

Miss A P. Nethercott
Programmes

ITC Annual Report & Accounts
1992

Licensing and Regulating Commercial Television



Independent Television Commission



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	Presented to Parliament 26 May 1993

Divisions of the ITC

Programmes

Monitors licensees' compliance with the programme requirements of the licences and codes. In the process, the Division supports and encourages the highest possible standards in programmes and creativity in programme-making. Investigates programme complaints from the public.

Advertising and Sponsorship

Monitors licensees' compliance with the codes and rules governing the content, amount and placing of advertisements and of sponsorship credits. Investigates complaints about advertising sponsorship.

Cable and Satellite

Licenses and subsequently monitors cable and local delivery systems and cable and satellite programme services. Investigates complaints relating to these services.

Engineering

Monitors standards of technical quality, seeks 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 licensees for the Consolidated Fund and the statutory financial arrangements relating to Channel 4. 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 formal relationships with its licensees. Liaises with the Commission's legal advisers. Manages the ITC's records.

Licensing

Initiates and co-ordinates the development of published documents for 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 operate.

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 and Regional Offices

Monitor the content of the licensees' services in liaison with headquarters divisions. Promote awareness and understanding of the ITC in Scotland, Wales, Northern Ireland and the English regions. Service the ITC's Viewer Consultative Councils (VCCs) and recruit new members to the councils.

The

Independent Television Commission

established under the
Broadcasting Act 1990

- licenses all commercially-funded television in the UK, whether delivered terrestrially or by cable or satellite, public teletext and certain other text and data services
- 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.

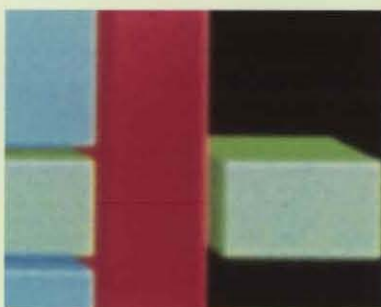
The Chairman, Deputy Chairman and (currently eight) Members of the Commission are appointed by the Secretary of State for National Heritage.

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



Independent Television Commission

The year



ITC

Staff reorganisation and reductions.

New premises acquired in London and Hampshire.

17 per cent reduction in levels of fees charged to licensees.

TV promotional campaign on air.

Licensing

The Court of Appeal dismissed TSW's application for judicial review of the ITC's decision on the South-West England Channel 3 licence award. The House of Lords dismissed TSW's subsequent appeal.

The public teletext service licence was awarded to Teletext UK Ltd - replacing Oracle on 1 January 1993.

A commercial additional services licence was awarded to Data Broadcasting International.

One application was received for the Channel 5 licence which was not awarded.

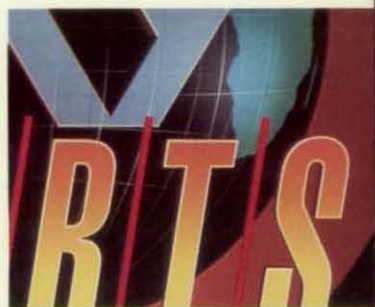
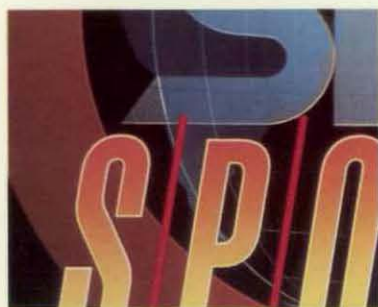
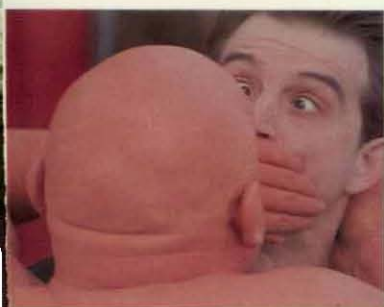
The Channel 4 licence was drawn up and granted on 1 January 1993.

29 new cable and satellite programme services were licensed.

ITV: final year for contractors Thames, TVS, TSW and TV-am - to be succeeded by licensees Carlton, Meridian, Westcountry and GMTV on 1 January 1993.

There was a total of 332 ITC licensees at the end of 1992, including cable system licensees.

in. view



Programmes

Major news coverage: General Election, Somalia, the former Yugoslavia, US Presidential Election.

Legal action was taken against an edition of Channel 4's *Dispatches*, 'The Committee', in an attempt by the RUC to get Channel 4 to reveal a source. Channel 4 and the production company refused and were fined for contempt.

Increasingly popular, though controversial, were real-life crime programmes, for example: *In Suspicious Circumstances*, *True Crimes* and *Crime Story*.

The ITC Programme Code was revised. Requirements on ITV, Channel 4 and BSkyB's DBS services to obtain prior approval from the ITC on certain matters were removed and other guidelines, including those on programme support material, impartiality, religious programmes, undue prominence, premium rate telephone numbers and competitions, were changed.

The ITC received 3,602 programme complaints – 1,460 about the future of *Highway on ITV* (see p32).

Advertising and Sponsorship

New guidance notes issued on improved standards for the legibility of superimposed text and captions; the portrayal in advertisements of motor cars and driving.

Issues considered by the Advertising Advisory Committee included draft rules on sponsorship by religious and charitable bodies; advertising by the nuclear industry and sanitary protection advertising.

All ITC licensees were told that to refuse to carry advertising from a competitor would usually constitute "unreasonable discrimination".

A Tango advert was withdrawn after reports of injuries to children's ears due to imitative behaviour.

The ITC received 3,504 complaints about ads – 742 about sanitary protection advertising (see p38).

Industry Events

Channel 4: final year as a subsidiary of the ITC; celebrated 10 years on air; Sir Michael Bishop became Chairman of the Board.

Channel 3 licensees and Teletext UK Ltd prepared for the start of new licences on 1 January 1993.

The new ITV Network Centre was set up. Chief Executive, Andrew Quinn. Network Director, Marcus Plantin. ITC approved and published networking arrangements, but the Office of Fair Trading (OFT) said they failed the "competition test".

A consortium of some Channel 3 licensees and Reuters made a bid to take over ITN.

Yorkshire Television and Tyne Tees Television merged, but the licences remain separate for the Yorkshire and the North-East regions.

Technology: SPECTRE and AUDELIC – ITC research projects on behalf of the industry on digital terrestrial transmission and audio description services for the blind.

BSkyB transmissions from Marco Polo ended 30 December; the company paid £304 million for a five-year contract for Premier League Football and Sky Sports became an encrypted channel.

Cable franchises providing telephone services increased from 10 to 24 and the number of lines grew from 21,225 to 106,989.

Chairman's Introduction

A year of transition

UK commercial television faced another challenging year. The continuing recession, depressed advertising revenues and the consequences of the Channel 3 licensing round and other aspects of the Broadcasting Act 1990 had to be addressed.

