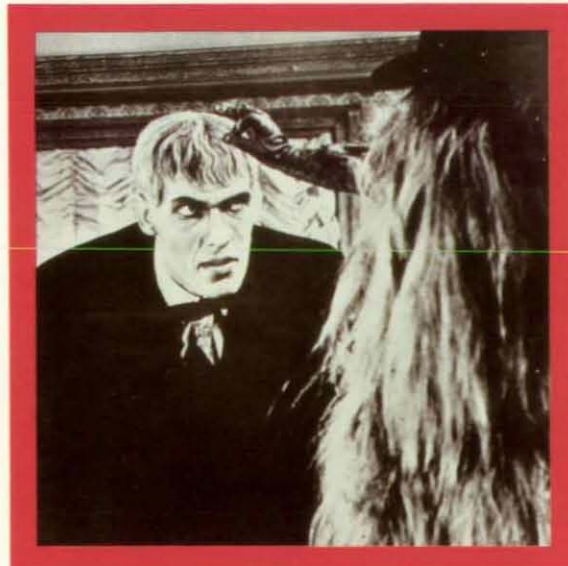
Programme Standards

In 1991 the ITC commissioned qualitative research and an extensive survey focused on its responsibilities under the Broadcasting Act, for consumer protection and programme standards. These include issues of taste, decency, accuracy, impartiality, viewers' programme preferences and their perceptions of the quality and diversity of programmes. The research findings, published in *Television: The Public's View* in March 1992 replaced the IBA's annual survey of Attitudes to Broadcasting/Television. However, the core series of questions which have been asked since 1970 were maintained, thus retaining the research's function of monitoring public opinion over time.

The main criticism of programme standards in 1991, as in earlier years, was that there were too many repeats. Fewer than one in 20 of all television viewers specifically mentioned violence, sex or bad language as reasons for declining programme standards.

Offence on Television

As in every previous survey, the great majority of viewers said they had not seen anything which they found personally offensive on ITV or Channel 4. Among the minority who were offended by material seen on ITV or Channel 4, the sources of offence have varied little over the years. Bad language continues to lead the list, but offence



caused by such language, and by violence and sex on independent television remained low in 1991.

Awareness of the ITC's Family Viewing Policy remained high. Nine out of 10 parents were aware of it and three in four (78 per cent) of these parents correctly identified the 9pm watershed.

Impartiality

The 1991 results showed the same pattern as previous years on the subject of political bias on television. Most viewers believed there was no favouritism towards any political party on ITV or Channel 4.

When favouritism was perceived on ITV it was evenly split between the two major political parties.

Sources of News

Television retained its position in 1991 as the primary source of world news. Additional questioning introduced in 1991 revealed that it was also regarded as the primary source of European, national and

The Comedy Channel was introduced towards the end of the year.

Most viewers believed that there was no favouritism towards any political party on ITV or Channel 4.

regional news. Newspapers only had the advantage at the local level. Further probing revealed that television possesses this high status due to viewers' trust in the medium.

The survey revealed that while around seven in 10 people consider television news to be the most complete (72 per cent), accurate (72 per cent), fair (68 per cent), quickest (76 per cent) and clearest (75 per cent) source for news of international and national significance, less than two in 10 would make radio or newspapers their first preference on these qualities. On a regional and local level, television still holds a clear lead, though the gap between opinions on different sources is far narrower.

Viewers clearly both expect to, and feel they receive a high standard of service from television news. In turn this places a high level of responsi-

bility upon those providing it.

Other Studies

During 1991 the ITC also commissioned and published a number of additional research projects. These included a qualitative study of children's opinions about television programmes, a large scale content analysis and survey of public opinion concerning television's coverage of the Gulf War (co-funded with the BBC, Broadcasting Standards Council and Leeds University), and research into the use of subtitling by the deaf and hearing impaired.

Complaints about Television Programmes

The table below gives detail of the complaints received by the ITC in the year under review. In the first quarter, coverage of the Gulf War accounted for a total of around 200 com-

plaints, falling mainly in the scheduling and impartiality categories. In the second quarter, publication began on a regular quarterly basis of complaints received and interventions made by the ITC.

All complaints made to the ITC, whether by letter or telephone, receive a reply. Where a complaint is upheld, or other action may usefully be taken, the ITC will pursue the matter with the company concerned. In the most serious cases, this may result in a formal intervention. In the year under review, the ITC upheld, wholly or in part, complaints about 25 individual programmes, mainly on grounds of unsuitability for family viewing. The total of 1,582 complaints compared with 1,491 for the previous 12 months.

For National and International News which source is ...

	Most Complete	Most Accurate	Most Fair	Quickest	Clearest Understanding
	%	%	%	%	%
Television	72	72	68	76	75
Radio	6	8	10	16	8
Newspapers	15	11	11	4	12

News/factual

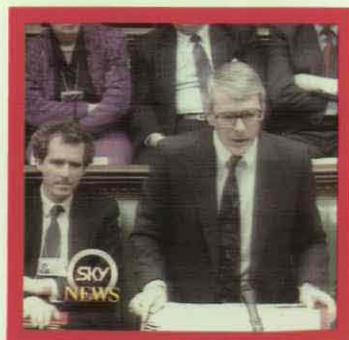
Fiction/Entertainment

	ITV	C4	C/S*	ITV	C4	C/S*
Accuracy	28	7	3	12	1	-
Impartiality	193	39	-	11	5	1
Sexual Portrayal	4	7	-	51	17	3
Language	5	8	-	55	7	1
Violence	3	9	-	38	14	2
Other taste & decency	92	28	1	130	45	-
Racial offence	14	3	-	19	5	-
Religious offence	6	1	1	12	26	-
Scheduling	128	12	3	199	4	12
Miscellaneous	130	20	5	130	11	2
Total	613	134	13	657	145	20

Overall total = 1,582

*** Cable and Satellite**

Note: In addition, about 90 complaints were received from former BSB viewers about the range and content of the five BSKyB channels, the timetable for replacement of BSB receiving equipment with that to receive Astra, and the introduction of the Comedy Channel on Astra only.



Sky News:

One of the benefits of a channel dedicated to news is its flexibility and ability to adapt to rapidly changing events.



Analysis of Programme Production and Output

The information presented here relates primarily to the year ending 31 December 1991. The last Annual Report issued by the IBA covered only the final nine months of 1990, and included no figures for the incomplete year. For comparative purposes, figures for the whole of 1990, as well as 1991 are included in this report.

The Regional Service

Each of the 15 ITV companies is required to produce, or commission from independent producers, a minimum number of hours of new programmes each week designed to be of particular interest to people in its own region. These requirements and the hours of local interest programmes transmitted are given in Table 1. Many companies are now required to provide separate programmes for specific parts of their regions and some have chosen to provide extra sub-regional material. Over the years, there has been a steady increase in the hours of local interest material both required and transmitted. An average of over 152 hours of local interest programmes was broadcast each week on ITV in 1991, compared with 142 hours in 1990, and 132 hours in the year ended March 1990.

ITV Companies' Production

In addition to material made purely for local transmission, the ITV companies' new productions or commissions for network or part-network transmission averaged 56¼ hours a week during 1991. Of this total, the five largest companies provided 42¼ hours and the other companies 14½ hours. In total ITV companies (excluding TV-am) and ITN

produced or commissioned a weekly average of 264 hours of new programmes for the ITV channel.

Sources of ITV and Channel 4 Programmes

Most programmes transmitted on ITV and Channel 4 are made by the ITV companies and ITN or commissioned from independent producers. Charts 1 and 2 show where both new and repeated programmes seen in the average ITV area and on Channel 4 originated. ITC regulations place a limit on the proportion of non-European material broadcast. At least 86 per cent of all transmissions up to midnight must be from EC sources or exempted from the overseas regulations for cultural or educational reasons. After midnight EC or exempted material must contribute at least 75 per cent of transmission time. In addition, the amount of overseas quota material permitted in peak viewing hours (in 1990 and 1991 between 6.30 p.m. and 10.30 p.m. on Monday to Saturday and 7.15 p.m. to 10.30 p.m. on Sunday) is limited to an average of 4 hours a week. During both 1990 and 1991, ITV and Channel 4 were within the required quotas and indeed, during peak time non-EC programmes on ITV averaged considerably less than the 4 hour maximum per week at just over 2½ hours for both years. In 1991, 85 per cent of all transmissions were new programmes on ITV (excluding TV-am). On Channel 4, which transmits schools programmes, many of which are repeats, the figure was 71 per cent. These proportions have remained stable over recent years.

Programme Transmissions on ITV and Channel 4

Tables 2 and 3 show the breakdown of transmissions on ITV and Channel 4 respectively during 1991 compared with 1990. The amount of news programmes increased substantially by around 2 hours in 1991. This was as a result of the increase in news coverage in the earlier part of the year during the war in the Gulf.

In 1991, TV-am transmitted 23 hours 55 minutes per week of which 19 hours 2 minutes were news and general information programmes and 4 hours 53 minutes were programmes designed mainly for children.

Independent Productions

Progress in the transmission of new programmes commissioned from independent producers is described earlier in this chapter. Almost 1,400 hours of new programmes commissioned from companies independent of broadcasters were transmitted on ITV in 1991, compared with just over 1,200 in 1990. Additionally, 142 hours of independent production were shown by TV-am. Chart 1 shows that of all ITV transmissions, including repeated, acquired and news and news magazine programmes, 11 per cent were commissioned from independent companies in 1991.

New Production and commission by ITV Companies for Local Interest (Table 1)

(Year Ended December)

ITV Company	Weekly Average		Minimum Weekly Requirement 1990
	1991	1990	
	Hrs:Mins	Hrs:Mins	Hrs:Mins
Anglia: Total	13:17	12:53	8:00
East only	4:39	4:33 +	*
West only	4:39	4:33 +	*
Border: Total	6:27	5:33	5:00
North only	+++ 0:50	-	*
South only	+++ 0:50	-	*
Central: Total	18:49	16:25	14:30 **
West Midlands only	4:55	4:26	4:00
East Midlands only	4:55	4:26	4:00
South Midlands only	4:55	3:53	3:00
Channel	5:38	5:22	4:30
Grampian	7:43	7:36	6:30
Granada	9:03	8:34	8:00
HTV West	8:35	8:11	7:30
HTV Wales	8:33	8:14	7:30
LWT	2:57	2:51	2:30
Scottish	11:38	11:21	10:00 ***
Thames	7:08	6:00	6:00
TSW	7:30	7:48	7:30
TVS: Total	15:34	14:52	12:30 ****
South only	5:38 *****	5:48 *****	4:30
South East only	5:38 *****	5:48 *****	4:30
Tyne Tees: Total	9:37	8:42	8:30
North only	1:15	1:12	1:00
South only	1:15	1:12	1:00
Ulster	9:16	9:28	6:30
Yorkshire: Total	10:52	9:00	8:15
West only	1:52	1:46	0:45
East only	1:52	1:46	0:45
South only	0:54	0:59 ++	*

Notes

- * There is no requirement for local opt-outs in these regions, although the companies concerned choose to produce programmes especially for viewers in these sub-areas.
- ** A minimum of 7½ hours per week to be provided for viewers in each part of the sub area.
- *** The minimum weekly requirement for Scottish Television was increased from 9 hours in 1990 to 10 hours.
- **** A minimum of 8 hours per week to be provided for viewers in each part of the sub area.
- ***** These figures show the amount a viewer may see in the South or South-East parts of the region although further opt-outs from each of the five relay stations mean that production levels are higher.
- + Separate transmissions for the East and West began in week 28, 1990.
- ++ Separate transmissions for South Yorkshire began in week 43, 1990.
- +++ Separate transmissions for the North and South began in week 2, 1991.

Programme Transmissions on ITV* (Table 2)

(Weekly Average, Year Ended December)

	1991 Hrs:Mins	Duration 1990 Hrs:Mins	1991 %	Percentage 1990 %
News and news magazines	21:36	19:43	15.0	13.7
Factual material including documentaries and current affairs	20:13	20:37	14.0	14.3
Social action	0:33	1:12	0.4	0.8
Adult education	1:52	2:05	1.3	1.5
Religion	2:14	2:17	1.6	1.6
Arts	1:06	0:59	0.8	0.7
Informative	47:34	46:53	33.1	32.6
Plays, series and serials	31:59	33:48	22.2	23.4
Feature films and TV movies	19:10	16:49	13.3	11.7
Narrative	51:09	50:37	35.5	35.1
Entertainment	25:25	26:34	17.6	18.4
Sport	9:25	10:14	6.5	7.1
Children's programmes	10:29 **	9:45 ***	7.3	6.8
Total All Programmes	144:02	144:03	100%	100%

Notes

- * The amount a viewer could see in any part of a region, excluding TV-am transmissions of 23 hours 55 minutes per week.
- ** This total comprises: pre-school programming (1 hour 30 minutes); children's drama and entertainment (8 hours 36 minutes); and information (23 minutes).
- *** This total comprises: pre-school programming (1 hour 33 minutes); children's drama and entertainment (7 hours 51 minutes); and information (21 minutes).

Programme Transmissions on Channel 4 (Table 3)

(Weekly Average, Year Ended December)

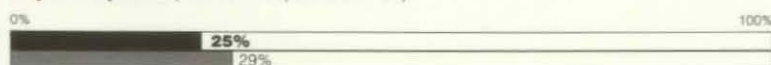
	1991 Hrs:Mins	Duration 1990 Hrs:Mins	1991 %	Percentage 1990 %
News	13:40	11:34	9.8	8.2
Factual material including documentaries and current affairs	25:24	25:25	18.3	18.1
Education	7:16	8:11	5.2	5.8
Open College	-	1:05	-	0.8
ITV schools	7:22	7:20	5.3	5.2
Religion	1:30	1:55	1.1	1.4
Arts	4:21	4:40	3.1	3.3
Informative	59:33	60:10	42.8	42.8
Plays, series and serials	12:22	11:29	8.9	8.2
Feature films and TV movies	23:47 *	23:20	17.1	16.6
Narrative	36:09	34:49	6.0	24.8
Entertainment	20:09	23:25	14.5	16.7
Sport	10:56	10:49	7.9	7.7
Children's programmes	12:10 **	11:18 ***	8.8	8.0
Total All Programmes	138:57	140:31	100%	100%

Notes

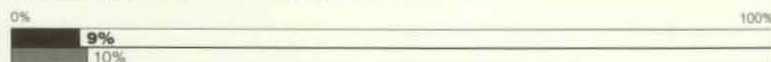
- * Including Film on 4 and Film on 4 International which averaged 1 hour 27 minutes per week in 1991 and 1 hour 54 minutes per week in 1990.
- ** This total comprises: pre-school programming (5 hours); children's drama and entertainment (6 hours 34 minutes); and information (36 minutes).
- *** This total comprises: pre-school programming (5 hours 13 minutes); children's drama and entertainment (4 hours 37 minutes); and information (1 hour 28 minutes).

Chart 1 ITV Transmissions (excluding TV-am) New and Repeat

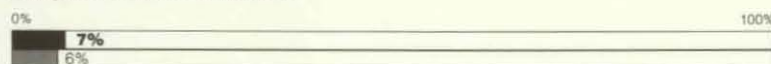
Major companies (networked or part-networked)



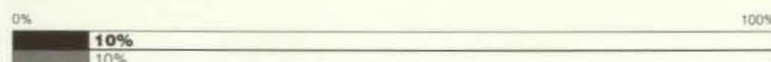
Regional companies (networked or part-networked)



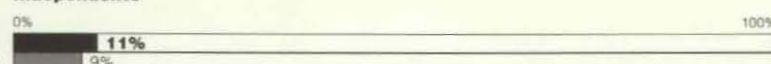
Companies' own local interest



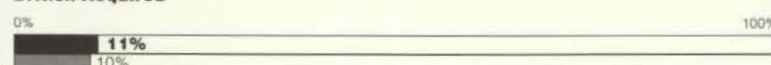
ITN



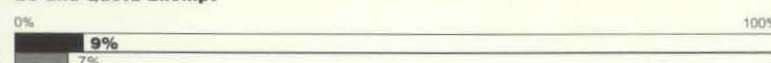
Independents



British Acquired



EC and Quota Exempt



Overseas Quota

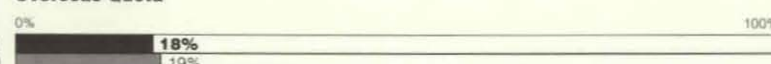
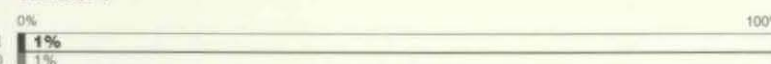


Chart 2 Channel 4 Transmissions New and Repeat

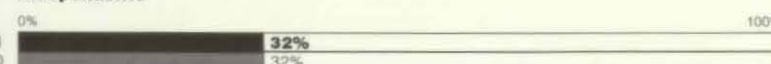
ITV Companies and ITN



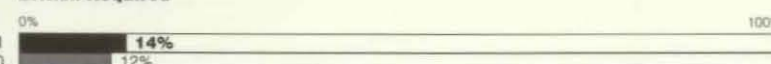
Channel 4



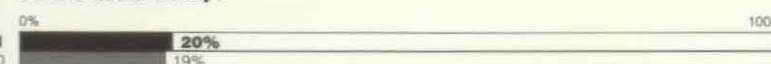
Independents



British Acquired



EC and Quota Exempt



Overseas Quota



Contact Addresses

Anglia Television

Anglia House
Norwich NR1 3JG
Tel: 0603 615151

Border Television

Television Centre
Carlisle CA1 3NT
Tel: 0228 25101

Central Independent Television

Central House, Broad Street
Birmingham B1 2JP
Tel: 021 643 9898

East Midlands Television Centre
Nottingham NG7 2NA
Tel: 0602 863322

Unit 9
Windrush Court
Abingdon Business Park
Abingdon
Oxfordshire OX1 1SL
Tel: 0235 554123

Channel Television

Television Centre, St Helier
Jersey, Channel Islands
Tel: 0534 68999

Grampian Television

Queens Cross
Aberdeen AB9 2XJ
Tel: 0224 646464

Granada Television

Granada TV Centre
Manchester M60 9EA
Tel: 061 832 7211

HTV

HTV Cymru/Wales,
Television Centre
Culverhouse Cross
Cardiff CF5 6XJ
Tel: 0222 590590

HTV West
Television Centre
Bath Road
Bristol BS4 3HG
Tel: 0272 778366

LWT (London Weekend Television)

South Bank Television Centre
London SE1 9LT
Tel: 071-620 1620

Scottish Television

Cowcaddens
Glasgow G2 3PR
Tel: 041 332 9999

Thames Television

Thames Television House
306-316 Euston Road
London NW1 3BB
Tel: 071-387 9494

TSW

(Television South West)
Derry's Cross
Plymouth PL1 2SP
Tel: 0752 663322

TVS Television

Television Centre
Southampton SO9 5HZ
Tel: 0703 634211

Television Centre
Vinters Park
Maidstone ME14 5NZ
Tel: 0622 691111

Tyne Tees Television

Television Centre
City Road
Newcastle upon Tyne NE1 2AL
Tel: 091 2610181

Ulster Television

Havelock House
Ormeau Road
Belfast BT7 1EB
Tel: 0232 328122

Yorkshire Television

Television Centre
Leeds LS3 1JS
Tel: 0532 438283

Independent Television Association

Knighon House, 56 Mortimer Street
London W1N 8AN
Tel: 071-636 6866

Independent Television News

200 Gray's Inn Road
London WC1X 8XZ
Tel: 071-833 3000

Oracle Teletext

Craven House
25-32 Marshall Street
London W1V 1LL
Tel: 071-434 3121

TV-am

Breakfast Television Centre
Hawley Crescent
London NW1 8EF
Tel: 071-267 4300/4377

Channel Four Television

60 Charlotte Street
London W1P 2AX
Tel: 071-631 4444

The ITC's wholly-owned subsidiary provides the Fourth Channel programme service throughout the UK (except Wales where the service is provided by S4C (Sianel Pedwar Cymru), Clos Sophia, Caerdydd (Cardiff) CF1 9XY Tel: 0222 343421

British Sky Broadcasting (BSkyB)

6 Centaurs Business Park
Grant Way
Isleworth
Middlesex TW7 5QD
Tel: 071-782 3000



FUJI FILM

A different way of seeing things.

The ITC expressed reservations about attempts to merge social messages with commercial messages.



Advertising for matrimonial and introduction agencies, previously restricted to satellite and cable services was finally allowed on ITV and Channel 4.



One of the most significant changes of the year was the increased scope for sponsorship on ITV and Channel 4.

New codes include more scope for sponsorship

The introduction of new codes of practice in advertising and sponsorship have meant some important changes to broadcasters' strategy and to the ITC's regulatory control.

The most important changes were significantly greater scope for sponsorship and the repeal of previous statutory prohibitions.

In January 1991 the ITC introduced new Codes of Advertising Standards and Practice and Programme Sponsorship, and revised Rules on Advertising Breaks. These were adopted after wide consultation by the shadow ITC in the latter part of 1990. They incorporated changes from the equivalent IBA and Cable Authority documents to reflect the new Broadcasting Act and to implement the European Directive on Television Broadcasting, as well as revisions suggested by consultees. The most important changes were significantly greater scope for sponsorship on ITV and Channel 4 following the repeal of previous statutory prohibitions, and a ban on advertising for cigars and pipe tobacco from 3 October 1991 as required by the EC Directive. The Code of Advertising Standards and Practice included for the first time an appendix on religious advertising, although the Broadcasting Act maintains, until the end of 1992, the previous statutory prohibition, of such advertising on ITV and Channel 4 (but not on satellite and cable services).

Control of Advertising Standards

Unlike the IBA, the ITC does not normally prevent advertising proposals. Instead, it imposes on the television companies an obligation to check material for code compliance. The ITC does, however, respond to requests for guidance about code interpretation and as a transitional measure will, until the end of 1992, continue routinely to prevent scripts in a small number of sensitive categories. Apart from this, the ITC exercises control through monitoring, complaint investigation and, where necessary, intervention.

The ITC is empowered to order the immediate cessation of any advertisement on the channels which it regulates.

Advertising Advisory Committee

The main forum in which the rules on television advertising standards are debated is the ITC's Advertising Advisory Committee. This committee, which meets quarterly, is chaired by Professor Geoffrey Stephenson of the Department of Social and Applied Psychology at the University of Kent and includes representatives of consumer, medical and advertising organizations as well as representatives from both terrestrial and satellite broadcasters. Although no longer a statutory requirement, the ITC took the view that it would be useful to maintain this kind of forum. The opportunity was taken to broaden the membership of the Committee to reflect a wider range of interests and expertise and it now includes a trading standards officer, a bank manager, a Minister of religion from the black community and an independent producer of children's programmes.

The Committee debates proposals for rule changes, in the light of prior external consultations with interested parties, and makes recommendations to the full Commission. It also comments on issues of code interpretation arising from advertising which has appeared and from viewer complaints. Unlike its predecessor the Committee also considers sponsorship issues.

Topics discussed by the Committee in 1991 included alcohol, smoking deterrents, price information about toys, branded condoms, profes-

sional endorsement of medical products, advertising for private clinics, children's medicines, pre-recorded message services, environmental claims and political advertising. The Committee also advised on the advertising and sponsorship provisions of the draft ITC Public Teletext Code, and on draft guidelines about health and safety matters. At its September meeting the Committee recommended that the Code should not be amended to allow the advertising of breath-testing devices, and at its December meeting, that advertising for matrimonial and introduction agencies should be allowed on ITV and Channel 4 (previously it had been restricted to satellite and cable services). Both these recommendations were accepted by the Commission.

Complaints

In 1991 the ITC dealt with 2,467 complaints about advertising on television (including teletext). In the three previous years complaints received by the IBA also fell within the range 2 - 3,000. (See table below).

Full Year 1991

	Number of complaints	Number of Advertisements referred to	Number of Advertisements about which complaints were upheld wholly or in part
Misleading	534	363	46 (of which 14 were Oracle)
Offensive	1,098	323	7
Harmful	349	163	3
Miscellaneous	486	219	3
Totals	2,467	1,068	59

All complainants receive a personal reply and each month the ITC publishes a monthly complaints report including full details of cases where complaints were upheld or issues raised of substance over code interpretation.

The advertising campaign which attracted most complaints in 1991 was for Fuji Films. Two hundred and twenty viewers complained about two commercials dealing with the themes of mental handicap and racial intolerance. Although most complainants recognised that the intention was not anti-social (indeed the opposite) they felt that it was in dubious taste to use social issues to promote an unrelated commercial product. While the ITC did not uphold the complaints, it nevertheless expressed reservations about attempts to merge social messages, however well-intentioned, with commercial messages and warned television advertisers of the risks of such advertising misfiring. As in previous years, some viewers (59 this year) objected to Health Education Authority advertising about the dangers of AIDS appearing when children might see it. Such advertising does not appear in or around programmes specifically directed at children, but the ITC remained of the view that the seriousness of the message and the need to ensure that as many teenagers and young adults as possible were aware of the risks, meant that more draconian scheduling restrictions would not be justified.



AIDS - a serious message not justifying more draconian scheduling restrictions.

Advertising Sales Practices

The ITC has a statutory duty to ensure fair and effective competition in the television industry, and to prevent unreasonable discrimination in the acceptance of advertisements. These duties stem from the fact that the market for television advertising has been, and to some extent remains, monopolistic in character. General issues arising from the monopoly are discussed in the ITC's Advertising Liaison Committee (ALC) chaired by the ITC's Chairman with representation at a senior level from advertisers, advertising agencies, media independents and the ITV companies.

In January, the ITC confirmed, until further notice, the previous ruling by the IBA that it would consider a refusal by the ITV companies to carry advertising for competing broadcasters (notably the satellite broadcasters) as constituting "unreasonable discrimination".

In February, after widespread consultation, the ITC issued a Statement of Intent on Regulation of Television Sales

Arrangements. This set out the restrictions on combined advertising sales arrangements which the ITC intends to apply from 1993 when the new Channel 3 licensees start their services. In particular, the ITC stipulated that it would not permit sales groupings accounting for more than 25 per cent of Channel 3 regional revenue in 1993. The purpose of this and other restrictions is to preserve genuine choice for advertisers and to prevent excessive market power being concentrated in too few hands. The policy will be reviewed in 1994 in the light of market developments.

In October, after consultation and discussion in the ALC, the ITC issued a statement about media broking (wholesaling of advertising space or time). The ITC noted a strong consensus within the advertising industry that media broking was unlikely to be in the best interests either of advertisers or most television broadcasters and drew attention to regulatory problems which could arise from certain aspects of media broking. On the other hand, the ITC accepted the argument advanced by smaller satellite broadcasters that in certain circumstances media broking could play a useful role without damaging the interests of advertisers, and concluded that an absolute proscription of media broking would not be justified.

Sponsorship

The new Code of Programme Sponsorship came into effect in January for services previously regulated by the IBA, and in October (to coincide with the entry into force of the EC Directive) for other services. Previously the scope for sponsorship on ITV and Channel 4 had been highly

restricted in line with the statutory provision. The new Code, under the 1990 Act, permits sponsorship of all programmes except news and current affairs or programmes where there could be a conflict of interest between the sponsor and the editorial needs of the programme (e.g. consumer advice programmes). It forbids any influence by sponsors on the content and scheduling of programmes and limits both the content, and on terrestrial services, the duration of sponsor credits. It also forbids product placement (whether or not the programme is conventionally sponsored).

The new opportunities were rapidly taken up by the ITV companies in particular, first at regional level and subsequently for network programmes. Network sponsorships included the *Rugby World Cup* (Sony), *Rumpole* (Croft) and *Wish You Were Here* (Barclaycard). The ITC received very little adverse reaction from viewers, and this may be explained by the considerable effort made by television companies and sponsors to produce attractive but restrained credits which harmonised with the mood and style of the programmes.

The ITC is, however, aware that the aspirations of some potential sponsors go well beyond what the code permits, both in terms of the content and placing of credits, and involvement with programme content. Although the ITC will be reviewing the code in the light of initial experience, it does not see scope for large changes without putting at risk both the acceptability of sponsorship to viewers and editorial credibility and integrity.

While the rule on product placement does not forbid the appearance of branded goods in programmes where they are an essential element and there is no promotional purpose, such appearances must not be "unduly prominent". On a number of occasions the ITC drew television companies' attention to cases where, in the ITC's opinion, this requirement had been contravened.

International Contacts

The ITC's responsibilities for a number of satellite channels with signals received throughout Europe are increasing the need for it to develop working relationships with other European regulatory authorities. A number of meetings took place in the course of the year and the ITC was very glad in December to welcome to a meeting of the Advertising Advisory Committee, Mme. Genevieve Guicheney, the Council Member of the French Conseil Supérieur de l'Audio-visuel (CSA) with special responsibility for advertising and sponsorship matters.

The ITC has a statutory duty to ensure fair and effective competition in the television industry.

New sponsorship opportunities were rapidly taken up by the ITV companies.





The control room at Westminster Cable



Behind the scenes at MTV

Cable TV Statistics (position at 1st January 1992)

Broadband homes connected	268,812
Broadband homes passed	1,343,557
Broadband penetration	20.0%
Total homes connected	490,000
Total homes passed	2,208,000

Cable confidence grows

Although the economic situation in Britain has slowed the development of cabling infrastructure, the industry began to make progress this year. As a number of companies continued their investment in the construction of cable systems a new confidence began to emerge.

The ITC inherited from the Cable Authority the responsibility for monitoring and enforcing the cable programme licences granted by the Authority, and was given by the Broadcasting Act 1990, similar duties in relation to the new local delivery licences which the Act empowered the ITC to grant. One of the functions of the Cable Authority which the Act did not transfer to the ITC, however, was that of promoting the provision of cable services. Such a duty would not have been appropriate, either for a body with the ITC's broader responsibilities, or in the context of the more "technology-neutral" approach which underlay the Act.

The economic situation has not been conducive to funding the massive investment which a major infrastructure project like the cabling of Britain requires. The development of cable has been slowed as a result since many of those companies which had acquired franchises were not able in the event to finance their obligations.

Nevertheless, 1991 was a year in which, despite the financial constraints, the cable industry began to make more definite progress. A number of substantial companies, notably North American telephone companies, started or contin-

ued significant investment in the construction of cable systems, and the rate of build accelerated accordingly. The number of new homes passed in the second half of 1991, 327,000, was double the number passed in the same period of 1990. Videotron was the multiple system owner which contributed most to this, adding 127,000 to their homes passed during the year. Other companies which built substantial amounts of cable in more than one area were Comcast, South Western Bell and United Artists.

This level of activity reflected a new confidence in cable, partly flowing from the encouraging performance being generated in both cable television and cable telecommunications, and partly from the Government's encouragement to the cable industry. This was evident in the changes introduced as a result of the Telecommunications Duopoly Review, giving new incentives to cable operators to enter the local telephony business.

So far as cable television was concerned, some of the fears about the continuing supply of programmes, fuelled by the Sky-BSB merger and the subsequent difficulties which the merged company had in accessing the finance it needed, were eased during the

year as BSkyB's position became more soundly established and with a steady increase apparent in other programme services being produced for cable. The average take-up rate on the broadband systems rose from 18 per cent at the beginning of 1991 to 20 per cent at the end (having been only 14 per cent at the beginning of 1989). It was becoming more commonplace for individual systems to report penetration levels in the upper twenties or, in some cases, even higher.

The performance of the cable industry in generating a telecommunications business was even more encouraging for the industry. Those companies which had embarked on providing telephone services found, almost invariably, that their projections of take-up were exceeded to the extent that it rapidly became clear that networks needed to be redesigned in order to increase the telecommunications capacity. Revenue per-line also tended to exceed what had been forecast, particularly for business lines.

The significance for the cable industry was not merely that telecommunications could be accorded greater importance in their future projections by providing an additional revenue stream which would enhance a return on the capital investment, but that it also helped the cable television business. The experience was that residential customers, initially resistant to buying a new cable television service, were much more ready to listen to a cable salesman telling them how they could save money on their telephone bills, and ended up taking cable television as well. The number of telephone lines installed by cable operators rose during the year from 2,224 to 21,225.