Despite the prevailing economic conditions, 29 new cable and satellite programme channels were licensed by the ITC. Some of these were aimed primarily at audiences outside the UK, but viewers here were offered several new channels ranging from the general entertainment provided by the BBC and Thames on UK Gold, to more specialised arts, ethnic and local programme services. A growing number of satellite dishes brought this choice to a wider audience, as did the almost two-thirds growth in broadband cable connections over the year. The increasing availability of cable telephony undoubtedly accelerated this take-up.

In ITV, existing contractors and new licensees had to work towards the start of the new Channel 3 licences. For the four outgoing ITV contractors, Thames, TVS, TV-am and TSW, it was a particularly difficult year but they continued to deliver their programme services, against a background of falling staff numbers. The whole of the Commission joins me in paying tribute to these companies, especially Thames (which was involved, via its original parents, Rediffusion and ABC, from the start of ITV), for the significant contribution they have made to British television, and for the highly professional way in which all four companies maintained their services to the end of the year.

Equally, tribute is due to Oracle Teletext Ltd, wholly owned by the

ITV companies, and the provider of the highly appreciated teletext service on ITV since 1975 and on Channel 4 since 1982.

Those awarded Channel 3 licences had the urgent and vital task of agreeing new networking arrangements to conform with the Act and their licence conditions; to ensure fair competition in the supply of programmes to the network; and to deliver a strong and cost-effective schedule. One critical aspect for the ITC was to ensure that the smallest licensees' position

was properly recognised in the network arrangements.

The network arrangements were approved and published by the ITC in May and referred, as statutorily required, to the Director General of the Office of Fair Trading. He concluded that the arrangements did not satisfy the competition test. At the end of the year the Commission exercised its right, under the Broadcasting Act, to make a reference to the Monopolies and Mergers Commission. We did so because of the importance of certain



aspects of the networking arrangements to securing the delivery of the licensed services and compliance with licence conditions.

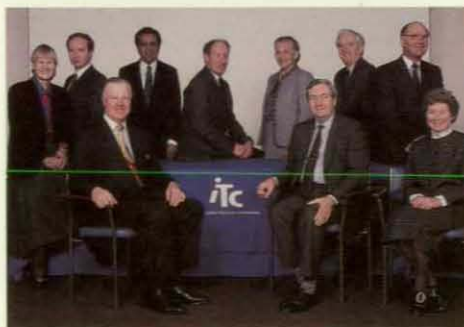
The Commission approved, in June, the acquisition of Tyne Tees Television by Yorkshire Television. Approval was only forthcoming after the ITC had received assurances that the conditions of each of the two licences would continue to be met and that the programme services of both companies would be strengthened, particularly in terms of regional programmes, by the introduction of more focused local news services.

In the early part of 1992, licences were awarded for the new public teletext service on Channels 3 and 4 to Teletext UK Ltd and for a data service, under a commercial additional services licence, to Data Broadcasting International Ltd.

To our disappointment, we concluded that we were unable to award the Channel 5 licence to the sole applicant, Channel Five Holdings Ltd. The legislation imposes clear tests and some difficult requirements for any applicant but the ITC is committed to doing all it can to bring Channel 5 into existence.

In 1992, internal emphasis was placed on getting the ITC in shape for its new role as *post hoc* regulator for all its services from 1 January 1993. This necessitated a review of all our operations and a consequent reduction in staff numbers (see Chief Executive's review). The Commission is charged with the difficult task of regulating competing services in an even-handed manner despite the differing obligations attaching to different types of licence. Licensees must create and sustain their revenue bases; we must focus on the services which the licensees deliver. Our primary obligation is, through Parliament, to viewers, not to any particular sector of commercial television or to specific companies.

The ITC has a range of sanctions at its disposal to deal with licence breaches and will not hesitate to use them.



Members of the Independent Television Commission

Eleri Jones*
The Earl of Dalkeith*
Jocelyn Stevens Deputy Chairman
Pranial Sheth
Professor James Ring
Pauline Mathias
Sir George Russell Chairman
Professor John Fulton*
Roy Goddard
Lady Popplewell JP
(As seated, from left to right.)

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

Channel 4

This is the final year on which I shall report on Channel 4 as an ITC (and formerly an IBA) subsidiary. The Channel became a licensed service of the ITC on 1 January 1993. Praise is due for Channel 4's strong programme performance in a year when much management attention was, of necessity, directed towards planning for the Channel's new existence as a statutory corporation selling its own advertising.

The ITC appoints the non-executive members of the Channel Four Television Corporation who are in a majority. I am delighted that Sir Michael Bishop, appointed Deputy Chairman of Channel 4 in February 1991, accepted our invitation to become Chairman of the new Corporation. In his relatively short time at the Channel, he has demonstrated a keen understanding of its special status which, combined with his proven business skills, will ensure the best possible start in its new form.

The 14 Members of the Corporation (including six executive Members) are listed on page 61. They represent a wide experience of the media, including the independent sector, and of public life. David Plowright, former Chairman of Granada Television, who was appointed Deputy Chairman, brings over 35 years of television experience, many of those spent producing and encouraging high quality journalism and drama.

I should also mark the departure of Liz Forgan, Director of Programmes, to the BBC. The ITC enjoyed a spirited and robust relationship with her and she fought passionately on all fronts

for her programmes and programme-makers in her 10 years at the Channel.

At the end of 1992 Professor David Vines retired from the Board after six years of service. The ITC is grateful for the significant contribution he has made.

Finally, Sir Richard Attenborough, Chairman of Channel 4 since July 1987, retired at the end of the year. Dickie Attenborough's enthusiasm for broadcasting is legendary and his commitment to the encouragement of creativity, high standards and challenging programmes, proven. His advocacy contributed to the decision that Channel 4 should take the form it now has, rather than be privatised, and he has continued to develop the Channel in a manner which befits the new era. Our profound thanks are due to him for his leadership and defence not only of Channel 4 but of diverse, quality television.

Members of the Commission have addressed a considerable variety of licensing and regulatory issues in 1992, ably supported by the ITC's staff. We have all worked to ensure a smooth transition from the role of broadcaster to *post hoc* regulator for all licensed services, explaining new procedures to licensees and publicising our role, policies and complaints decisions to a wider public. I remain optimistic about the capability of UK commercial television to satisfy a multitude of viewers' preferences.

Sir George Russell
Chairman

Preparing for ch

After the intensive and high-profile licensing activity of the ITC's first year, 1992 brought further licensing work and preparation for a new era of regulation.

The ITC gave major emphasis to preparing for the loss of its role as broadcaster of ITV, Channel 4, BSkyB's Marco Polo services and teletext. Contraction of staff, particularly among the established producer broadcasters, has meant painful adjustment for an industry used to years of growth and expansion in employment terms. The ITC is no exception.

In March we announced the phased loss of 53 posts from the establishment of 242. Our future needs are planned on the basis of our wide range of statutory duties in relation to licensing and regulation of UK commercial television services, including the need to be receptive to public reaction to licensed services.

The reductions, mainly in the areas of Programme Regulation, Public Affairs, Administration and the Regional Offices, have been achieved by a combination of not renewing contracts (many posts falling vacant had been filled on contract for some time), by early retirement and by redundancy. Considerable support through a job shop, training grants and counselling has been given to those affected. I am profoundly grateful to staff for the way in which they adapted to these changes.

The Commission decided that, to assist in keeping regulatory costs down, it would relocate some London posts to



new premises acquired at Kings Worthy near Winchester, to which it was moving some staff already based in that area. The total complement at Kings Worthy will be 62, the majority of whom moved in during December.

The ITC has also obtained new London premises at 33 Foley Street in London's West End. This is a refurbished building with long television associations, having housed WTN, Sky Television and ATV at various times. Around 100 staff will move there in June 1993 from the ITC's familiar premises in Knightsbridge. Details are given in the Financial Report of the savings we have passed on to licensees this year in terms of reduced licence fees.

In the past, ITV and Channel 4 have been accustomed to the IBA and then the ITC requiring advance schedule information and exercising the right to preview programmes. From 1993 the broadcasting responsibility rests with the licensees. The ITC sets the licence conditions, draws up and interprets the codes, monitors programme, advertising and technical content, and takes action, utilising a range of sanctions, when its licence conditions are not observed.

During 1992, the Commission considered its methods of regulation of cable and local delivery services and of programmes, advertising and sponsorship, and technical quality in licensed programme services from 1993.

ange

Senior Staff

Peter Rogers
Deputy Chief Executive & 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

Common rules on consumer protection apply in broadly the same way for all programme services. However, ITV, Channel 4 and public teletext have to meet particular obligations, in terms of "positive programme requirements" and (in the case of ITV and teletext) tender payments to the Treasury, which influence the manner of regulation.

Programmes Division held a series of meetings with Channel 3 licensees, Channel 4 and Teletext UK Ltd to go through the ITC's proposed *modus operandi* and to ensure that arrangements for compliance with licence conditions were clearly in place.

It has been a difficult year for ITN – the company as distinct from the news service it provided. Tensions inevitably surfaced as the ITV owners of ITN (some of whom were going forward as Channel 3 licensees, some not) examined the future structure of ITN as a business and the need to comply by the end of 1994 with legislative requirements putting more than 50 per cent of the company outside the control of Channel 3 licensees. Simultaneously, ITN management needed to negotiate with Channel 3 licensees, as customers, the contract for the supply of news in the future to ITV. Further redundancies were made at ITN to achieve the cost savings required to deliver the requisite quality of service at an acceptable price. A news supply

contract was signed on the last day of the year. In October 1992, a consortium of a number of Channel 3 licensees and Reuters made a bid for ITN. At the end of the year the ownership issue remained unresolved.

There was a significant increase in the number of complaints which the ITC received in 1992 about programmes and advertising. This can, in part, be attributed to increasing awareness of the ITC's role and also to one or two issues giving rise to a substantial volume of complaint.

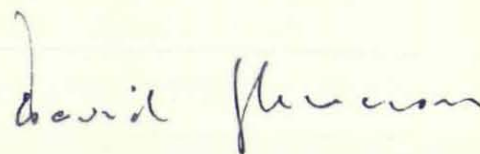
1,460 correspondents wrote about ITN's intention in 1993 to move the religious programme, *Highway*, from its early evening slot on Sunday. As a result of the Broadcasting Act 1990, the ITC no longer has powers to mandate that a particular religious programme is shown at a specific time, so the matter is one between viewers and the ITV companies.

A number of MPs, peers and correspondents expressed concern about the religious provisions of the ITC's Programme Code. Having consulted widely on the draft code and taken legal advice about the interpretation of the relevant provisions of the Act, the Commission believes it has drawn up the code in a responsible and proper manner. It is the ITC's view that many are judging the code before assessing its actual impact on programmes.

During 1992, a channel not licensed by the ITC prompted action. This was the satellite channel transmitted at first from The Netherlands, and later from Denmark, called Red Hot Dutch. It consisted of hard-core pornography and was being actively marketed in the UK. For the first time, the ITC exercised its discretion under section 177 of the Broadcasting Act 1990, to notify the Secretary of State for National Heritage of a foreign satellite service which it regarded as unacceptable and as appropriate to be made the subject of a proscription order. The matter now rests with the Secretary of State.

The Commission as a whole was delighted with the award of a knighthood, in the Queen's Birthday Honours, to the Chairman, George Russell, for his services to broadcasting.

1992 was the last year of old-style regulation of commercial television. The system has, in spite of its fallibilities, many achievements to its credit. It is our intention that the new pattern of regulation will serve the public no less well.



David Glencross
Chief Executive

Communication with Viewers

Keeping

The ITC attaches great importance to the wide range of contact with viewers described in this chapter. It is vital, for regulatory purposes, that the ITC keeps in touch with public taste and with opinions about its licensed services. Equally, it is important that the ITC is accessible and accountable through Parliament to viewers.

Increasing the Awareness of the ITC

The ITC is funded by its licensees and plans the means by which it publicises its role and responsibilities in a careful and cost-effective manner. In 1992, three 30-second television promotions were produced for the ITC by Duckworth, Finn, Grubb, Waters illustrating the issues of misleadingness in advertising, and impartiality and violence in programmes. The ITC is entitled, under its licences, to free promotional airtime to publicise its regulatory functions and the award-winning promotions were transmitted on ITV, Channel 4, TV-am and a range of satellite and cable channels. Small advertisements in the *TV Times* also proved an effective way of raising public awareness. Both these initiatives appear to have increased the number of letters and contacts with the ITC.

The ITC's press and information offices give a comprehensive information service to newspapers, radio and television, the trade press and the general public. Policy is communicated by press releases, briefings, speeches,

interviews, the distribution of literature (including ITC codes and licence documents) and queries are answered by telephone or in writing.

Audience Research

The ITC is required by the Broadcasting Act 1990 to make arrangements to ascertain public opinion about programmes on its licensed services, the effects such programmes might have upon viewers' attitudes and behaviour, and the programmes viewers would like to see on these services. Audience research offers systematic measurement and assessment of opinion based on scientifically representative samples of the viewing population and complements the feedback which the ITC receives from advisers and correspondents.

The ITC's audience research takes a variety of forms and derives from a number of sources. The Broadcasters' Audience Research Board (BARB) is the source of continuous information about television audience sizes and

in touch

programme appreciation. BARB also supplies a facility through which regular surveys of public opinion about specific programmes and broadcasting issues can be carried out. In addition, the ITC commissions a wide range of quantitative and qualitative research from other suppliers and research bodies.

The Public's Views About Television

The ITC carries out a major annual survey to assess public opinion on a range of important matters relating to its responsibilities under the Act for consumer protection and programme standards. These include issues of taste and decency, accuracy and impartiality and perceptions of the standards of programme services.

In 1992, the main annual survey was extended with the introduction of a major new survey of viewers living in homes with satellite or cable television reception. The full results of this survey were published by John Libbey in March 1993 in the ITC Television Research Monograph, *Television: The Public's View - 1992*.