The effects of the recession hit different companies in different ways. Some significant American players on the British scene, such as Insight, and US Cable, had hoped to raise the capital for their investment in the United Kingdom either through borrowing against their American cable assets, or by selling them off.

However, the American market in cable systems virtually dried up, largely because of the restrictions imposed in the United States on highly leveraged transactions which set limits on the debt-to-equity ratios traditionally used by the cable industry in America to expand. For companies with their major interests outside cable, such as Maclean Hunter, the way in which its business was depressed substantially limited its ability to fund new investments. For these and others who had been looking to the capital markets for finance, such as Ulster Cablevision, Jones Cable Group, IVS Cable Services and Coastal Cablevision, new sources of funding were extremely difficult to find.

For the regulatory authorities, the delays in implementing franchise proposals to which these financing difficulties inevitably led, resulted in a preoccupation with the question of enforcement. In most respects, however, this fell to the ITC's licensing partners, namely the Department of Trade and Industry in relation to those franchises which had not obtained licences under the Telecommunications Act, and OfTel for the enforcement of the build milestones contained in the licences which had been issued. The ITC was involved in discussions with both its partners in relation to the action which should be taken, which sought to combine an understanding of the

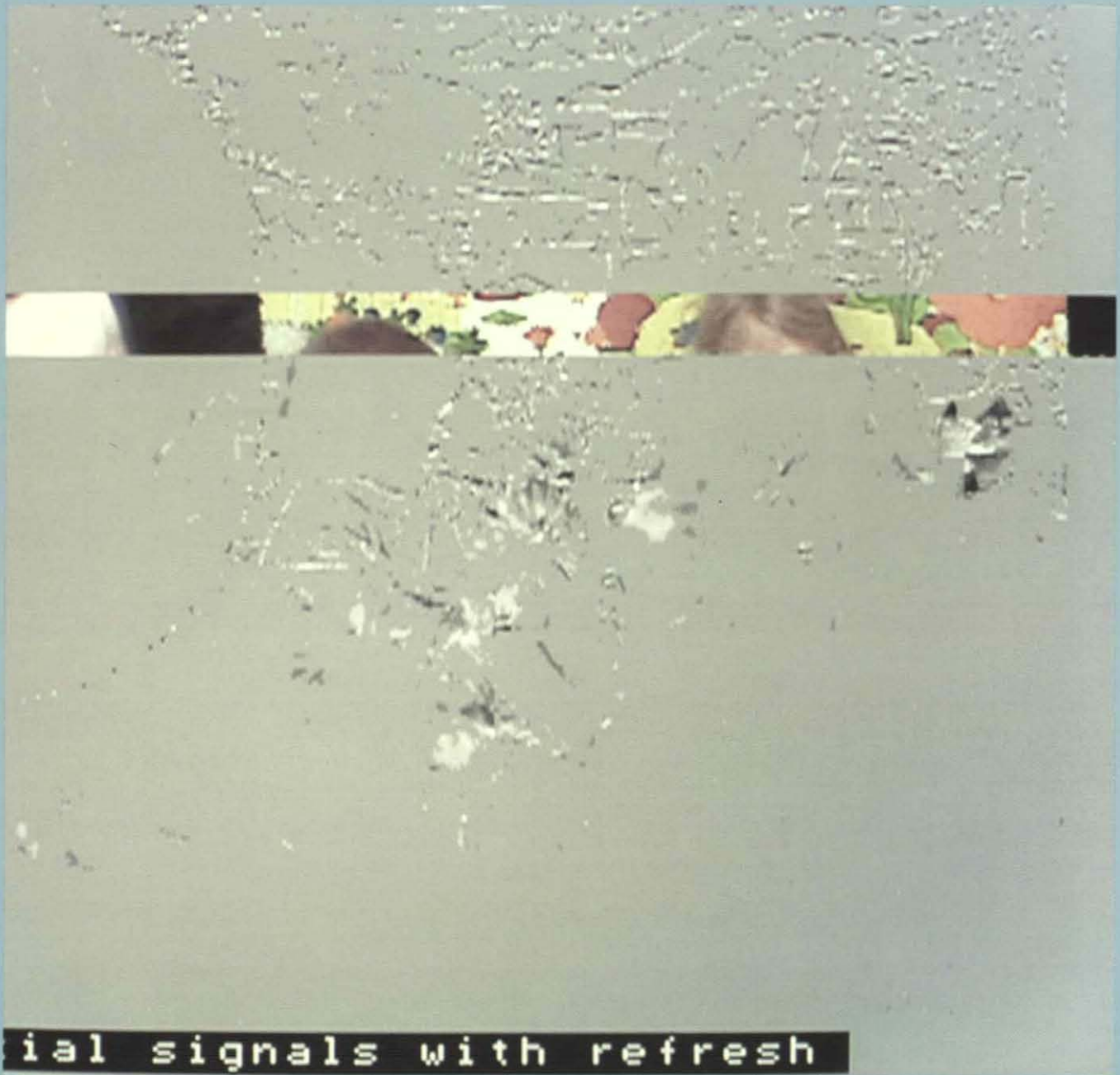
difficulties faced by franchises with a desire not to see franchises languish totally.

For the ITC itself, the main enforcement step of the year related to Ulster Cablevision. The franchise for Belfast had been granted in 1983, and enforcement action commenced by the Cable Authority in 1989. After further extension of time had been granted to help the company to put a new financial package together, it became clear that success in this respect was still elusive and the Commission finally decided in September that the licence should be revoked. This was the first cable franchise to be revoked on grounds of inaction.

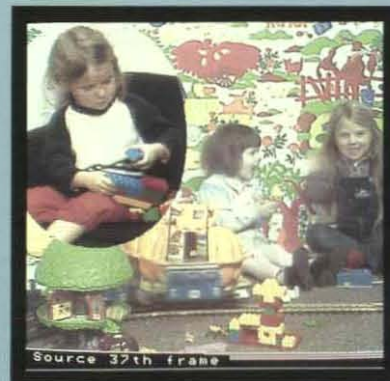
The difficulty for many players in raising the finance they needed precipitated a number of changes of ownership. There is nothing in the law which prohibits the takeover of companies, and the power of the ITC is limited to cases where a change of ownership results in a situation where the nature of the company is such that the ITC would not be prepared to grant a new licence to it. In the circumstances, the ITC was able to approve a number of changes of ownership, both of its franchised companies and of upgrade systems.

There was pressure on some companies from the licensing authorities to sell out if that was the only feasible way for the franchise to be developed. The desire to see cable systems built and services to customers implemented, took precedence over the right of the particular parties to a franchise application to retain control of the licence. Some franchises were able to begin operations as a result of the injection of capital from new investors.

The economic situation has not been conducive to finding the massive investment which a major infrastructure project like the cabling of Britain requires.



One of the major projects being developed is **SPECTRE** - studying the provision of high-quality widescreen digital transmissions. As illustrated, the efficient transmission of digital television relies on an economy of the information needed to describe each scene. Complex processing is used to predict the movement of objects between picture frames so that only a residue of the few unpredictable picture regions actually need to be sent. To initialise the receiver, it is also necessary to "leak" strips of the original picture into the output.



Setting standards and advancing research

The ITC is committed to sustaining technical standards and is supporting research projects aimed at offering enhanced services to audiences in the UK.



**Widescreen
television**
the format
of the future

Technical Quality and Reliability

The Broadcasting Act has established that high standards of technical quality and reliability should be provided by Channel 3, 4 and 5 services. These high standards are currently required from ITV companies through their programme contracts. The vehicle of regulation for these standards is the ITC Technical Performance Code which was issued early in 1991. This code was derived from the former IBA Code of Practice for television studio centre and outside broadcast performance, but it was updated to take account of technological developments, and extended to encompass standards for the distribution and broadcasting of programmes, as well as for their production.

Engineering staff have been developing procedures for monitoring compliance with the Technical Performance

Code during the year, adjusting these where possible so that a smooth transition into the licensing regime after 1993 can be achieved. One important activity here has involved training and working with the ITC regional staff to help broaden their programme monitoring role to encompass technical quality issues. Work has continued, also, on keeping the Code up to date with developing technology. This has included working with manufacturers and ITV companies to develop improved methods of assessing the accuracy of colour matching between different sources used in production.

Although a number of detailed issues have been taken up with the ITV companies and Channel 4 during the year, the overall technical quality and reliability of the services has remained high.

Service Planning

The coverage of terrestrial television services is defined by reference to a frequency allocation plan which gives permission for transmitters to operate from specified sites with maximum power levels and aerial heights. The frequency allocation plan is designed so that transmissions from one service do not cause unacceptable interference to other services either in the UK or in neighbouring countries.

The coverage of ITV and Channel 4 services, as well as those of the BBC, is continuing to expand by the provision of further small relay transmitters each year. Twenty-five such relays were introduced during 1991. The planning and construction of these relays is shared between NTL (National Telecommunications Limited, the former

Although a number of detailed issues have been taken up with the ITV companies and Channel 4 during the year, the overall technical quality and reliability of the services has remained high.

engineering and transmission arm of the IBA) and the BBC. The NTL work is carried out under the terms of an agreement with the ITC through which the ITC is responsible for the policy issues of relay provision.

The most significant piece of work in the service planning area during 1991, however, was the development of the transmission plan for Channel 5. Based on studies provided to the ITC through contract arrangements, eight transmitters were added to the original 25 site plan which had been developed under a steering group chaired by the DTI in 1987/88. This extended the predicted UK population coverage from around 70 per cent to around 74 per cent, and provided the opportunity for city-based coverage in the areas of Liverpool, Sheffield, Tyneside, Edinburgh and Nottingham. The details of all 33 sites were taken through the procedures of national approval during the year, and international agreement was secured by the Radiocommunications Agency of the DTI.

The most significant piece of service planning work during 1991 was the development of the transmission plan for Channel 5.

Research and Development

The ITC is involved in managing Research and Development work through contract arrangements, mainly with the R&D group within NTL. The focus of the work is on the development of new or enhanced television systems which stand to benefit the broadcasting infrastructure as a whole, involving a range of different ITC licensees or contractors. The ITC is seeking to secure external funding for the work where this is practicable.

There are three major projects in which the ITC is currently involved. The first is digital terrestrial television broadcasting. The SPECTRE project is studying the provision of high quality widescreen digital television within the same UHF band as current terrestrial transmissions. If successful, it promises a strategy in the long-term (ie 20 years and beyond) which could lead to a more efficient use of the spectrum. The first step in this would involve the simultaneous broadcasting ("simulcasting") of existing

services using digital transmission sharing the same UHF band. This would bring the advantages of high quality widescreen digital transmissions to terrestrial broadcasters, and would allow, at a later stage, the phasing out of existing PAL transmissions. The UHF spectrum could then be replanned in a more efficient way on the basis of digital transmissions only.

The SPECTRE project is currently in the early stages of testing the technical feasibility of this strategy. A preliminary frequency planning study has been completed and a hardware modulator and demodulator has been delivered so that field tests of digital transmission can be carried out in 1992.

It is planned during 1992 to take the project into a European collaborative framework, perhaps under the RACE programme managed by the European Commission. This will give the broader base essential for co-ordinating developments of this kind, and help secure external funding.

Many believe that there is ample time before the establishment of digital television for the commercial success of a widescreen enhancement to existing PAL services. In August 1991 the ITC contract work in this second major project area was incorporated into the German-led collaborative PALplus project, which has as a goal the introduction of a system by 1995.

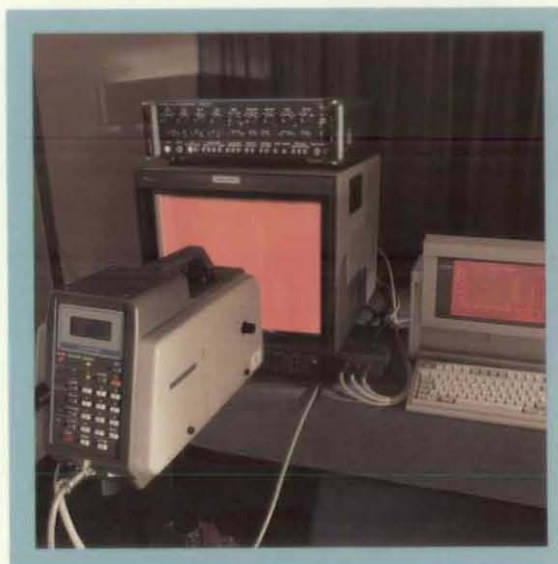
One aspect of the PALplus developments which has given rise to concern in the UK is that viewers watching PALplus on existing sets would see the picture in a 'letterbox' format with black bars at the top and bottom of the screen. Research by ITV, BBC and BARB has revealed that, while this may be acceptable for the transmission of films, it might be objectionable for more general programming. However, instead of transmitting in either normal or full widescreen format, an intermediate approach has been shown to be feasible and this could be used for some programmes as an interim option.

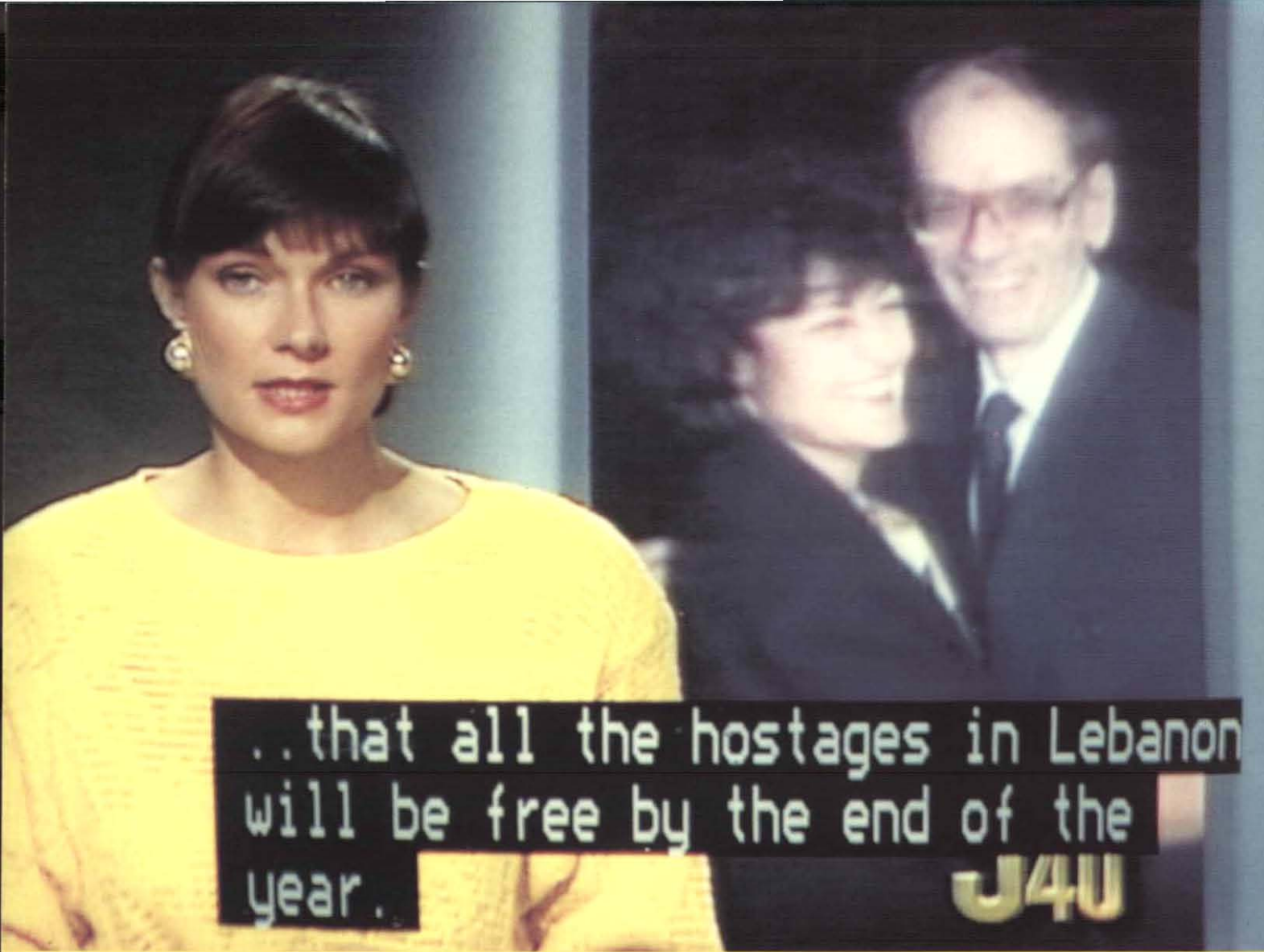
The third major project area is audio description which was pioneered in the US as a service to assist the blind or partially sighted. It is provided by a separate optional audio channel on which is carried additional narrative in between the speech of the main television programme. This describes elements of a visual nature such as costumes, actions, locations and facial expressions. The television sound systems in Europe will not allow the carriage of an additional sound carrier in this way without further development.