Programme Standards

The majority view from the main survey in 1992 was that programme standards on television, in general, had been maintained. One in three respondents said that standards had, in their view, declined, compared with just over one in 10 who said they had improved. As in previous years, the

main perceived failing of the terrestrial channels was a concern about the amount of repeats. Only tiny minorities felt that programme variety or quality had declined.

Sources of News

Television remained the public's perceived primary source of world news in 1992, while newspapers remained the most important single source of local news. The great majority of respondents indicated that television offered the most complete, accurate, fair and quickest national and international news coverage.

Impartiality

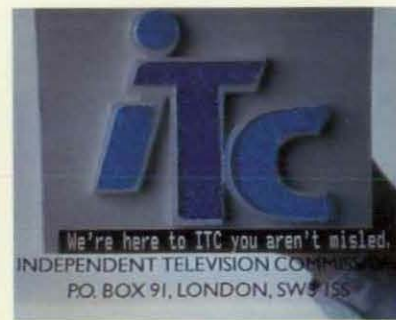
Television was perceived, by an overwhelming majority of viewers, as fair and unbiased across a range of major programme types. Perceived impartiality in television's coverage of the major political parties was, as usual, widespread. Despite the

heightened awareness of such matters during a General Election year, only a minority of viewers thought that television exhibited any party favouritism. Those viewers who saw party favouritism on ITV were equally likely to have found it biased towards the Conservatives as towards Labour.

Offence on Television

The majority of viewers interviewed in the main survey claimed not to have been offended by anything seen on television, with views shifting little from the previous year. The level of reported offence was much lower in the new survey of cable and satellite viewers than among the main survey of predominantly terrestrial channel-only viewers. Perceived sources of offence reported most often by those viewers who claimed to have been offended were, as usual, bad language, violence and sex. Year-on-year shifts were marginal or non-existent.

Stills from the ITC television promotions.



REGULATION

REGULATION

The brief was
not put across the
regulatory message
in 30 seconds.
Gary Duckworth
describes how.

THESE were some remarkable changes for the ITC, including the creation of a new regulatory division, the addition of advertising and programming staff, and the creation of a new public information division. The ITC's presence in the marketplace had been so minimal that it had no staff or resources to do anything but what it was created to do: regulate.

But the ITC's regulatory mission was not to be left behind. In a letter to Congress, the ITC stated that it would continue to be a "leading voice" in the regulation of children's television.

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Putting the ITC on the Map

Sarah Thorne explains why.

THE ITC has made significant progress in the last several months. The ITC has made significant progress in the last several months. The ITC has made significant progress in the last several months. The ITC has made significant progress in the last several months.

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A television program featuring a young child.

A television program featuring a young child.

A television program featuring a young child.

A television program featuring a young child.

A television program featuring a young child.

A television program featuring a young child.

A television program featuring a young child.

22

JOURNAL OF LAW, MEDICINE & ETHICS

22

offer systematic advice and feedback on licensed services. Specialist committees dealing with advertising matters, religion and schools broadcasting are referred to later in this Report.

Viewer Consultative Councils

At its inception, the ITC established 10 Viewer Consultative Councils (VCCs). These met, on average, four times in 1992. The Councils each comprise 12 men and women of different ages and backgrounds, and are drawn from across the UK, the Channel Islands and the Isle of Man. Recruitment is by a variety of means but principally by advertisement. Particular regional interests have been taken into account, together with the special needs of the national regions.

Members are asked to comment, as interested and regular viewers of television, on programmes and issues related to services regulated by the ITC. In 1992, they were also consulted on published aspects of the applications for the public teletext and Channel 5 licences.

For many viewers a national or regional office is the first point of contact with the ITC and many hundreds of enquiries, comments and complaints are dealt with each year.

The Council's views are circulated to Members of the Commission and senior ITC staff and are taken up as appropriate with programme contractors or licensees. The chairmen of the VCCs meet annually at the ITC's headquarters and Members of the Commission and senior ITC staff regularly attend individual VCC meetings.

Agendas for VCC meetings vary but always include regional programmes and a major topic to be discussed by all VCCs within the same time-frame. During 1992, such subjects included coverage of the General Election, educational programming, the issue of bad language, the portrayal of violence and sexual behaviour, and comedy and light entertainment. Members are also consulted by post, sometimes at short notice, on topical issues, such as drama-documentaries based on real-life crimes.

National & Regional Officers

The ITC has a network of nine national and regional offices from which staff maintain contact with locally based licensees for compliance purposes. Additionally, there is extensive liaison with a range of organisations including the press and live media, academic establishments, arts and broadcasting interests. Active contact is maintained with MPs. National and regional officers are also secretaries to the VCCs.

For many viewers a national or regional office is the first point of contact with the ITC and many hundreds of enquiries, comments and complaints are dealt with each year.

Presentations raising awareness of the ITC's role are regularly organised for a range of audiences: local government, religious bodies and commercial and consumer organisations, for instance. During 1992, 15 seminars, attended by more than 1,000 people, illustrated the ITC's work in advertising regulation.

Library Services

The ITC Library has a unique and comprehensive range of material on broadcasting in the UK and abroad. It provides library and information services for ITC staff and is a public access reference library on broadcasting. The specialist collections include books, periodicals, official publications, research reports, press cuttings and publicity materials. ITC publications and licence documentation, including the applications for ITC licences, are available for consultation.

During 1992, the Library handled over 4,000 telephone, written and personal

enquiries from the broadcasting industry, the press, advertising agencies, the banking and financial sector, writers, academics and students, including about 2,000 research visits to the Library reading room.

Publications

In addition to publishing licence documents and codes, the ITC produces a range of publications from its *Report & Accounts* and quarterly magazine *Spectrum*, to leaflets on aspects of regulation, on engineering, complaints and other topics. The ITC's *Factfile* lists all ITC licensees, their addresses and contact numbers. Charges are levied on some documents as a contribution to costs.

Overseas Relations

The ITC briefs many visitors from, or intending to work, overseas on its regulatory role and its place within the British broadcasting system. In 1992, over 50 separate visits from individuals or groups from over 34 countries took place including Australia, Korea, India, North and South America, Japan, Norway, Bulgaria, Russia, Israel, the former Yugoslavia, Turkey and Malaysia.

The visitors seek a wide range of information, from general briefings on the ITC's role for people who will work in British embassies and consulates to detailed sessions on regulatory policy for governments seeking to develop their own regulatory structures. Personnel from all levels in the ITC are involved.

ITC staff at a seminar on advertising regulation.



Licensing

Challenging and var

The regime for licensing provided in the Broadcasting Act 1990 includes different types of procedures for awarding licences, and different conditions to be attached to licences according to the type of service. Competitive tendering was conducted in the course of 1992, in accordance with the Act, for public teletext and commercial additional service licences, and for Channel 5. By contrast, the Act requires that, with specific provisions as to programme content and other matters, Channel 4's licence should simply be granted to the Channel Four Television Corporation in a form considered appropriate by the Commission. Licences for satellite services, except those on frequencies reserved by international agreement for UK use, are to be awarded subject to statutory compliance.

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ITV Contractors

Anglia Television
Border Television
Central Independent Television
Channel Television
Grampian Television
Granada Television
HTV
LWT
Scottish Television
Thames Television
TSW
TV-am
TVS
Tyne Tees Television
Ulster Television
Yorkshire Television

Teletext Contractor

Oracle Teletext

Under previous legislation, the ITV companies operated as contractors of the ITC until 31 December 1992.

Outgoing ITV contractors: Thames, TVS, TSW and TV-am.



Channel 3

At the start of 1992, the ITC faced an important legal challenge to aspects of its decision-making the previous year, when awarding Channel 3 licences. On 5 February, the Court of Appeal gave its judgement dismissing the application made by TSW for judicial review of the ITC's decision to award the Channel 3 licence for the South-West of England to Westcountry Television. TSW appealed and the issue was finally settled on 25 February by the Judicial Committee of the House of Lords who dismissed the appeal.

This enabled the Commission to proceed, at the end of March, with the granting of Westcountry Television's licence. The date of the grant left

Westcountry with less time to set up its service than planned at the time the application was made. The ITC agreed to their request for a relaxation in limited areas, mainly relating to the timetable for introducing certain aspects of the service.

On 18 June, the Commission announced its decision to agree a merger between two of its Channel 3 licensees, Yorkshire and Tyne Tees, through the acquisition of Tyne Tees Television Holdings by Yorkshire Television Holdings. Before giving its agreement, the Commission had satisfied itself that the change of control would not be prejudicial to the Channel 3 service for North-East England or to the networked service as a whole. A commitment to enhance the content of the service in North

Yorkshire, Teesside and the southern part of County Durham (served by the Bilsdale transmitter) was taken into account by the ITC. Although the two licensees are under common ownership, the obligations and conditions attached to each of the licences remain in force, varied only to take account of proposed improvements to the service.

The ITC's licences require that subtitling for hearing impaired viewers should be provided on Channel 3 services. Information may also be provided by the licensee in text form on spare capacity set aside for the purpose, where the information is ancillary to matter on the main service and directly related to its content. Guidance was given to licensees on both these matters.

The Channel 4 licence includes a Statement of Programme Policy, provided by the Channel, setting out its aims and principles.

Channel 4

Work was completed in 1992 on the licensing of the Channel 4 service, which the Act requires to be provided by the Channel Four Television Corporation. The 1990 Act sets out the remit and programme responsibilities of the Corporation, which are reflected in the licence. The Channel 4 licence includes a Statement of Programme Policy, provided by the Channel, setting out its aims and principles. In accordance with the licence, the service provided by the Channel Four Corporation must be consistent with the terms of the Statement, which also has to be approved by the Commission.

The content of the Channel 4 licence was discussed, on the basis of drafts, with the staff of Channel 4 and with the Channel Four Television Corporation which was in shadow form from the middle of the year. A draft of the proposed licence was published for public comment in June and the comments were taken into account by the Commission in deciding its final form. The new licence came into effect on 1 January 1993, at the same time as the Corporation formally came into existence.

Additional Services

Public Teletext

The Act requires that the spare capacity on Channels 3 and 4 should be used in part for the provision of a public teletext service providing national and international news of high quality and a range of information appealing to a wide variety of tastes and interests, including regional information. The amount of capacity was determined by the Secretary of State and represented a reduction of more than a quarter of the existing capacity for teletext. An Invitation to Apply for the public teletext licence had already been issued by the end of 1991. By the closing date in January 1992, five applications had been received.

Copies of the applications, excluding the business plans, were available for

the public to consider at ITC offices and summaries were available on request. The comments received, together with the views of the ITC's Viewer Consultative Councils (VCCs), were taken into account in the Commission's consideration of the applications.

The ITC's decision to award the public teletext service licence to Teletext UK Ltd was announced at the end of April. All the applicants had satisfied the Commission (and other licensing authorities in the case of their technical plans) in terms of the requirements of the quality threshold published in the Invitation to Apply. The bid submitted by Teletext UK Ltd was the highest and the Commission decided that there was no case of "exceptional circumstances" leading it to award the licence to other than the highest qualified bidder. The 10-year licence was granted on 19 June.

Commercial Additional Services

Applications had also been invited by the end of 1991 for two separate licences to provide commercial additional services, using spare capacity on Channels 3 and 4 respectively and to be available to viewers on a 'closed user' or 'subscription' user basis only. Unlike the public teletext service, commercial additional services are not subject to content requirements specified by the ITC. At the closing date in February, a single application, from Data Broadcasting International Ltd, had been received for one of the two licences offered, namely that for the use of spare capacity on Channel 3. The proposal was for network and bureau services to be operated by sub-licensees. The application met the statutory tests and the licence was awarded at the end of April and granted at the end of June.

Channel 5

A draft Invitation to Apply for the Channel 5 licence had been issued for comment at the end of 1991. In January, the ITC announced amendments reflecting its recognition

ITC ANNUAL REPORT AND ACCOUNTS 1992

Errata

Page 5, picture caption

Pranial Sheth should read
Pranlal Sheth

Page 26, paragraph 3

'The Committee' was transmitted in
October 1991 not 1992.

The Commission stated that it would review the technical, engineering and financial prospects for Channel 5 as they now appeared, and then decide whether or not, and on what terms, to re-advertise the licence.

of the financial constraints that the Channel 5 licensee would be bound to face, particularly in the early years of the licence. These included reducing the amount of originally produced programmes and setting the first part of the tender at zero rather than 5 per cent of qualifying revenue. The Commission also published for comment a draft guidance note on the retuning and modifying of video cassette recorders and other domestic equipment which might experience interference from future transmission of Channel 5. The response from potential applicants and others was reflected in the Invitation to Apply which was issued, together with a Code of Practice on Equipment Retuning, on 14 April.

The Commission received one application, from Channel Five Holdings Ltd, by the closing date of 7 July. This application was published (except for the confidential business plan) and the resulting comments, together with those of the ITC's VCCs, were taken into account by the Commission in assessing the application.

Channel Five Holdings' application did not, when submitted, include sufficient information as to the sources

and reliability of its funding. The Commission had indicated its intention to announce the outcome of its assessment in October. At the request of the applicant, a decision on the application was deferred for a month to allow further information to be provided. A further extension was requested and granted and the ITC announced that it would reach a final decision in December.

On the basis of the evidence before them at their December meeting, the Members of the Commission decided that they were not satisfied with the applicant's business plan – having particular regard to some of the projected costs, and audience share and revenue projections – or the level of investor commitment. For these reasons it did not appear to them that the applicant would be able to maintain its proposed service throughout the period for which the licence would be in force. The decision not to award the licence was announced at a press conference on 18 December.

At the same time, the Commission stated that it would review the technical, engineering and financial prospects for Channel 5 as they now appeared, and then decide whether or

not, and on what terms, to re-advertise the licence.