ITC staff have established a consortium to develop an audio description service for Europe. This consortium, called AUDETEL and including the Age & Cognitive Performance Research Centre of Manchester, the Finnish Central Federation for the Visually Handicapped, the ITV Association, NTL, RE Technology AS of Denmark, RNIB, Seleo SpA of Italy and SPEKA Ltd of Surrey, has been awarded an EC Contract

under the TIDE (Technology for the socio-economic Integration of the Disabled and Elderly) programme starting 1 December 1991 and lasting initially for 15 months. The study is addressing a broad study of human, technical and economic issues, including the requirements of the target audience, the logistics of audio description production in the studio, the optimal coding of the describer's voice, the transmission of the service, and the requirements of the domestic receiver.

New technology developed by the ITC to measure the colour performance of television screens.





.. that all the hostages in Lebanon will be free by the end of the year.

J4U

On ITV and Channel 4 a substantial increase in the amount of programme hours carrying subtitles has been achieved.



A further development has been the subtitling of advertisements.



On a normal day, Oracle's service can be updated 20,000 times.

Instant access to a window on the world

The year saw an increase in Oracle's share of teletext viewing and a significant expansion in the hours of subtitled programmes on ITV and Channel 4.

Research conducted by the ITC in Autumn 1991 indicated that viewing of the teletext service provided by Oracle Teletext Limited (owned by all ITV companies except TV-am) has increased while overall use of teletext has declined. From a base of some 8.5 million teletext receivers in use, equating to 40 per cent of UK households, Oracle Teletext now has a daily usage of some 6.5 million adult viewers, increasing to 10.7 million at weekends.

Teletext has the advantage of providing instant information directly into the home. On a normal day, Oracle's service can be updated 20,000 times. News, sport and financial information obviously benefit from this ability and attract large numbers of viewers. The most popular feature of the service, however, remained television programme listings. A recent technical development has shown how these too can benefit from immediate updating: Channel 4 conducted a series of Programme Delivery Control tests which will enable specially developed VCRs to record automatically Channel 4 programmes which had previously been selected from a teletext television listings page. The service, known as *Startext*, is expected to commence on Channel 4 in early 1992.

During the year an additional VBI (vertical blanking interval) line, on which the teletext service is carried, was released

with which, on ITV, Oracle chose to improve its regional service giving greater speed of access to pages. On Channel 4, however, the extra line was used to reduce the access time of 4-Tel, the programme-related teletext service provided to Oracle by Intelfax, an independent company. Oracle Teletext will continue to have the use of 12 lines on both ITV and Channel 4 until 31 December 1992 when its contract with the ITC ends.

The year also saw the introduction of a series of pages aimed at teenage audiences entitled *Debbie's Diary*. On two occasions during 1991, the ITC considered the content to be inappropriate to the time of day broadcast. As a result Oracle Teletext undertook to keep a tighter control of the material and subsequently decided to restrict the feature to the period 9 pm to 4.30 am.

Subtitling

On ITV and Channel 4 a substantial increase in the amount of programme hours carrying subtitles has been achieved. Towards the end of 1991, the two channels combined reached over 50 hours each week, compared with the same period in 1990 when approximately 40 hours were subtitled. Since 1990 the individual programme companies have become responsible for the provision of subtitles with ITV and Channel 4 making separate arrangements. In early 1991, TVS commenced the subtitling of its lunchtime

news and early evening *Coast to Coast* programme and was joined later in the year by Central Television. Initial response from deaf and hard of hearing people is that the service is most welcome. A further extension of the service is that subtitles are now available on ITN's lunchtime news. Another development has been the subtitling of some advertisements.

Subscriber User Groups

Services to subscriber user groups are currently operated by Data Broadcast International as agent for Oracle Teletext. Using a single teletext line on ITV (Channel 3), the company provides a wide range of services carrying information which varies in nature from financial services to an interactive teletext service. A recent innovation has been the development of a digital newspaper for blind people. This was produced in conjunction with the Royal Institute for the Blind (RNIB) and the Guardian newspaper, and trials continued through the year.

Other Text Services

Teletext is also available on some non-domestic satellite services: these include the Children's Channel, Screen-sport, Skytext on BSkyB and Supertext on Superchannel. Although still limited in content when compared with terrestrial teletext, 1991 has seen an expansion in such services.

A recent innovation has been the introduction of a digital newspaper for blind people.

Senior Staff and Specialist Committees

David Glencross

Chief Executive

Peter Rogers

Deputy Chief Executive
and Director of Finance

Clare Mulholland

Director of Programmes

Jon Davey

Director of Cable & Satellite

Frank Willis

Director of
Advertising & Sponsorship

Sarah Thane

Controller of Public Affairs

Gary Tonge

Controller of Engineering

Donald Horn

Controller of Administration

Kenneth Blyth

Secretary to the Commission

Michael Redley

Head of Licensing

Employment Policy

The ITC has a policy of equal opportunity in employment. It applies its employment policies, including recruitment, training, promotion and career development, on an equal basis regardless of sex, race, marital status, religion or physical handicap. The ITC monitors the ethnic composition of its staff as part of its equal opportunity policy.

The ITC is committed to maintaining effective communication with its staff, ensuring that they are well informed about matters affecting their work, their terms and conditions of employment and the ITC's performance of its duties and functions. This is done by regular team briefings, by way of printed and electronically distributed information, general staff meetings, and a staff newsletter.

The ITC, as successor employer to the IBA, continued the arrangements, embodied in a procedure agreement, for consultation and negotiation with the graded staff of the ITC through its trade union representatives. The recognised union is the Broadcasting Entertainment Cinematograph and Theatre Union (BECTU).

The ITC will be moving the majority of its staff to new premises in 1992 and 1993, and is paying particular care in the selection of premises so that they will be properly equipped with access and facilities for disabled people.

Gaelic Television Committee (Comataidh Telebhisean Gaidhlig)

The Gaelic Television Committee was established under the Broadcasting Act 1990 and is responsible for managing the Gaelic Television Fund, (some £9.5m per annum from April 1992). The Fund will finance, through grants, the production of Gaelic programmes training, research and other purposes related to Gaelic television broadcasting.

Chairman
Mr Roy MacIver

Members

Mrs Christina Bannerman

Mrs Mary Bremner

Mr Roderick Cunningham

Mr Iain Kennedy

Mrs Catriona MacDonald

Mr Matthew MacIver

Mr Neil McKechnie

Mrs Agnes Rennie

Central Religious Advisory Committee

The Committee advises the ITC and the BBC on policy matters relating to religion. Its membership is drawn from the major Christian traditions and world faiths represented in the United Kingdom.

Chairman
The Rt Rev David Sheppard

Members

Akhandadhi das

The Rev Douglas Alexander*

The Rt Rev Gordon Bates

Ms Dorothy Brown

The Rev Anthony Burnham

Mr Costa Carras*

Miss Priscilla Chadwick*

Dr Syed Darsh*

The Rev Prof David Davies*

The Rt Rev Joseph Devine

The Rev Dr Donald English

The Rev John Fitzsimmons

The Rt Rev Crispian Hollis*

The Rt Rev Partick Kelly

The Rev Eileen Lake

The Rev Patrick McKenna*

The Rt Rev Dr Gordon McMullan

The Rev Philip Mohabir

Mrs Syma Weinberg*

The Rev Cynwil Williams

The Rev Anne Wilkinson-Hayes*

*Members of the ITC Panel of Religious Advisers

Educational Advisory Council

The Council offers advice on policy for schools programmes and also the adult education output on ITV and Channel Four. Members are drawn from a wide range of educational organisations and schools.

Adult Section

Chairman
Mrs Nicky Harrison CBE

Members

Ms Veena Bahl

Mr Eddie Burch

Mr Fred Cunningham

Ms Elizabeth Dickie

Mr David Green

Mr Terry Lacey

Mr John Rennie

Ms Vivienne Rivis

Mrs Anne Stamper

Mr Alen Tuckett

Mr Alan Wells

HMI Assessors

Dr Dougie Duffin

Mr John Fairhurst

Mr Owen Jones

Schools Section

Chairman
Mr Geoffrey Drought

Members

Dr Linda Badham
(joined 1991)

Mr David Banks

Mr Mike Coles

Mr Carlton Duncan

Ms Carmel Gallagher

Professor David Hargreaves
(retired)

Mrs Janet Lancaster

Dr Alan Marshall

Mr Bart McGettrick

Mr Alan Perry

Mrs Davinder Pinder

Professor Ken Robinson
(joined 1991)

Dr Joan Solomon

Miss Glenda White

HMI Assessors

Mr Elwyn Lloyd-Williams

Mr Peter Seaborne
(joined 1991)

Mr Tom Shaw

Mr Alan Stewart
(joined 1991)

Advertising Advisory Committee

The Committee provides a forum for the debate of advertising and sponsorship issues. Members are drawn from the advertising industry, both agencies and advertisers, the television companies, and a number of members without advertising or television connections represent consumer interests. The Chairman of the Committee is independent, having neither industry nor consumer group affiliations.

Chairman
Professor Geoffrey Stephenson

Members

Mr Mike Churchman

Mr Bob Gale

Mr Michael Hopkins

Mr Henry Jackson

The Rev Eileen Lake

Mr Craig Pearman

**Professor Peter Quilliam OBE
DSc FRCP**

Mr James Scott

Ms Rosemary Stock

Mr Peter Tabern

Mr John Wells

Ms Diana Whitworth

Medical Advisory Panel

Nominated by the leading medical professional bodies, panel members advise the ITC on health and medical aspects of advertising, both in general and in relation to particular advertisements. Members are distinguished and independent consultants in a range of medical and associated specialist fields.

Chairman
**Sir Richard Bayliss KCVO MD
FRCP**

Members

**Dr Peter Emerson MS MC
FRCP FACP**

**Prof Malcom Greaves MD PhD
FRCP**

**Miss Dorothy Hollingsworth
OBE BSc C.Chen FRSC FIBiol
FIFST SRD**

Prof Harry Keen MDS FRCP

**Prof Tony Naylor BSIC BDS
PhD FDS RSC(Eng)**

Central Appeals Advisory
Committee

This Committee advises on matters relating to charitable appeals. It selects from a number of applicants, those appeals most worthy to be aired free on television.

Chairman
**Sir Harold Haywood KVC OBE
FRS DL**

Members

Mrs Pauline Bibby

Mr David Carrington

Lady Sylvia Crathorne

Prof Ronald Davie

Mrs Mary Garland OBE

Mr Nicholas Hinton CBE

The Hon Alastair Hoyer-Millar

Mr Charles Johnston

Ms Linda Lazenby

**Prof Peter Quilliam OBE DSc
FRCP**

Mrs Nancy Robertson

Mr Peter Stokes

Mr Paul Sweeney

Cdr Thomas Trick

Mr Frederick Trinder BSc

Miss Pricilla Young CBE

Scottish Appeals
Advisory Committee

Chairman
Mr Charles Johnston

Members

Mr John Allen

Mrs Sandy Brydon

Prof Alexander Campbell

Mr William Ferguson

Mrs Robina Goodland

Mrs Murdina MacIver

**The Rev Father Calum
MacIellan**

Mrs Sonia Parry

Mrs Elaine Ross

Northern Ireland Appeals
Advisory Committee

Chairman
Mr Paul Sweeney

Members

Dr Ian Adamson

Dr Nora Casey

Mr John Conlon

Mr Terry Doherty

Mr Brian Draine

Mrs Fiona Hyslop

Mr Gerry Maguire

Mrs Aideen McGinley

Mr Robin Mullan

Dr David Stevens

Mr Arthur Ward

Viewer Consultative Councils

Ten councils covering the United Kingdom and Channel Islands assist the ITC in its monitoring and regulatory work. The 12 viewers on each council are encouraged to discuss programme issues and to advise the ITC about the general performance of the services for which the Commission is responsible.

Yorkshire and North East

Chairman
Miss Sheila Patchett

Members

Mr Yakoob Ali

Mr Steve Bown

Mr Brian Darvell

Mrs Maureen Foers

Mr Gerald Hudson

Mrs Dorothy Hutchinson

Mr John Mackie

Mrs Suzanne Patrick

Mr Robert Rhind

Mrs Heather Stephenson

Scotland

Chairman
Mr Joseph Anderson

Members

Mr Kenneth Addly

Rev. Douglas Alexander

Mrs Geraldine Baird

Mr Michael Barron

Mr Jim Craigen

Ms Allison Gilliat

Mr Bruce Halliday

Mrs Caroline Holmes

Mrs Kathleen Scott

Mrs Helen Tennant

Mrs Shena Wardrope

Wales

Chairman
Mrs Janice Rowlands

Members

Mr Andrew Cooksley

Mr Gary Davies

Mr Charles Erickson

Mr Daniel Fellows

Mr John Gregory

Mr Bryn Lloyd Jones

Mrs Elizabeth Jones

Mrs Sandy Mewies

Mr David Smith

Mrs Lena Stephens

Mr John Warman

Northern Ireland

Chairman
**Mr Ivor Oswald MBE LLB
ACIF**

Members

Mr Alex Blair MA

Mr Brian Carlin

Mrs Aimear Cullen LLB BL

Mrs Gill Johnston

Mr Eamon Kavanagh

**Miss Pearl McCallan BSC BA
AMIEE**

**The Very Rev Patrick
McKenna BA BD DASE**

Mrs Joanna McVey

Cllr Eamonn O'Neill

Dr Nial Quigley

The Rev Kathleen Young

West Country

Chairman
Mrs Jean Dunkley

Members

Mrs Penny Bohn

Mr Michael Chaney

Miss Nicola Glassbrook

Mr Phil Gregory

Mr Stephen Hall

Mr Richard Ingham

Mr Andrew Prior-Sankey

Mr James Sawyer

Mrs Angela Davy Thomas

Mr Richard Thorn

Miss Jacqui Wilson

North West

Chairman
Mr Paul Davidson

Members

Mrs Alison Child

Mr William Hamilton-Turner

Mr Brian Harvey

Mrs Petipha Howarth

Mr Allan Muirhead

Mr Glenn Pollock

Mrs Connie Scott

Mrs Susan Smith

Mr Tom Stout

Mrs Pamela Wallbank

Mr Michael Wilson

Midlands

Chairman
Mrs Moyra Haynes

Members

Mr Michael Bird

Mr Michael Emery

Mr Hamlyn Hanoomansingh

Mrs Irene Hickin

Mr Keith Morrison

Mrs Hilary Rawson

**Mrs Maureen Spencer-Greg-
son**

Mr Sandy Taylor

Dr John Turner

East of England

Chairman
Mrs Caroline Sier

Members

Mr Anthony Brooks

Mrs Anne Faulkner

Mr Paul Griffiths

Mrs Pamela Halliwell

Mr Cecil Harrison

Mrs Helen Huish

Mr Andrew Learner

Ms Christine Marriott

Mr Eric Shields

Ms Angela Smith

London

Chairman
Mr Martin Grout

Members

Rev John Cleaver

Mr Jorn Cooper

Mr Antony Edkins

Miss Bronwen Evans

Mrs Joan Kinsella

Miss Jacqueline Porter

Ms Judith St John

Mr Robert Shaw

Harmander Singh

Ms Michele Smith

South of England and
Channel Islands

Chairman
Mr Peter Sykes

Members

Mr Ken Baker

Mr Michael Bridger

Mr Dick Fedorcio

Mrs Eunice French

Mr Raymond Gibson

Mrs Susie Kemp

Miss Cyd Lawford

Mrs Anna McGrail

Mr Alan Miller

Miss Mary Newcombe

Mrs Gillian Wood

Independent Television - Key Figures

Year ending 31 December 1991

ITC Licences Granted	(nos)	
Terrestrial		
Channel 3 regional ⁺	14	
Cable and satellite *		
Non-domestic satellite	33	
Licensable programme services	43	
Local delivery systems (15 years)	9	
Local delivery transitional (5 years)	50	
Cable diffusion	2	
Programme Hours Transmitted (year)		
ITV (in average region)	7,490	
TV-am	1,244	
C4	7,225	
Total	15,959	
Staff		
ITC (av.no)	254	
Finance (£m)		
Net advertising revenue:		
ITV	1,344	
Channel 4	250	
S4C	3.5	
TV-am	74	
Total	1,671.5	
ITC rentals and licence fees		21
Fourth Channel Subscription allocation:		313
Channel 4		255
S4C		58
Exchequer levy		144

⁺ The Channel 3 regional licence for the South-West of England and the Channel 3 national Breakfast-time licence were not granted until March 1992 and January 1992 respectively.

* From 1 December 1990, when the ITC assumed the Cable Authority's licensing powers.

Although 137 cable, satellite and local delivery licences were granted in 1991, the ITC has in total (including 16 Channel 3), 320 licensees. 167 of these were cable licensees inherited from the Cable Authority.

The accounts which follow this report comprise the separate accounts of the Independent Television Commission and its subsidiary, Channel Four Television Company Limited, for the year ended 31 December 1991. Consolidated accounts have not been prepared because separate financial statements are more informative, the company's activities being dissimilar to those of the Commission. The company will cease to be a subsidiary of the Commission on 1 January 1993. No direction as to the form of the Commission's accounts has been made by the Secretary of State for the Home Department under the terms of paragraph 14 of Schedule 1 to the Broadcasting Act 1990.

2 The Broadcasting Act 1990 established the ITC with effect from 1 January 1991 as one of the successor bodies to the Independent Broadcasting Authority (IBA), and as the successor body to the Cable Authority. The IBA's assets and liabilities were apportioned amongst the ITC and the other successor bodies, the Radio Authority and National Transcommunications Limited (NTL), in accordance with a transfer scheme drawn up by the IBA in accordance with Schedule 9 to the Broadcasting Act 1990 and approved by the Secretary of State for the Home Department. The ITC's balance sheet as at 1 January 1991 accordingly comprises the assets and liabilities received from the IBA and

Cable Authority. No prior year figures are shown in the revenue account as 1991 was the first year of the ITC's existence.

Principal Activities

3 The principal activities of the ITC during the year were the broadcasting and regulation of television programme services, the regulation of cable and local delivery services, and the award of Channel 3 licences which come into force on 1 January 1993. A description of these activities is provided in prior chapters.

Financial Review

4 The ITC's revenue account records that income exceeded expenditure for the year by £1.02m, after taking into account an extraordinary item of £1.54m in respect of reorganisation costs. This surplus is reflected in an increase in the balance sheet value of net assets over the year to £6.90m as at 31 December 1991. The cash flow statement records an increase in cash and cash equivalents over the year of £270k.

5 The ITC's income was mainly derived from rentals paid by the ITV, teletext and direct broadcasting by satellite (DBS) programme contractors (£20.25m), together with licence fees payable by cable and local delivery service licensees (£0.58m). Application fees for licences totalled £1.86m. Income was also received from non-domestic

satellite (NDS) and licensable programme service (LPS) licensees (£99k). Some of the NDS licensees applied in early 1991 for a judicial review of the basis of the ITC's licence fee tariff. The ITC believes the applicants' case is ill-founded, and no provision for costs arising from the review has been made in the 1991 accounts. The review is expected to be heard by the court in 1993.

6 A broad analysis of the ITC's operating costs is given in note 2 to the accounts. Substantial costs were incurred by the ITC in the process of awarding and issuing Channel 3 licences. These costs were increased by a judicial review of the award of the Channel 3 licence for the South West region, the case ultimately being decided in favour of the Commission by the House of Lords.

7 Following a review in the autumn of 1991 of the ITC's financial position, the Commission decided to waive a 5.38 per cent cost of living increase in the rentals payable by the ITV, teletext and DBS programme contractors, to which it was entitled with effect from 1 October 1991. The Commission also announced reductions in the rentals and licence fees payable in 1992 compared to the 1991 levels. Rentals payable by ITV, teletext and DBS contractors have been reduced by 10 per cent, as have the licence fee tariffs applicable to cable and local

delivery licensees. Licence fees payable by NDS and LPS licensees will be lower in aggregate by some 60 per cent than if the 1991 tariff had been applied, although, as the tariff is related to the qualifying revenue (i.e. advertising, subscription and sponsorship) earned by the licensee in the preceding year, fees payable by some licensees will increase as a result of their increased revenues.

Future developments

8 Provision has been made in the accounts for the reorganisation costs that will occur when the ITC's responsibilities as the broadcaster of ITV and Channel 4 cease. There will be a reduction in the number of employees, and some functions will be relocated from London. All of the shares of the Channel Four Television Company Limited will be vested in a new statutory body, the Channel Four Television Corporation, on 1 January 1993.

9 HM Customs and Excise have notified the ITC of their intention to deregister the ITC as a VAT business with effect from 1 January 1993. Discussion with the Government is continuing, but if this intention is carried into effect the ITC will become unable to recover VAT input tax. Based on the ITC's financial projections, it is estimated that the effect will be an increase of some £1.8m a year in the ITC's operating costs.

Fixed Assets

10 The movement in fixed assets during the year is shown in note 7 to the accounts. A significant addition during the year was the purchase of freehold offices near Winchester, which will accommodate staff relocated from London

together with other staff who currently occupy rented accommodation in the locality.

Research and Development

11 Expenditure on engineering research, including applied research on the optimum use of the broadcasting frequency spectrum, totalled £2.4m. Information on engineering research activities is given in the Technical Standards, Service Planning and Research chapter. Expenditure on audience research totalled £1.1m. Information on audience research activities is given in the Programme Services chapter. These research activities were undertaken by parties other than the ITC, most of the expenditure being incurred on research specifically commissioned by the ITC.

Personnel

12 The ITC's policies with regard to the employment of disabled persons, and with regard to the involvement of employees, are described on page 44.

13 The Members of the Commission are listed on page 5.

The Fourth Channel

14 The Fourth Channel consists of programmes provided by the Channel Four Television Company Limited (viz. Channel 4) together with programmes obtained by Sianel Pedwar Cymru (S4C) and broadcast in Wales. During the transitional period, which ends on 31 December 1992, the ITC is responsible for financing the costs of both Channel 4 and S4C from subscriptions payable by the ITV contractors; the ITV contractors having the right to provide advertisements on the Fourth Channel. The subscrip-

tions consist of basic subscriptions which cover the programming and overhead costs of Channel 4 and S4C, together with supplementary subscriptions which cover the costs of transmission of the programmes.

15 The basic subscription payments for the year to 31 December 1991 totalled £286.3m, of which Channel 4 received £232.0m and S4C £54.3m. The £232.0m paid to Channel 4 represented 13.9 per cent of ITV's net advertising revenue for the year. The equivalent figures for the previous year were £229.4m and 13.5 per cent.

16 The supplementary subscription payments for the year to 31 December 1991 totalled £27.3m, of which Channel 4 received £23.2m and S4C £4.1m. These payments cover the charges payable to NTL for the transmission of programmes. In previous years the transmission of programmes was undertaken by the IBA, the costs being covered in the rental payments made by the ITV contractors.

17 Net advertising revenue on Channel 4 was £249.8m for the year to 31 December 1991, equivalent to 14.9 per cent of ITV revenue. The equivalent figures for the previous year were £270.3m and 15.9 per cent. The Fourth Channel's share of Independent Television's viewing increased from 17.1 per cent for the year to 31 December 1990 to 18.7 per cent for the year to 31 December 1991.

18 In the year to 31 December 1991 the estimated total costs attributable to Channel 4, including not only the Channel's programme and overhead expenditure and transmission

payments, but also broad estimates of regulatory costs incurred by the ITC and the costs of selling advertising to the Channel, which are incurred by the ITV contractors, were £266.9m. Advertising revenue was less than the estimated costs by £17.1m, giving a cumulative deficit at the year end of £238.0m. These figures do not, however, include the costs of S4C which are also met by the ITV companies. Including figures for S4C would lead to a deficit for the year to 31 December 1991 of £71.8m, and a cumulative deficit of £610.8m before allowing for an increase in the levy free slice which contributed to the cost of Welsh language broadcasting.

Gaelic Television Committee

19 The Gaelic Television Committee is an independent statutory body. It is not therefore a Committee of the ITC although its chairman and members are appointed by the ITC. The Committee's functions include the making of grants in such manner as they consider will secure that a wide range of high quality programmes in Gaelic are broadcast for reception in Scotland. The money provided by Parliament for this purpose is recorded in note 15 to the accounts.

Additional Payments

20 Additional payments, usually called the "Exchequer Levy", are the payments which the television programme contractors are required to make into the Consolidated Fund under the terms of Section 129 of the Broadcasting Act 1990. The ITC is responsible for assessing the payments, collecting the amounts due and paying them to the Exchequer. They form no part of the revenue of the ITC and are not

contained in these accounts. Throughout 1991 levy was charged at 10 per cent on net advertising revenue sold on ITV and the Fourth Channel, together with a 25 per cent charge on the resulting profits of this business. Profits from the sale of programmes outside the UK are free of levy. Statutory Instrument 1991 No. 2868 reduced the levy rate on net advertising revenue to 2.5 per cent with effect from 1 January 1992, the rate of charge on profits remaining unchanged.

21 The additional payments made by the television contractors during the year to 31 December 1991 were £113.8m, compared with £134.8m for the year to 31 December 1990. There was a very steep decline in advertising revenue in 1991 compared with 1990. After paying the levy based on advertising revenue, the profits of the ITV companies were greatly reduced. Other factors leading to reduced profits were the continued costs related to reorganisation and rationalisation which were charged to revenue account. Additional payments accounts for the financial year to 31 March, with a report by the Comptroller and Auditor General, are laid before each House of Parliament annually.

Broadcasting Complaints Commission (BCC)

22 The ITC, as with the BBC, the Radio Authority and S4C, is required to pay such sum as the Secretary of State for the Home Department considers to be an appropriate contribution towards the expenses of the BCC. Under transitional arrangements which are in force until 31 December 1992, the contribution notified to the ITC is in respect of, and chargeable to, the programme contractors. The payments

made by the programme contractors do not form part of the revenue of the ITC and are paid through the ITC to the Secretary of State, as recorded in note 13 to the accounts.

23 The costs of the BCC amounted to £341k in the financial year to 31 March 1991, and budgetary provision of £555k (an increase of 62.8 per cent) has been approved for the year to 31 March 1992. In the year to 31 March 1991 the BCC received 930 complaints, 803 of which were outside the BCC's jurisdiction. Adjudications made during the year upheld in full only 8 complaints, with a further 19 being upheld in part. The ITC has protested to the Home Office against the policy which entails all of the costs of the BCC being charged to the regulatory bodies, and has asked that the policy be reviewed.

Appointment of Auditor

24 Coopers & Lybrand Deloitte were appointed as auditor by the Commission with the approval of the Secretary of State for the Home Department in accordance with the requirements of paragraph 14 of Schedule 1 to the Broadcasting Act 1990.

Report of the Auditor to the Independent Television Commission

We have audited the accounts of the Commission set out on pages 50 to 56 and the group accounts, which comprise the accounts of the Commission and the accounts of its wholly owned subsidiary Channel Four Television Company Limited, which are reproduced on pages 60 to 68, in accordance with Auditing Standards.

In our opinion the accounts, prepared on the basis set out in the Accounting Policies, "presentation of group accounts" on page 53 give a true and fair view of the state of affairs of the Commission and the group at 31 December 1991 and of the results and cash flows of the group for the year then ended and have been properly prepared in accordance with the Broadcasting Act 1990.

Coopers & Lybrand Deloitte

Chartered Accountants and Registered Auditor
London

9 April 1992

Income	Notes	£000	
Rentals and licence fees	1.1	20,928	
Other income	1.2	2,575	
		<u>23,503</u>	
Expenditure			
Staff costs	2.2	8,382	
Other operating costs	2.5	13,048	
		<u>21,430</u>	
Operating surplus		2,073	
Interest receivable	3	779	
Interest payable	4	(5)	
		<u>2,847</u>	
Surplus on ordinary activities before taxation		2,847	
Taxation	5	(286)	
		<u>2,561</u>	
Surplus on ordinary activities after taxation		2,561	
Extraordinary item	6	(1,544)	
		<u>1,017</u>	
Movement on reserves:			
	Cable licence fees reserve	Capital	Revenue
	£000	£000	£000
Balance at 1.1.91	1,509	2,446	1,924
Surplus for the financial year.....	-	-	1,017
Transfer between reserves.....	(496)	-	496
Transfer between reserves.....	-	2,056	(2,056)
	<u>1,013</u>	<u>4,502</u>	<u>1,381</u>
Balance at 31.12.91			

The notes and statements on pages 52 to 56 form part of these accounts.

Fixed Assets	Notes	31.12.91 £000	1.1.91 £000
Tangible assets	7	4,502	2,446
Investments	8	-	-
		<hr/> 4,502	<hr/> 2,446
 Current Assets			
Debtors	9	3,442	1,545
Cash at bank and in hand		4,005	3,735
		<hr/> 7,447	<hr/> 5,280
Creditors - amounts falling due within one year	10	(2,476)	(381)
Net current assets		<hr/> 4,971	<hr/> 4,899
Total assets less current liabilities		9,473	7,345
Provisions for liabilities and charges	11	(2,577)	(1,466)
Net assets		<hr/> <hr/> 6,896	<hr/> <hr/> 5,879
 Reserves			
Cable licence fees reserve		1,013	1,509
Capital		4,502	2,446
Revenue		1,381	1,924
Total reserves		<hr/> <hr/> 6,896	<hr/> <hr/> 5,879

The notes and statements on pages 52 to 56 form part of these accounts.

George Russell Chairman
Jocelyn Stevens Deputy Chairman
9 April 1992

	Notes	£000	£000
Net cash inflow from operating activities	12.1		2,402
Returns on investments and servicing of finance			
Interest received		779	
Interest paid		(5)	
		<hr/>	
Net cash inflow from returns on investments and servicing of finance			774
Taxation			
Corporation tax paid			(51)
Investing activities			
Payments to acquire tangible fixed assets		(2,887)	
Receipts from sales of tangible fixed assets		32	
		<hr/>	
Net cash outflow from investing activities			(2,855)
Net cash inflow before financing			270
Financing			<hr/> -
Increase in cash and cash equivalents	12.3		<hr/> <hr/> 270

A. Basis of Accounting

The accounts have been prepared under the historical cost convention. Without limiting the information given, the accounts meet the requirements, in so far as they are applicable, of the Companies Act 1985 with the exception of the requirement to present consolidated accounts, and of accounting standards currently in force.

B. Presentation of Group Accounts

The group accounts consist of the separate accounts of the Independent Television Commission and of its subsidiary the Channel Four Television Company Limited. Consolidated accounts have not been prepared as separate accounts are more informative and the company will cease to be a subsidiary of the Commission on 1 January 1993.

C. Fourth Channel Subscriptions

Fourth Channel subscriptions, receivable from ITV contractors (under transitional arrangements contained in Schedule 11 to the Broadcasting Act 1990) in return for the right to provide advertisements on the Fourth Channel, fund the provision of programmes by the Channel Four Television Company Limited and Sianel Pedwar Cymru and the costs of transmission of those programmes. For this reason they are not treated as income in the accounts of the ITC but are presented as a separate revenue account (note 14).

D. Income

Income from rentals and licence fees represents the amounts invoiced to programme and teletext contractors and to licensees. Contract rentals and licence fees in excess of £25,000 a year are invoiced in monthly installments. Licence fees of £25,000 or less are invoiced as an annual sum on the commencement and on the anniversary of the licence.