Domestic Satellite Services

Consideration was also given in 1992 to licensing domestic satellite services (DSS). These licences are for a term of 15 years and are allocated by competitive tender. As part of the agreement leading to the termination of BSkyB's programme contract at the end of 1992, BSkyB had agreed to make available the five transponders on the Marco Polo satellite to providers of direct broadcasting by satellite services licensed by the ITC. In April, the ITC invited expressions of interest in taking up DSS licences, on the basis of which it would decide whether or not to advertise.

Twenty responses were received, including a number of specific proposals for providing different types of service. After careful consideration, the ITC reluctantly concluded that none of the proposals would have resulted in applications which, if made, would have been able to satisfy the requirements of the Act. It was announced in July that DSS licences would not, therefore, be advertised, although the possibility of doing so in future was not ruled out.

In the course of the year, the ITC granted a total of 29 new licences, 14 of them for non-domestic satellite services and 15 for licensable programme services.

Non-domestic Satellite Services

MTV Europe
Olympus/Greensat
Sky Movies Plus
Sky One
Sky News
JSTV
European Sports Network (Screensport)
Kindernet
Lifestyle
The Children's Channel
Sell-a-Vision Shopping
Superchannel
Bravo
Discovery Channel (Europe)
The Parliamentary Channel
Channel e
Middle East Broadcasting
The Movie Channel
Sky Sports
Asian Television Network
The UK Channel
Visual Arts
Supersell
Sky Movies Gold
TV3 Denmark
After 12
TV Asia
The Adult Channel
London Live Television
TV1000
China News Europe
The Learning Channel
The European Family Christian Network
UK Gold
Ahmadiyya Muslim Presentations
Namaste
Regal Shop
Satellite Information Services - Racing Facts
Intershop
International Shopping Network
Kanal 6
Quantum Home Shopping
ASTV Sports
ASTV Daytime
TV Shop

Licensable Programme Services

Channel Guide
Hellenic Television
Landscape Channel
Grapevine
Home Video Channel
Asiavision
Channel 15
Multi Screen Channel
Arcade
Quest 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 (Windsor)
Community Channel
CNN International
The Afro-Caribbean Channel
The Arabic Channel
Education & Training Channel
Star Television
CBP Sport
The Egyptian Channel
Channel Seven
Local 8
The Skelmersdale Local Channel
Videotron Channel
'Cable 10'
British Greek Community Channel
The Education Channel
Channel A
The Box
The Ideas Factory
The Ability Channel
The Persian Channel
Leicester Community Channel
GNB TV Network
Performance - The Arts Channel
BVT
ART - Anadolu Radio Television
Identity Television
Royal Opera House Channel
Network 021
Visitor's London

Cable and Satellite Licensing

For the second year running, no new local delivery franchises were advertised. Most of the UK had already been franchised by the Cable Authority and the cable industry still had a great deal to do in finding the finance necessary to implement the franchises already awarded. No strong and firm proposals were put to the ITC for new areas to be advertised, though preliminary discussions were held about the possibility of certain areas being advertised in the future.

Licensing Process

Unlike that for terrestrial television, the licensing approach for cable and satellite programme services is based on the premise that, in practical terms, there is no finite number of outlets for such services and that there is accordingly no reason why the

number of licences granted should be limited.

Against this background, the ITC continued the process of granting licences virtually on demand. Save in the cases where an applicant is prohibited by law from holding a licence or the ITC considers that the applicant is not a fit and proper person to do so, an application may only be turned down on the grounds that the proposed service would appear to the ITC to contravene the provisions of Section 6 of the Act, the "consumer protection" requirements. In the circumstances, the licensing process is a simple and speedy one.

Subject to the above, it is not for the ITC to specify the nature of the service or any elements of its content. Licence applicants are, therefore, free to decide for themselves how general or how specialised a programme service they wish to provide, the hours each week

or day it will be available and how it is to be financed. It is for the providers of cable and satellite programme services to determine particular audience needs and, therefore, to offer the kind of service for which viewers are likely to be prepared to pay. By doing so, they are broadening the choice of available programmes and meeting the needs of various minority interests and groups - including ethnic communities - who may well be underserved by broadcast television.

New Licences

In the course of the year, the ITC granted a total of 29 new licences, 14 of them for non-domestic satellite services and 15 for licensable programme services. Two were issued only after the Commission had made a determination (under Schedule 2 of the Act) that it was appropriate that a particular religious body should hold

- 1 MTV
- 2 Bravo
- 3 The Adult Channel



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One of the first NDS licences awarded to a religious body was for the European Family Christian Network.



such a licence. The first was for the European Family Christian Network, a satellite television service proposed by Morris Cerullo World Evangelism; and the other was for Ahmadiyya Muslim Presentations, a more limited service centred around satellite transmission to the faithful of the sermons of the Supreme Head of the Ahmadi Muslims.

Five licences were revoked in the course of the year, on the grounds that the licensee no longer wished to retain the licence or to pay the appropriate fee.

This brought the total of licences in force on 31 December 1992 to 45 satellite licences and 51 licences for licensable programme services. Roughly two-thirds of these licences were being used at the end of the year; the remaining one-third included some which might never reach the point of becoming operational.

Satellite and Cable Licences - Definitions

Domestic Satellite Service (DSS)	A satellite television service transmitted from the UK using frequencies designated for broadcasting use. There are currently no examples of such a service in operation.
Non-domestic Satellite Service (NDS)	A satellite television programme service transmitted from the UK using frequencies other than those designated for broadcasting use. All the British channels on the Astra satellites are of this kind.
Licensable Programme Service (LPS)	A television programme service provided in the UK for distribution over cable systems, without using UK satellite transmission. Also covers large screen television presentations, such as football matches relayed to the away club's home ground.
Local Delivery Service (LDS)	A service using a cable or microwave system for the purpose of delivering television or radio services to two or more homes, licensable by the ITC only if more than 1,000 homes can be served.
Prescribed Diffusion Service (PDSL)	The forerunner to the local delivery service, involving a cable system capable of serving at least 10,000 homes, originally licensed by the Cable Authority after a competitive process.
Cable Diffusion Service (CDL)	A service providing television services over older cable systems, or those capable of serving less than 10,000 homes, originally licensed without a competitive process and now in a cable (LDS or PDSL) franchise area.
Local Delivery Service (transitional) (LDT)	As for a CDL, but not in a cable franchise area.

Programme Services

Quality and diversity

This chapter offers an overview of the television programme services regulated by the ITC – ITV, Channel 4, cable and satellite. 1992 was the final year in which the ITC approved schedules in advance for ITV and Channel 4 (and BSkyB's DBS services) and, as necessary, previewed programmes.



The Granada 500 was one of the popular 'meet-the-people' format programmes covering the General Election.

ITV

Despite the fundamental changes underway in the structure of ITV, viewers were far from disadvantaged in 1992. In many ways this was a year of real achievement.

News and Factual Programmes

Early in the year, ITN reports on the onslaught of Dubrovnik by the Serb-dominated Yugoslav Army contained some of the most powerful news footage seen anywhere from the war. The material subsequently won the principal award at the Monte Carlo

maintained

ITN's pictures of conditions in Serbian detention camps had a dramatic impact.