E. Fixed Assets

Tangible assets represent the cost of capital assets purchased from third parties.

The depreciation of tangible fixed assets is calculated on a straight line basis in order to write off the cost of assets over their expected useful lives as shown below. No provision for depreciation is made in respect of freehold land.

Freehold buildings	50 years
Leasehold land and buildings	Over the lesser of the term of the lease or 50 years
Furniture and equipment	Between 4 and 10 years
Computer equipment	5 years

F. Investments

Investments are stated at the lower of cost or net realisable value.

G Reserves

(i) The cable licence fees reserve represents the balance of funds received by the ITC from the Cable Authority, to be used for the benefit of cable and local delivery service licensees, principally by a reduction in licence fees phased over a five year period. The utilisation of the cable licence fees reserve each year is recorded by a transfer to the revenue reserve.

(ii) The capital reserve represents the net book value of fixed assets and is adjusted each accounting year by transfer from or to the revenue reserve to the extent that the net book value of fixed assets has changed over the year.

(iii) The principal purpose of the revenue reserve is to provide working capital for the ITC's operations and finance for future commitments.

H. Research and Development

Research and development expenditure is written off as incurred.

I. Staff Pension Plan

The ITC Staff Pension Plan is externally funded. Payments made and charged in these accounts comprise current service contributions of the ITC plus an amount, based on actuarial advice, to provide for inflation on pensions in payment where this is in excess of the 5 per cent provided in the scheme.

J. Leases

Expenditure on operating leases is charged to the revenue account on an accruals basis. No assets have been acquired under finance leases.

1. Income

The principal sources of income to the ITC are rentals receivable from the ITC's programme and teletext contractors, and fees receivable from satellite television service and local delivery service licensees.

1.1 Rentals and licence fees

	£000
ITV programme contractors	19,542
Teletext contractors	8
DBS programme contractor	700
Non-domestic satellite licensees	66
Licensable programme service licensees	33
Cable and local delivery licensees	579
	<u>20,928</u>

1.2 Other income

	£000
Application fees for licences:	
Channel 3	1,855
Other	9
Rents and service charges to sub-tenants	572
Service charges to other bodies	104
Miscellaneous income	35
	<u>2,575</u>

2 Expenditure
2.1 Employee statistics

The average number of persons employed by the ITC, not including Members of the Commission, was:

Chief Executive and Secretariat	18
Programme contract and licence regulation	56
Advertising and sponsorship regulation	13
Engineering	19
Public affairs and information	33
Regional offices	38
Finance	25
General administration	52
	<u>254</u>

2.2 Staff costs

	£000
Fees of Commission Members, including pension and social security costs	159
Employees' costs	8,223
	<u>8,382</u>

Employees' costs consist of:

	£000
Wages and salaries	5,450
Social security costs	470
Other pension costs	2,303
	<u>8,223</u>

2.3 Fees of Commission Members

The fees paid to Members of the Commission in the year, as determined by the Secretary of State, were as follows:

	£
Chairman (including pension contributions of £9,058)	62,342
Deputy Chairman	13,322
National Members	10,255 each
Other Members	6,835 each

Pension payments to a former Chairman of the IBA totalled £2,871.

2.4 Management Board

The members of the ITC's Management Board received emoluments (excluding pension contributions) which fell within the

following bands:

£ 40,001 - £ 45,000	1
£ 50,001 - £ 55,000	2
£ 55,001 - £ 60,000	1
£ 60,001 - £ 65,000	2
£ 65,001 - £ 70,000	3
£ 90,001 - £ 95,000	1
£125,001 - £130,000	1

2.5 Other operating costs

	£000
Travel & subsistence	597
Recruitment, training and other staff costs	894
Public relations and information services	547
Administration and office expenses	959
Premises costs	3,787
Depreciation	793
Subscriptions	362
Professional fees	1,560
Audience research	1,126
Engineering research and frequency planning	2,423
	<u>13,048</u>

The above costs include:

	£000
Operating leases - land & buildings	1,952
- vehicles and equipment	147
Audit fee	10

Engineering research and frequency planning consists of applied research commissioned by the ITC. No contributions were received during the year towards the costs of this work.

3. Interest receivable

	£000
On short term deposits	776
On late payment of rentals and licence fees	3
	<u>779</u>

4. Interest payable

	£000
On bank overdrafts	3
On other loans	2
	<u>5</u>

5. Taxation

	£000
UK corporation tax at 33.25 per cent	282
Underprovision by Cable Authority in respect of prior year	4
	<u>286</u>

The regulatory and licensing activities of the ITC do not constitute trading for corporation tax purposes. The taxation charge for the year is in respect of interest received and rents and service charges.

6. Extraordinary item

	£000
Reorganisation costs	1,544
Taxation	-
	<u>1,544</u>

An additional provision was made in 1991 for estimated reorganisation costs which will be incurred by the ITC as a result of the Broadcasting Act 1990 and consequent decisions regarding reorganisation. Information on the transition from the IBA to the successor bodies is given in the Finance Report.

7. Tangible assets

	Freehold property	Leasehold property	Furniture and equipment	Computer and equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 1991	-	762	2,387	1,547	4,696
Additions	2,431	-	258	198	2,887
Disposals	-	-	(164)	(424)	(588)
At 31 December 1991	2,431	762	2,481	1,321	6,995
Depreciation					
At 1 January 1991	-	322	1,271	657	2,250
Charge for year	-	222	292	279	793
Disposals	-	-	(160)	(390)	(550)
At 31 December 1991	-	544	1,403	546	2,493
Net Book Value					
At 1 January 1991	-	440	1,116	890	2,446
At 31 December 1991	2,431	218	1,078	775	4,502

The ITC has not capitalised assets received from the IBA which had an original cost of less than £1,000. These items were recorded in the IBA's final accounts at an aggregate cost of £205,000 and a net book value of £94,000. The capital reserve figure as at 1 January 1991 has been adjusted to reflect the above treatment.

Accelerated depreciation of £79,000 has been charged in the accounts on items of furniture and equipment which will no longer be required on relocation of one of the ITC's offices.

Capital expenditure authorised by the Commission but not provided for in the accounts is as follows:

	£000
Contracted for	10
Authorised but not contracted for	342
	<u>352</u>

8. Investments

8.1 Channel Four Television Company Limited

Channel Four Television Company Limited is a wholly-owned subsidiary of the ITC incorporated on 10 December 1980 and registered in England with an Authorised and Issued Share Capital of £100 fully paid. The shares of the company are included in these accounts at cost.

8.2 House of Commons Broadcasting Unit Limited

During the year the ITC disposed of its investment of £50 in the House of Commons Broadcasting Unit Limited, being 50 per cent of the issued capital. The shares were sold at their nominal value of £50.

9. Debtors

	31.12.91 £000	1.1.91 £000
Amounts falling due within one year:		
Trade debtors	2,690	683
Other debtors		
Loans/advances to staff	37	85
Prepayments and accrued income	711	777
	<u>3,438</u>	<u>1,545</u>
Amounts falling due after one year:		
Other debtors		
Loans/advances to staff	4	-
	<u>3,442</u>	<u>1,545</u>

Certain staff receive loans and advances to meet travel and short term housing commitments to assist them in performing their duties.

10. Creditors

	31.12.91 £000	1.1.91 £000
Amounts falling due within one year:		
Trade creditors	1,008	296
Corporation tax	282	47
Other taxation and social security	197	-
Other creditors	138	38
Accruals and deferred income	851	-
	<u>2,476</u>	<u>381</u>

11. Provisions for liabilities and charges

	£000
1 January 1991 - reorganisation costs	1,466
Extraordinary item (note 6)	1,544
Payments	(433)
	<u>2,577</u>

12. Notes to the cash flow statement

12.1 Reconciliation of operating surplus to net cash inflow from operating activities.

	£000
Operating surplus	2,073
Extraordinary item	(1,544)
Depreciation	793
Loss on sale of tangible fixed assets	6
Increase in debtors	(1,897)
Increase in trade creditors	712
Increase in other taxation & social security creditors	197
Increase in other creditors	100
Increase in accruals and deferred income	851
Increase in provision for liabilities and charges	1,111
Net cash inflow from operating activities	<u>2,402</u>

12.2 Analysis of changes in cash and cash equivalents during the year.

	£000
Balance at 1 January 1991	3,735
Net cash inflow	270
Balance at 31 December 1991	<u>4,005</u>

12.3 Analysis of the balances of cash and cash equivalents as shown in the balance sheet.

	31.12.91	1.1.91	Change in year
	£000	£000	£000
Cash at bank and in hand	199	3,735	(3,536)
Unpresented cheques	(120)	-	(120)
Short term investments	3,926	-	3,926
	<u>4,005</u>	<u>3,735</u>	<u>270</u>

13. Broadcasting Complaints Commission

Under the terms of Section 149 and paragraph 10(3) of Schedule 11 to the Broadcasting Act 1990 the ITC collected from the ITV programme contractors and paid to the Secretary of State £42,750 as a contribution to the expenses of the Broadcasting Complaints Commission in respect of the three months period ended 31 March 1991. These payments are not treated as part of the revenue of the ITC. The contribution for the financial year beginning 1 April 1991 had not been notified by the Secretary of State by 31 December 1991.

14. Fourth Channel Subscription Account for the year ended 31 December 1991

	£000
Subscriptions received from ITV companies	313,564
Payments made to Channel Four Television Company Limited	255,155
Payments made to Sianel Pedwar Cymru	58,409
	<u>313,564</u>

15. Gaelic Television Fund

In accordance with the provisions of Section 183 of the Broadcasting Act 1990, the Secretary of State paid £100,000 to the ITC during the financial year ended 31 December 1991, and this sum has been credited by the ITC to the Gaelic Television Fund. The fund is under the management of the Gaelic Television Committee (Comataidh Telebhisein Gaidhlig), who prepare a separate report and accounts each year to be sent by the ITC to the Secretary of State to be laid before Parliament.

16. Pension costs

The ITC operates a contributory defined benefits pension scheme, the assets of which are held in separate trustee administered funds. The scheme is a continuation of the scheme operated by the IBA up to its cessation on 31 December 1990, although the membership and the assets of the scheme were substantially reduced, 714 members being transferred into another scheme. The ITC Staff Pension Plan retains liability for all of the IBA's pensioners and deferred pension entitlements.

Pension contributions are determined in accordance with the advice of a qualified actuary on the basis of triennial valuations using the attained age method. The latest valuation was as at 1 January 1991, the main assumptions used being a yield on the fund of 9 per cent per annum, and an allowance of 8 per cent per annum for salary increases. The valuation showed that the actuarial value of the fund exceeded the value of accrued liabilities on present pensionable salaries, and covered 86 per cent of accrued benefits based on projected final pensionable salaries. The actuary calculated that the rate of the employer's contribu-

tion would need to be increased from 17 per cent to 19.2 per cent of pensionable salaries to place the scheme in balance in the longer term.

Having regard to the deficiency revealed by the valuation, and to the practice of the IBA of periodically funding discretionary pension increases to maintain the purchasing power of pensions, the ITC made a supplementary contribution to the pension fund of £1,500,000 during the year in addition to £837,000 arising from the normal contribution of 17 per cent of pensionable salaries. The contribution rate for members is 6.3 per cent. The market value of the scheme's assets as at 31 December 1991 was £60,980,000.

17. Operating leases

The ITC had annual commitments under non-cancellable operating leases as follows:

	Land & Buildings £000	Other £000	Total £000
Expiring			
- within one year	161	21	182
- between one & five years	1,455	65	1,520
- after five years	151	1	152
	<u>1,767</u>	<u>87</u>	<u>1,854</u>

18. Contingencies

A contingent gain of £2,900,000 is likely to arise in 1993 on early termination of a lease agreement. The gain would be subject to taxation except to the extent that roll-over relief is obtained. The ITC considers that it has made adequate provision in the accounts for the cost of litigation which is currently outstanding.

The past year has been one of particular significance in our brief history. Our programmes have grown ever more popular and accomplished and we have put in place many exciting plans for the future enjoyment of our viewers.

Planning for the changes that 1993 will bring has been the Board's main pre-occupation these past twelve months. Work is well in hand to prepare the channel for the smoothest possible transition from its present status as a limited company owned by the Independent Television Commission (ITC) to that of becoming a statutory corporation. New internal terms of reference for the Board are accordingly being prepared for its eventual approval.

The 1990 Broadcasting Act requires the future Channel Four Television Corporation to take responsibility for the transmission of its own programmes as the ITC changes from being a broadcasting to a regulatory authority. Although the programme remit, so admirably drafted in the 1981 Broadcasting Act, remains unchanged, a broader statement of programme policy will need to be approved by the corporation in due course. In our view, it is essential that such a statement continues to allow Channel 4 sufficient flexibility for future generations to re-interpret and refresh the remit in order to provide viewers with an ever-changing range of programme output. The future corporation will broadcast under a licence granted by the ITC with whom it will share statutory obligations under the 1990 Act. It is, therefore, crucial that the licence and programme policy statements are prepared in a way that will

minimise any potential disagreement between the two bodies. With evident goodwill on both sides, I feel certain this can be achieved and that we will be able to maintain the close relationship which has existed between us over the last 10 years. The key to our future, as the Broadcasting Act recognises, is continuity. The ITC's past support and encouragement has been invaluable to the channel; I am personally most grateful and also confident that we shall continue to work in harmony for the benefit of our viewers.

The corporation will, of course, be raising its revenue for the first time by selling its own airtime and inevitably our new sales department will be engaged in fierce competition with ITV and others. However, in the interests of viewers, the Broadcasting Act still requires us to complement ITV's service and to co-operate with them actively in areas such as the cross-promotion of programmes. The important foundations of this co-operation have been laid over the last twelve months during bilateral conversations with their contractors and through the establishment of a regular liaison meeting between ITV and Channel 4. It is particularly encouraging that the initial suspicion voiced by some ITV licensees is now turning to a realisation that the Broadcasting Act creates a common interest. Channel 4's funding provisions give ITV a financial stake in our success, as well as requiring it to support our downside. Mutual co-operation is therefore of benefit to both - and to our millions of viewers.

The channel's financial and legal status may be changing, but our editorial policy remains the same. This year

produced a particularly distinguished range of programming, all the more remarkable for being made on a reduced programme budget - the first experienced by the channel.

It is a real tribute to Liz Forgan, her commissioning colleagues and our producers that the standards and range of our output were not only maintained but improved despite the fall in advertising revenue.

The Board remains fully committed to ensuring the fulfilment of the special programme remit Parliament has given us. Indeed, as we look forward to 1993 and the selling of our own airtime, our view is that the remit will prove to be a considerable asset. In ITV the United Kingdom already has the television equivalent of a successful high quality supermarket which has captured about 82% of the commercial terrestrial audience. Our future lies not in trying to be a pale imitation of Channel 3 but in pursuing our own particular course. We will continue to be a mix, as always, of the popular and the *recherché*. Our remit attracts audiences who have great appeal to advertisers; audiences not easily identified on ITV. The remit is therefore our great commercial strength as well as our mission.

The Board's decision to acquire a freehold site in Horseferry Road, Victoria, on which to build our own headquarters has been an important part of the long term financial strategy of the company. Although we have had to borrow in order to achieve this aim, it means that from 1994 the channel will be able to live rent free in one efficient building, rather than

the present six, and also that we will own a very considerable financial asset.

In September, we invited Viscount Whitelaw to lay the foundation stone for the new building and I am pleased to say that progress on the site is most satisfactory: indeed we expect to move in, as planned, in 1994. The Richard Rogers Partnership, which won the competition to design our new building, has produced a major piece of architecture which will not only be ultimately economical but a pleasure to occupy. It will, I feel sure, also make an enduring and significant contribution to the London landscape.

I should now like to address the question of the contracts offered to our management team. I firmly believe that securing their services was an absolute prerequisite for the future success and stability of the channel. Major rewards were on offer to virtually all of them - and most particularly so in the case of Michael Grade. I am certain that the decision of the Board's non-executive members to retain their much-coveted expertise will, in the long run, prove to be absolutely correct. The whole of the executive senior staff are now committed to the channel with Michael Grade having signed a contract running for five years.