Television Festival. ITN pictures shot during August revealed conditions in Serbian detention camps and had a dramatic impact, prompting comments from President Bush and John Major. Another vivid report on an ambush of a bus carrying children away from Sarajevo, in which two infants were shot dead, was included in an early-evening bulletin on a Sunday. The pictures caused some viewers to complain to the ITC but after due consideration the complaints were not upheld: the report was powerfully in the public interest.

The other main foreign news stories of the year were the American

Presidential Election and the famine and war in Somalia, which ITN fully covered. On the domestic front, the economy, the Royal Family and politics dominated. When a General Election was called for April, ITN dropped its previous dependence on the stopwatch as the main measure of fair play. This helped it to avoid the more artificial events that had tended to distort television's election coverage, without any loss of political impartiality. The rescheduling of the 1992 Party Election Broadcasts (PEBs) on ITV to 6.55pm (previously carried at 10.00pm) greatly increased the numbers who viewed them and avoided the need to disrupt the main

election coverage on *News at Ten*. Some PEBs caused controversy about their production techniques and talks have begun with the parties to establish voluntary guidelines about their contents in future.

Election night confounded the opinion polls and for some time the network results programme continued to predict a hung Parliament. Nevertheless, in spite of a few errors which were quickly corrected, ITN's results programme, anchored by Jon Snow and Alastair Stewart, made imaginative use of graphics and provided a faster results service and a more accurate exit poll than the BBC.



First Tuesday's 'Katie and Eilish' was an award-winning portrayal of an Irish family with Siamese twins.

The General Election was well covered in other factual programmes. Audiences seemed to prefer the spontaneity and effectiveness of 'meet-the-people' formats, such as *The Granada 500* and Sue Lawley's *Can You Solve My Problem?*, to the formal party leader interviews in *This Week* and *Walden*.

Amid much press speculation about an imminent decline in standards of current affairs on ITV the two main strands, *World in Action* and *This Week*, responded with strong and popular editions. *This Week* made a particular impression with newsworthy editions on allegations of a British Airways 'dirty tricks' campaign against Virgin Airlines and the first major interview with Paul Henderson, former Matrix Churchill executive at the centre of the arms-to-Iraq affair. *World in Action* achieved its highest audience in recent times – over 10 million – with a two-part story 'Homeless Hero' on the violence and misery of life on the streets. The ITC intervened in an edition on MPs' business interests, shown shortly before the General Election in April, to ensure that due impartiality and the provisions of the Representation of the People Act were observed.

The monthly documentary strand *First Tuesday* produced 'Katie and Eilish', an exceptionally moving and sensitive portrayal of an Irish family with Siamese twins. *Viewpoint*

documentaries contributed fine films during the year on environmental and international topics. *The Cook Report* continued its popular investigations, two of which were notable: a reconstruction of the so-called 'friendly fire' incident during the Gulf War and a special edition about 'ethnic cleansing' atrocities in former Yugoslavia. The latter was shown in the early evening and, because it contained some distressing scenes, was previewed by ITC staff. Though marginal for family viewing time, the scenes were necessary to tell an important story and the programme was approved. Related considerations were involved in approving the opening edition of a new fly-on-the-wall documentary series *Murder Squad* which included scenes at the discovery of the murder of an elderly man.

Day-time factual programmes maintained a generally high standard; *The Time, The Place* retained its reputation as one of the best live current affairs programmes on television. A sequence of editions of the popular live magazine show, *This Morning*, prompted viewer complaints and an ITC intervention. Several sex-related items were tasteless and demonstrated lack of editorial judgement.

Drama

Drama on television is a high-cost commodity, leading to a tendency to rely upon the tried and trusted. The drama backbone of the schedule continued to be the long-running drama serial, with as many as eight a week. All peak-time serial drama continued to be home-grown, including the highly popular *Coronation Street* and *The Bill*. The more occasional drama strands contained few surprises, with crime, as usual, to the fore. Detectives Morse, Poirot, Wexford, Dalgleish and Taggart were joined or replaced by Sam Saturday, Jack Frost and Maigret. Programmes such as *The Guilty*, *Prime Suspect II* and *Fools Gold*, although high in production values, represented more of the same crime and detection theme. Even *Rumpole of the Bailey* seemed more concerned with serious criminal themes such as child abuse and murder.

Two notable exceptions came respectively from Granada with *The Cloning of Joanna May* and Thames with *Anglo-Saxon Attitudes*. Neither was likely to appeal to all tastes and both contained frank elements of sexual portrayal which upset some viewers. Both were, however, outstanding in terms of imagination, boldness and accomplishment. *Anglo-Saxon Attitudes*, in particular, was one of Thames' finest productions.

The theme of crime and detection returned again in the one significant genre development: drama-documentaries on real-life crimes. Early in the year Edward Woodward presented *In Suspicious Circumstances*; later came Michael Winner's *True Crimes* and the *Crime Story* series. This development caused the ITC some concern and it undertook a programme of audience research and canvassed the views of its Viewer Consultative Councils. The ITC concluded that there was no evidence of widespread viewer concern about the genre or individual programmes. Nevertheless,

Comedy has been identified by ITV as its Achilles' heel and it seems unlikely that any major popular success or future award winner emerged during 1992.

1 *Men Behaving Badly*, winner of Best ITV Situation Comedy at the British Comedy Awards.

2 *The Cloning of Joanna May*, one of the year's outstanding dramas in terms of imagination, boldness and accomplishment.



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it was clear that programme-makers had a duty of continuing sensitivity to the feelings of victims' families and friends; and that the more recent the real-life events the more important it was that the programme had a clear justification, such as new evidence or other significant developments. LWT, the producer of most of the programmes at issue, confirmed a policy of seeking full consent from the immediate family of a victim and consultation with them in the period running up to transmission.

Comedy and Light Entertainment

Comedy has been identified by ITV as its Achilles' heel and it seems unlikely that any major popular success or future award winner emerged during 1992. There were one or two promising newcomers, however. Tyne Tees (a company hitherto hardly associated with network situation comedy) surprised with an excellent new series, *Firm Friends*, featuring a nicely-judged inter-racial theme.

Central Television's *Gone to Seed* was another lively new series. Thames supplied, as usual, the comedy backbone of the weekday schedule ranging from the well-tryed (*After Henry*, *Shelley*) to the not yet proven (*Land of Hope and Gloria*, *Me You and Him*). *Men Behaving Badly* won the Best ITV Situation Comedy and Des O'Connor the award of Top ITV Entertainment Presenter at the British Comedy Awards. The former was the subject of two separate interventions by the ITC during the year when it was felt that the use of bad language was at the limit of acceptability within family viewing time. Thames acknowledged that the series' 8.30pm slot was too early.