Subsequent experience at less senior staff levels, where recruitment pressure from Channel 3 licensees has also been intense, has confirmed that this was the right policy and we have been extremely fortunate in being able to keep our management team in place.

The Board was sad to say farewell to Carmen Callil at the end of 1991. She had been a non-executive member for six years and her wisdom, allied to her passionate

defence of the programme makers and their maximum freedom of expression, was of immense value in our debates. We were greatly pleased during the year to welcome as Deputy Chairman Sir Michael Bishop. His acumen will be particularly valuable during the forthcoming period of change - as his already considerable contribution has amply demonstrated.

Finally, my own term of office, following some ten years firstly as Deputy Chairman and then as Chairman, sadly comes to an end in 1992. I shall be in my 70th year and it is totally appropriate that the reins should be handed over to another.

Helping Channel 4 to grow from the *enfant terrible* of British broadcasting to an accepted, albeit uniquely different, part of the television scene has been both exciting and fulfilling. For me, the transition has been made even more rewarding by virtue of the massive contributions made by so many; staff and Board alike. I would wish, therefore, to place on record my thanks, not only for that contribution but also for the unswerving loyalty shown to me throughout my period of tenure. I know I speak for all the Board when I say that we are dedicated to passing on to the new corporation in January 1993 an efficient, deeply effective and flourishing concern. In the end, I believe the only long term guarantee of security for the remit is security of funding, free of subsidy.

On the eve of my departure and with the ability to look back over the past ten years, I am profoundly confident that Channel 4's second decade will be every bit as remarkable and exhilarating as its first.

Richard Attenborough
Chairman
24 March 1992

Directors and Advisers

Channel 4 Television Company Limited

Chairman

* **Sir Richard Attenborough** CBE
Film producer/director.
Chairman of the British Film Institute,
the British Screen Advisory Council,
and Capital Radio plc.

Deputy Chairman

* **Sir Michael Bishop** CBE
Chairman of British
Midland Airways Limited.

Executive Directors

Michael Grade
Chief Executive

Non-executive director
of ITN Limited
and the Open College
Limited and member of the
British Screen Advisory Council.

Stewart Butterfield
Director of Advertising
Sales and Marketing

Liz Forgan
Director of Programmes
Trustee of the Scott Trust

Colin Leventhal
Director of Acquisition

Member of the British
Screen Advisory Council

Frank McGettigan
Director and General Manager

Governor of the National Film and Television
School.

David Scott
Director of Finance

Non-Executive Directors

Anne Lapping
Independent Producer and
Director of Brook Productions
(1986) Limited.

John McGrath
Independent Producer and writer.
Director of
Freeway Films Limited.

Usha Prashar

* **Peter Rogers**
Deputy Chief Executive
and Director of Finance of the
Independent Television Commission.

Professor David Vines
Adam Smith Professor of
Political Economy,
University of Glasgow.

* Member of the audit committee.

Secretary
David Scott

Registered Office
**70 Brompton Road
London SW3 1EY**

Registered Auditor
**Coopers & Lybrand
Deloitte
Chartered Accountants
Plumtree Court
London EC4A 4HT**

Bankers
**National Westminster
Bank plc
21 Lombard Street
London EC3P 3AR**

**Samuel Montagu & Co Ltd
10 Lower Thames Street
London EC3R 6AE**

Company registration
**Registered in Cardiff as
company number
1533774**

Principal Activities

Channel 4 was set up by the Independent Broadcasting Authority (IBA) under the terms of Section 12(2) of the Broadcasting Act 1981 to obtain and assemble the necessary material and to carry out such other activities involved in providing programmes for the fourth channel television service as appear to the IBA to be appropriate.

Ownership

The Broadcasting Act 1990 established the Independent Television Commission (ITC) which acquired the shares of Channel 4 from the IBA on 1 January 1991. Channel 4 Television Company Limited will be a wholly owned subsidiary of the ITC until 31 December 1992.

The Broadcasting Act 1990 creates the Channel Four Television Corporation which will be established and will acquire the shares of Channel Four Television Company Limited from the ITC on 1 January 1993.

Accounting Reference Date

In 1990, Channel 4 changed its accounting reference date from 31 March to 31 December. These accounts include the results for the year to 31 December 1991, with the comparative figures for the nine months to 31 December 1990.

Funding

Channel 4 obtains funds from the ITC, which collects the fourth channel subscription from each of the ITV companies, who presently sell Channel 4's advertising time. This funding arrangement, which has operated since Channel 4 started, ceases at the end of 1992.

From 1 January 1993, Channel 4 will sell its own advertising time, which will become its principal revenue source.

The Broadcasting Act 1990 establishes a new funding relationship between Channel 3 (as ITV will be called from 1993) and Channel 4. Under the terms of that Act, Channel 4 will pay Channel 3, for 1993 and subsequent years, 50 per cent of calendar year revenue in excess of 14 per cent of qualifying revenue. The Act provides that Channel 3 will pay Channel 4, for 1993 and subsequent years, up to 2 per cent of qualifying revenue if Channel 4's revenue is less than 14 per cent of qualifying revenue. The qualifying revenue to which this formula relates is the total of advertising, sponsorship, subscription and barter income of Channels 3, 4 and 5 and S4C.

Results

Channel 4 received subscription income of £255.2 million from the ITC in 1991. This income is used to acquire programme and film rights for transmission, and to finance capital and overhead expenditure. The balance of this income, after the cost of programme transmissions and operational and administrative expenses, thus represents the principal means of financing Channel 4's net assets and is treated as deferred income in the accounts.

In addition to the income from the ITC, Channel 4 has other trading activities and receives interest on cash balances. The surplus on these other activities, after tax, was £0.2 million in 1991.

Fixed Assets

Movements of fixed assets during the year are set out in note 8 to the accounts.

Directors

The present directors of Channel 4 are listed on page 58.

Three directors have joined the Board since 1 January 1991. Sir Michael Bishop CBE was appointed as Deputy Chairman on 1 March 1991. Stewart Butterfield was appointed to the Board as Director of Advertising Sales and Marketing on 2 January 1991. Usha Prashar was appointed to the Board, as a non-executive director, on 1 January 1992.

Four non-executive directors have left the Board since 1 January 1991. Sir Brian Bailey OBE, Richard Dunn and Greg

Dyke resigned on 28 February 1991 and Carmen Callil completed her term of office on 31 December 1991.

All other directors served throughout the year.

Directors' interests

None of the directors has any interest in Channel 4's shares.

As indicated in the list on page 58, a number of directors are also directors of companies which supply programmes to Channel 4, and to that extent are also interested in the contracts with Channel 4. In addition, note 22 to the accounts gives the information required to be disclosed in relation to material interests of two directors in contracts with the company.

Directors' and Officers' Liability Insurance

The directors consider that it is appropriate, with the increasing volume and complexity of legislation, that liability insurance should be available to directors and officers and a policy has been effected.

Research and Development

Channel 4 devotes substantial resources to the development of scripts and programme outlines for possible commissioning. Development expenditure incurred in 1991 on scripts and programmes not commissioned for production by the end of that year amounted to £4.0 million (nine months to 31 December 1990: £3.1 million).

Employee Involvement and Consultation

There are a number of ways in which Channel 4 informs and consults with its employees:

A Through normal collective bargaining with trade unions. Approximately 20 per cent of the company's employees are in membership of one of three recognised trade unions:

BECTU (for engineering, presentation, clerical and studio staff)

EETPU (for plumbers and electricians)

Equity (for continuity announcers)

B Regular departmental meetings where information is disseminated and staff have an opportunity to air views; and

C An annual staff meeting, where the executive directors give presentations on the company's progress and future and all staff are encouraged to ask questions.

Employment Policy

Channel 4 is an equal opportunities employer. It does not discriminate on the grounds of race, sex, religion, physical handicap, marital status or political affiliation in its recruitment or other employment policies. Channel 4 has established an ethnic monitoring system for its recruitment and the ethnic composition of its staff.

Disabled people, whether registered as such or not, are fully and fairly considered for all vacancies arising within Channel 4 and are given equal opportunities with other staff in relation to training, career development and promotion.

Auditor

Coopers & Lybrand Deloitte have expressed their willingness to continue in office in accordance with Section 384 of the Companies Act 1985. A resolution proposing their re-appointment as auditor will be put to the members at the Annual General Meeting.

By order of the Board

D.R.A. Scott

24 March 1992

		Year ended 31 December 1991	Nine months ended 31 December 1990
	Notes	£ million	£ million
Income from the ITC.....	1(c)	255.2	174.9
Cost of programme transmissions.....	1(c)	(195.2)	(138.1)
		<hr/>	<hr/>
		60.0	36.8
Operational and administrative expenses.....	2	(33.4)	(18.9)
Transmitter costs.....		(23.2)	-
		<hr/>	<hr/>
		3.4	17.9
Transfer to deferred income.....	1(c)	(3.4)	(17.9)
Other income less expenditure.....	1(c), 5	1.2	1.9
Less taxation thereon.....	6	(1.0)	(0.8)
		<hr/>	<hr/>
Surplus for the year after taxation.....		0.2	1.1
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 64 to 68 form part of these accounts.

Report of the auditor - page 68.

Statements of movements on the deferred income account and income and expenditure account are given in notes 14 and 15 on page 67.

	Notes	31 December			
		1991 £million	1991 £million	1990 £million	1990 £million
Fixed Assets					
Tangible assets.....	1(d), 8		43.1		36.6
Investments	7		-		-
			<u>43.1</u>		<u>36.6</u>
Current assets					
Programme and film rights.....	1(c), 1(e), 9	112.8		112.6	
Debtors	10	16.9		21.2	
Cash at bank and in hand		-		0.4	
		<u>129.7</u>		<u>134.2</u>	
Creditors					
Amounts falling due within one year	11	(21.4)		(27.5)	
Bank borrowings		(4.5)		-	
		<u>103.8</u>		<u>106.7</u>	
Net Current Assets			103.8		106.7
Total assets less current liabilities ..			<u>146.9</u>		<u>143.3</u>
Provision for liabilities and charges					
Deferred tax	12		-		-
Net assets			<u>146.9</u>		<u>143.3</u>
Capital					
Called up share capital £100	13		-		-
Deferred income	1(c), 14		137.6		134.2
Income and expenditure account	1(c), 15		9.3		9.1
			<u>146.9</u>		<u>143.3</u>

Sir Richard Attenborough

Chairman

These accounts were approved by the Board of Directors on 24 March 1992

The notes on pages 64 to 68 form part of these accounts.

Report of the auditor - Page 68

	Notes	Year ended		Nine months ended	
		31 December 1991		31 December 1990	
		£million	£million	£million	£million
Operating Activities					
Cash received from the ITC.....		255.2		174.9	
Other cash receipts		17.3		5.0	
Cash payments to suppliers		(244.6)		(160.4)	
Cash paid to and on behalf of employees		(15.7)		(8.9)	
		<u> </u>		<u> </u>	
Net cash inflow from operating activities.....	1		12.2		10.6
Returns on Investments and Servicing of Finance					
Interest received.....		0.5		1.7	
Interest paid		(0.3)		(0.3)	
		<u> </u>		<u> </u>	
			0.2		1.4
Taxation					
UK corporation tax paid		(1.0)		(1.3)	
Overseas tax paid		(0.2)		(0.1)	
		<u> </u>		<u> </u>	
			(1.2)		(1.4)
Investing Activities					
Purchase of tangible fixed assets.....		(10.9)		(27.6)	
Sale of fixed assets		0.1		0.1	
Loans		(5.3)		(0.2)	
		<u> </u>		<u> </u>	
			(16.1)		(27.7)
Decrease in cash and cash equivalent	2		<u>(4.9)</u>		<u>(17.1)</u>

The notes on page 63 form part of the cashflow statement.
Report of the auditor - page 68.

1 Reconciliation of income and expenditure to net cash inflow from operating activities:

	Year ended 31 December 1991 £ million	Nine months ended 31 December 1990 £ million
Transfer to deferred income.....	3.4	17.9
Surplus for the year before tax	1.2	1.9
	<u>4.6</u>	<u>19.8</u>
Depreciation charges.....	4.3	2.7
Profit on sale of tangible assets.....	-	(0.1)
Provisions against loans	5.3	0.2
Net interest received	(0.2)	(1.4)
Increase in programme and film rights	(0.2)	(19.2)
Decrease/(increase) in debtors.....	4.3	(0.7)
(Decrease)/increase in creditors.....	(5.9)	9.2
Exchange losses	-	0.1
	<u>12.2</u>	<u>10.6</u>
Net cash inflow from operating activities	<u>12.2</u>	<u>10.6</u>

2 Analysis of changes in cash and cash equivalents during the year:

Balance at 1 January 1991.....	0.4	17.6
Net cash outflow before adjustments for the effect of foreign exchange rate changes.....	(4.9)	(17.1)
Effect of foreign exchange rate changes.....	-	(0.1)
	<u>(4.5)</u>	<u>0.4</u>
Balance at 31 December 1991.....	<u>(4.5)</u>	<u>0.4</u>

3 Analysis of balances of cash and cash equivalents as shown in the balance sheet:

	1991 £ million	1990 £ million	Change in year £ million
Cash at bank and in hand.....	0.9	7.7	(6.8)
Bank overdrafts	(5.4)	(7.3)	1.9
	<u>(4.5)</u>	<u>0.4</u>	<u>(4.9)</u>

1 Principal accounting policies**A Accounting Convention**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

B Accounting Policies

A summary of the more important Accounting Policies, all of which have been applied consistently, is set out below.

C Income and Expenditure Account**(i) Income:**

a) Income from the ITC is credited to the income and expenditure account when it is received.

b) Income from programme and film sales is recognised in the income and expenditure account when the sales are confirmed to the company.

(ii) Cost of Programme Transmissions:

The direct cost of programme and film rights is wholly written off on first transmission.

(iii) Income Received in Advance of Related Expenditure:

As a result of the above policies, income from the ITC may be credited in advance of the costs of programme and film rights being charged in the income and expenditure account. Such income received in advance (after taking account of operational and administrative expenses) is transferred to deferred income. As programmes are transmitted, there is a corresponding transfer of the relevant income back into the income and expenditure account. The income and expenditure account therefore contains a net transfer to or from deferred income comprising these two transfers.

The balance of deferred income represents the principal means of financing the net assets of Channel 4, and accordingly is shown with capital and reserves in the balance sheet. This represents a departure from the normal presentation prescribed by the Companies Act 1985.

1. Principal accounting policies (continued)**d) Fixed Assets**

(i) Fixed assets are stated at cost, together with any incidental expenses of acquisition, less depreciation.

(ii) Depreciation is calculated so as to write off the cost of the asset on a straight line basis over its estimated useful life from the date of its first utilisation. The principal annual rates used for this purpose are as follows:

Assets held by Channel 4:	
Freehold land	Nil
Leasehold properties are depreciated over the remaining period of occupancy	
Technical equipment and office furniture	20%
Motor cars	25%
Assets held by third parties:	
Freehold properties	2%
Technical equipment	20% or 33%

E) Programme and Film Rights

(i) Programme and film rights are stated at direct cost incurred up to the balance sheet date after making provision for expenditure on programmes or films which are unlikely to be transmitted or sold.

Direct cost is defined as payments made or due to production companies or programme suppliers, but excludes any costs falling due after the balance sheet date.

(ii) Development expenditure, consisting of funds spent on projects prior to a final decision being made on whether a programme will be commissioned, is included in programme and film rights but is fully provided for. Where development expenditure leads to the commissioning of a programme, such expenditure is transferred to programme cost and the provision is released. At such time as it is apparent that a development will not result in a programme, the development cost and the provision are written out of the accounts.

2. Operational and administrative expenses

	Year ended 31 December 1991	Nine months ended 31 December 1990
	£ million	£ million
These may be analysed as follows:		
Employee and freelance staff costs	15.4	9.7
Establishment costs	5.2	3.3
Depreciation of fixed assets (note 8)	4.3	2.7
Press office and promotion	1.7	1.5
Travel and subsistence	1.1	0.8
Provision against investment (note 7)	0.3	0.2
Provision against deposit with BCCI	5.0	-
Other general expenses	0.4	0.7
	<u>33.4</u>	<u>18.9</u>
and include:	£000	£000
Auditors' remuneration	35	26
Directors' remuneration:		
to the non-executive directors	68	56
to the executive directors		
for management, (including pension contributions)	1,381	430
Operating lease rentals		
- company premises	2,398	1,337
Equipment hire	203	108
	<u></u>	<u></u>

3. Directors' remuneration

The following information is given in accordance with Schedule 5 Part V of the Companies Act 1985 and excludes pension contributions:

	Year ended 31 December 1991 Total	Year ended 31 December 1991 Normal	Year ended 31 December 1990	Nine months ended 31 December 1990
	£000	£000	£000	£000
Chairman's remuneration	31	31	28	22
Highest paid director's remuneration	485	235	140	108
	<u></u>	<u></u>	<u></u>	<u></u>
	Number	Number	Number	Number
£0 - £5,000	4	4	8	8
£5,001 - £10,000	5	5	1	1
£10,001 - £25,000	-	-	-	-
£25,001 - £30,000	-	-	1	-
£30,001 - £35,000	1	1	-	-
£35,001 - £40,000	-	-	-	3
£40,001 - £45,000	-	-	-	1
£45,001 - £50,000	-	-	3	-
£50,001 - £55,000	-	3	1	-
£55,001 - £60,000	-	1	-	-
£60,001 - £65,000	1	1	-	1
£65,001 - £70,000	1	-	-	-
£70,001 - £75,000	-	-	1	-
£75,001 - £80,000	3	-	-	-
£80,001 - £85,000	-	1	-	-
£85,001 - £90,000	1	-	-	-
£90,001 - £95,000	-	-	-	-
£95,001 - £100,000	-	-	-	-
£100,001 - £105,000	-	-	-	-
£105,001 - £110,000	1	1	-	1
£110,001 - £115,000	1	-	-	-
£115,001 - £120,000	-	-	1	-
£120,001 - £125,000	3	-	-	-
£125,001 - £130,000	-	1	-	-
£130,001 - £135,000	1	-	-	-
£135,001 - £140,000	-	-	-	-
£140,001 - £145,000	-	-	-	-
£145,001 - £150,000	-	-	-	-
£150,001 - £155,000	-	-	-	-
£155,001 - £160,000	-	-	-	-
£160,001 - £165,000	-	-	-	-
£165,001 - £170,000	-	-	-	-
£170,001 - £175,000	-	-	-	-
£175,001 - £180,000	-	-	-	-
£180,001 - £185,000	-	-	-	-
£185,001 - £190,000	-	-	-	-
£190,001 - £195,000	-	-	-	-
£195,001 - £200,000	-	-	-	-
£200,001 - £205,000	-	-	-	-
£205,001 - £210,000	-	-	-	-
£210,001 - £215,000	-	-	-	-
£215,001 - £220,000	-	-	-	-
£220,001 - £225,000	-	-	-	-
£225,001 - £230,000	-	-	-	-
£230,001 - £235,000	-	-	-	-
£235,001 - £240,000	-	-	-	-
£240,001 - £245,000	-	-	-	-
£245,001 - £250,000	-	-	-	-
£250,001 - £255,000	-	-	-	-
£255,001 - £260,000	-	-	-	-
£260,001 - £265,000	-	-	-	-
£265,001 - £270,000	-	-	-	-
£270,001 - £275,000	-	-	-	-
£275,001 - £280,000	-	-	-	-
£280,001 - £285,000	-	-	-	-
£285,001 - £290,000	-	-	-	-
£290,001 - £295,000	-	-	-	-
£295,001 - £300,000	-	-	-	-
£300,001 - £305,000	-	-	-	-
£305,001 - £310,000	-	-	-	-
£310,001 - £315,000	-	-	-	-
£315,001 - £320,000	-	-	-	-
£320,001 - £325,000	-	-	-	-
£325,001 - £330,000	-	-	-	-
£330,001 - £335,000	-	-	-	-
£335,001 - £340,000	-	-	-	-
£340,001 - £345,000	-	-	-	-
£345,001 - £350,000	-	-	-	-
£350,001 - £355,000	-	-	-	-
£355,001 - £360,000	-	-	-	-
£360,001 - £365,000	-	-	-	-
£365,001 - £370,000	-	-	-	-
£370,001 - £375,000	-	-	-	-
£375,001 - £380,000	-	-	-	-
£380,001 - £385,000	-	-	-	-
£385,001 - £390,000	-	-	-	-
£390,001 - £395,000	-	-	-	-
£395,001 - £400,000	-	-	-	-
£400,001 - £405,000	-	-	-	-
£405,001 - £410,000	-	-	-	-
£410,001 - £415,000	-	-	-	-
£415,001 - £420,000	-	-	-	-
£420,001 - £425,000	-	-	-	-
£425,001 - £430,000	-	-	-	-
£430,001 - £435,000	-	-	-	-
£435,001 - £440,000	-	-	-	-
£440,001 - £445,000	-	-	-	-
£445,001 - £450,000	-	-	-	-
£450,001 - £455,000	-	-	-	-
£455,001 - £460,000	-	-	-	-
£460,001 - £465,000	-	-	-	-
£465,001 - £470,000	-	-	-	-
£470,001 - £475,000	-	-	-	-
£475,001 - £480,000	-	-	-	-
£480,001 - £485,000	-	-	-	-
	<u>16</u>	<u>16</u>	<u>15</u>	<u>15</u>

Directors' normal remuneration includes salary and contractual bonuses other than the additional remuneration specified below.

During 1991 five executive directors and two other key executives, critical to Channel 4's stability, entered into three or five year service contracts. In consideration, additional one-off remuneration was paid in 1991.

4. Employee information

	Year ended 31 December 1991	Nine months ended 31 December 1990
	£ million	£ million
The employment costs for all employees, including executive directors, were as follows:		
Aggregate gross salaries	11.9	7.7
One off emoluments (note 3)	0.8	-
Employer's national insurance contributions	1.1	0.7
Employer's pension contributions	1.5	0.9
Total direct costs of employment	15.3	9.3

The average number of employees, including executive directors, during the year was:

	Year ended 31 December 1991	Nine months ended 31 December 1990
Full-time permanent employees	413	390
Short-term contract staff	33	20
Total	446	410

5. Other Income less expenditure

	Year ended 31 December 1991		Nine months ended 31 December 1990	
	£m	£m	£m	£m
Programme and Film Sales				
Income:				
Programme sales	5.0		3.5	
Film sales	3.0		1.2	
Co-finance	1.7		6.3	
Commission	1.1		0.6	
Investment income	0.4		0.1	
Publishing and merchandising	0.2		0.1	
	11.4		11.8	
Less costs of sales:				
Direct costs	(3.6)		(2.7)	
Share of income due to independent producers and third parties	(4.6)		(7.6)	
Operational and administrative expenses	(1.4)		(1.1)	
		1.8		0.4
Other Income and Expenditure				
TV Times copyright fees	1.1		0.8	
Interest receivable	0.5		1.7	
Sponsorship income	0.2		-	
Other income	0.1		0.1	
Less:				
Advertising sales department operating expenses	(2.1)		(0.8)	
Interest and finance charges	(0.4)		(0.3)	
		(0.6)		1.5
Total		1.2		1.9

In addition to the co-finance included above, substantial further sums have been paid by co-financiers direct to production companies and hence do not appear in these accounts.

The geographical analysis of programme and film sales income is as follows:

	Year ended 31 December 1991	Nine months ended 31 December 1990
	£million	£million
Exports:		
USA	1.7	1.7
Rest of the world	6.9	8.2
	8.6	9.9
UK sales and other income	2.8	1.9
Total	11.4	11.8

6. Taxation

Taxation is not levied on the income from the ITC less related costs.

UK corporation tax is payable on other net income as follows:

	Year ended 31 December 1991	Nine months ended 31 December 1990
	£million	£million
UK corporation tax based on other net income for the year @ 33.25% (1990: 35%)	1.1	1.0
Double tax relief	(0.2)	(0.1)
Deferred tax	-	(0.1)
	0.9	0.8
Adjustment in respect of prior years	(0.1)	(0.1)
Overseas taxation	0.2	0.1
Total	1.0	0.8

7. Investment in British Screen Finance Limited

Channel 4 holds 1,800,030 ordinary £1 and 1,842,141 B Class £1 shares in British Screen Finance Limited (British Screen). That is equivalent to 43 per cent of the ordinary share capital and 39 per cent of the total capital. The shares were received in consideration of Channel 4 advancing £0.3 million per annum from 1986 to 1991 to British Screen - a total of £1.8 million. British Screen is incorporated in England.

The ability of British Screen to pay dividends out of any profits is restricted by its present policy to reinvest all available funds in further films. Draft accounts for British Screen for 1991 show accumulated losses of £7.2 million and a loss for 1991 of £42,000. Channel 4 has recognised its share of the accumulated losses made by British Screen by charging the amounts advanced each year as an expense. The shares are therefore held in the balance sheet at nil value. Channel 4 has no commitment to advance any further funds to British Screen.

8. Fixed Assets

a) Tangible assets

	Freehold properties	Leasehold properties	Furniture & equipment	Motor Vehicles	Total
	£m	£m	£m	£m	£m
Cost					
At 1 January 1991	24.9	7.3	18.1	0.4	50.7
Additions	4.3	0.9	5.5	0.2	10.9
Disposals	-	-	(0.2)	(0.1)	(0.3)
At 31 December 1991	29.2	8.2	23.4	0.5	61.3
Depreciation					
At 1 January 1991	0.1	2.8	11.1	0.1	14.1
Charge for the year	-	2.0	2.2	0.1	4.3
Disposals	-	-	(0.1)	(0.1)	(0.2)
At 31 December 1991	0.1	4.8	13.2	0.1	18.2
Net Book Value					
At 31 December 1991	29.1	3.4	10.2	0.4	43.1
At 31 December 1990	24.8	4.5	7.0	0.3	36.6

b) Certain of the fixed assets owned by Channel 4 are utilised by third party programme makers in the independent production sector. The net book value at 31 December 1991 was located as follows:

	Freehold properties	Leasehold properties	Furniture & equipment	Motor Vehicles	Total
	£m	£m	£m	£m	£m
Held by Channel 4	28.8	3.4	10.1	0.4	42.7
Held by third parties	0.3	-	0.1	-	0.4
	29.1	3.4	10.2	0.4	43.1

c) The freehold property held by Channel 4 is land and related costs at Horseferry Road, London SW1 which is being developed to become Channel 4's office and transmission centre in 1994.

The freehold properties held by third parties are 13 houses in Liverpool which are used as a permanent location set for the BROOKSIDE programme.

The leasehold properties mainly represent work carried out on Channel 4's offices and transmission centre at 60 and 76 Charlotte Street, London W1 which are leased for 25 years from 1981 and 1988 respectively.

9. Programme and Film Rights

	31 December 1991 £ million	31 December 1990 £ million
Programmes and films completed but not transmitted	37.5	45.8
Programmes and films in the course of production	44.4	40.0
Purchased programme and film rights	30.9	26.8
	112.8	112.6

Depending on programme scheduling, and programme and film sales, certain of the above programme and film rights may not be realised within one year.

10. Debtors

	31 December 1991 £ million	31 December 1990 £ million
Prepayments and accrued other income	13.8	13.3
Value added tax	0.3	3.1
Other debtors	2.8	4.8
	16.9	21.2

All of the above amounts are receivable within one year.

11. Creditors

	31 December 1991 £ million	31 December 1990 £ million
Trade creditors	3.2	2.2
Accruals	17.1	23.5
Other creditors including taxation and social security:		
United Kingdom corporation tax	0.6	1.0
Social security	-	0.4
Other creditors	0.5	0.4
	21.4	27.5

All of the above amounts will fall due within one year.

12. Deferred tax

	31 December 1991 £ million	31 December 1990 £ million
At 1 January 1991	-	0.1
Transfer from income and expenditure account	-	(0.1)
At 31 December 1991	-	-

13. Share Capital

The authorised and allotted share capital consists of 100 ordinary shares of £1 each, fully paid.

14. Deferred income

	31 December 1991 £ million	31 December 1990 £ million
At 1 January 1991	134.2	116.3
Net transfer for the year	3.4	17.9
At 31 December 1991	137.6	134.2

15. Income and expenditure account

	31 December 1991 £ million	31 December 1990 £ million
At 1 January 1991	9.1	8.0
Surplus for the year	0.2	1.1
At 31 December 1991	9.3	9.1

16. Company status

Channel 4 is a wholly owned subsidiary of the Independent Television Commission, which is a body incorporated under Act of Parliament.

17. Subsidiary Companies

Channel 4 owns the whole of the issued share capital of the following companies - none of which has traded since incorporation and all of which were dormant during 1991. All are incorporated in England.

	Issued ordinary £1 shares
Film on Four Limited	100
Sport on Four Limited	2
Channel Four Racing Limited	2

18. Programme and film commitments

At 31 December 1991, Channel 4 had committed and approved future expenditure for programmes and films amounting to £144 million (31 December 1990: £126 million), of which £123 million (31 December 1990: £102 million) is estimated to fall due for payment in 1992 and £21 million (31 December 1990: £24 million) thereafter.

19. Other Commitments

	31 December 1991 £ million	31 December 1990 £ million
a) Capital Expenditure		
Amounts contracted but not provided for in the accounts	0.4	0.1
Amounts authorised for expenditure in 1992 but not contracted at 31 December 1991	30.3	31.0
	<hr/>	<hr/>

b) Forward Foreign Exchange Contracts

At 31 December 1991, Channel 4 had entered into commitments to purchase foreign currencies amounting to £5.9 million (31 December 1990: £5.8 million), maturing between February and July 1992 which were entered into in order to fix the sterling cost of certain foreign programme and film purchase commitments.

c) Operating Leases

Channel 4 has financial commitments in respect of operating leases for its premises, which will terminate in 1996 or thereafter. The amount payable under these leases in 1992 will be £2.9 million (31 December 1990: £2.8 million).

20. Pension costs

Channel 4 operates a contributory pension scheme providing benefits based on final pay. The assets of the scheme are held separately from those of the company, being invested through Legal and General Assurance (Pensions Management) Limited. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with Channel 4. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent independent valuation was as at April 1991. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9 per cent per annum, that salary increases would average 7 per cent per annum and that present and future pensions would increase at the rate of 5 per cent per annum.

The pension charge for 1991 was £1.5 million (nine months to 31 December 1990: £0.9 million).

The actuarial valuation at April 1991 showed that the market value of the scheme's assets was £12.3 million and that the actuarial value of those assets represented 108 per cent of the benefits which had accrued to members, after allowing for expected future increases in earnings. The contributions of Channel 4 and employees remain at 15.3 per cent and 6 per cent of earnings respectively. The next actuarial valuation will be at April 1994.

21. Contingent liabilities

There are contingent liabilities in respect of compensation that would be payable in the event of certain production contracts being discontinued. No payments under such arrangements are currently envisaged.

22. Directors' interests in contracts**Anne Lapping**

Anne Lapping is a director and shareholder of Brook Productions (1986) Limited, an independent production company which was commissioned during the year to produce 36 one-and-a-half-hour *A Week in Politics* programmes and a one-hour programme *In Context*. The production costs for these programmes are £1,064,221 of which £26,080 is due to Anne Lapping as executive producer and £88,715 is the production fee to the production company. £2,741 of the production fee was paid in 1991 with the balance being payable in 1992. Twice weekly transmissions of *A Week in Politics* began in October 1991. *In Context* was transmitted in September 1991. Brook Productions received £5,000 in 1991 for the development of a programme *The Golden Years*.

Brook Productions (1986) Limited was commissioned to produce a number of other programmes with executive producers other than Anne Lapping. That company received 25 per cent of the production fees of £50,692 which were paid for those programmes in 1991, and to that extent Anne Lapping was interested in those contracts.

John McGrath

John McGrath is a director and shareholder of Freeway Films Limited, an independent production company which was commissioned during the year to produce a four-minute programme *End of a Campaign*, which was transmitted in March 1991. The production cost for this programme was £5,000.

**Report of the Auditor
to the members of Channel Four Television Company
Limited**

We have audited the financial statements on pages 60 to 68 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1991 and of its results and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte

Chartered Accountants and Registered Auditor
London

24 March 1992

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