Haggard's 18th-century rural vulgarity prompted some complaints as did *Dame Edna's Neighbourhood Watch* with its spotlight on the domestic arrangements of its victims. In neither case did the ITC intervene, since it was clear that audiences in general enjoyed the good humour of the proceedings. More difficult was

the children's version of *Blind Date* which featured in the 1992 *Telethon*. The ITC shared the concern of several viewers about possible exploitation of the young contestants in the context of a show whose theme was more appropriate for adults. In the Christmas edition of *Blind Date*, LWT adopted a more sensitive approach matched more closely to the interests of the children themselves.

The most serious incident of the year, in terms of offensiveness, arose with an edition of *Spitting Image*. In this case, public reaction had more to do with a sensational article in a Sunday newspaper than with the actual content of the programme. Nevertheless, the programme included a puppet of Jesus Christ which, although moderately characterised and not itself the subject of satirical treatment, clearly offended a number of Christians. The ITC made it clear to Central that in future editions the greatest care should be exercised to take account of deeply-felt religious sensibilities. The puppet of Jesus did not reappear.

Sport

Failure to win the contract for coverage of the new soccer Premier League was a severe blow to the ITV companies and numbers of football fans. ITV had built a deserved reputation for its live soccer coverage, its Sunday afternoon programmes regularly attracting eight million or more viewers. A large gap was left in ITV's network sports coverage which proved difficult to fill. Later in the year ITV concluded an agreement with the re-vamped Football League for live coverage of First Division soccer matches on a local basis and there was some networked soccer, such as the Coca-Cola Cup and European competitions. Other regular ITV sports, such as athletics and boxing, continued to be covered on the network to the customary high standards.

Children's Programmes

In recent years, ITV's increased dependence on animated material has been a source of concern to parents and teachers. Much, however, has been of UK origin and of high quality. It is also very popular with young viewers. Amounts of imported cartoons will

continue to be carefully monitored, to ensure that a proper balance of entertainment, drama and information programmes, acquired and home-produced, is maintained.

ITV's provision has included some excellent drama and factual magazine programmes, much of the credit for this going to Thames and TVS. Thames was the largest producer of quality children's programmes on ITV and was also responsible for a number of quite exceptional animated films and series through its subsidiary, Cosgrove Hall. The most recent was an adaptation of a Terry Pratchett story *Truckers*. New Thames children's dramas included the science fiction *Time Riders* and the costume comedy *Tales From the Poop Deck*. Thames' long-running pre-school series *Rainbow* ended this year and deserves special mention for the delight and educational stimulus it has given to very young children over more than two decades. The contribution of TVS to informative, factual and entertainment magazines was also considerable, as in previous years. The growing appeal of *Art Attack* and *How 2* and the popularity of the new Saturday morning show *What's Up Doc?* (produced by Scottish Television out of TVS studios) were fitting reward for the effort and investment in this area.

Also worthy of note was a new drama *Wilderness Edge*, shot entirely on location in the Lake District and broadcast in an experimental widescreen format; and the sensitive handling of a sex abuse storyline in the popular drama *Children's Ward*, which was previewed by ITC staff.

Education

Thames won the Prix Europa for the third time in four years with *A Small Dance*, a moving drama about underage pregnancy, which attracted 11 million viewers and was supported by telephone helplines and various publications. *Hooked* provided an

1 *Rainbow* ended this year after more than two decades.

2 *How 2* - one of the new successful informative factual and entertainment magazines for children.



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The South Bank Show continued to make excellent profiles of leading figures in the arts and popular culture.

Serving a variety of potential audiences, from committed believers to confirmed sceptics, is an ever-present challenge for religion on mainstream channels.

impressive analysis of the roots of addiction. Its impact was matched by *Aids Update 92*. Other notable programmes included *The Kennedys* and *A Winter War* which examined the long-term effects of the Falklands war on residents, combatants and their families; and two contributions from Yorkshire Television, *The Last Cigarette*, a light-hearted appeal to smokers, with an associated telephone helpline and *China Rising*, a sombre study of the rise of the People's Republic.

All of these were supported by publications and other activities set up by community education officers in each ITV region, forming the largest and most effective network of its kind in Europe. The popular weekday magazine *This Morning* (Granada) continued to include regular short educational items backed by publications. Although the ITC's own publication highlighting upcoming programmes, *TV Take-Up*, came to an end, the ITV Association, with ITC encouragement, completed a new resource pack for educational users of television, *View to Learn*.

Science

There were no pure science programmes or series, a genre from which ITV has shied away. Instead,

scientific, and particularly medical, themes were regularly covered within mainstream news, current affairs and documentary programmes. Good examples were the two-part *Viewpoint '92* documentary on the ageing process and attempts by scientists to control it and *World in Action*'s two controversial programmes on the possible health risks posed by silicone implants.

Arts

The South Bank Show broadened the range of its subjects to encompass leading figures in the world of popular culture such as Lenny Henry, Pet Shop Boys and George Formby, as well as a dramatic reconstruction of Sir Arnold Bax's life and profiles of two dancers from the Royal Ballet. Towards the end of the year a *South Bank Show* special examined the career of Sir Richard Attenborough. The arts were also extensively covered in regional programmes.

Religion

Serving a variety of potential audiences, from committed believers to confirmed sceptics, is an ever-present challenge for religion on mainstream channels. Network ITV continued to provide three distinct types of religious

output: worship, factual and entertainment programmes.

The first of these has usually taken the form of a church service, *Morning Worship*, ITC policy being that this should consist of 'live' broadcasts which in the course of a year reflect as far as possible the denominational make-up of the UK. A number of companies have successfully enhanced such services for the viewer, for example by the sensitive use of pre-recorded inserts, whilst preserving the integrity of the event itself. The role of the producer is essential in ensuring that clergy and congregation can give of their best, but this has not always been achieved.

Tried and tested series such as *The Human Factor*, *Encounter*, *Visions* and *Highway* have played a major role alternating with other, shorter series. In general, familiarity rather than innovation has been the rule. Just how difficult it may be to balance the two was demonstrated by the flood of correspondence to the ITC following press reports about the demise of the 6.40pm Sunday slot in 1993 (see Chief Executive's Review). Whilst many of the letters received were clearly part of an orchestrated campaign, the volume of correspondence showed that many viewers valued a religious programme at that time and *Highway* in particular.

ITV's effectiveness in social and community matters was clearly demonstrated by the sustained response to Community Service Announcements.



The wide variety of British cultural traditions were reflected by local programmes like *Craig, Millar and Cosgrove at the Festival*, from Scottish Television.

Regional Programmes on ITV

ITV companies transmitted a wide range of regional programmes during 1992, with many providing local programmes to sub-areas within their regions, ranging from short news opt-outs to entirely separate programmes. This was of particular value during the General Election which also saw new local programming initiatives, such as Granada's *On The Knocker*. In many regions there was close co-operation with Independent Radio to gather results and comments.

The year also saw the controversial announcement of proposed pit closures, which prompted special local coverage by Yorkshire Television, Central, HTV and Tyne Tees. Other major news events called for skilled and informed regional reporting such as the Severn Tunnel rail disaster and the constitutional controversy in Jersey. Grampian comprehensively covered major long-running stories about allegations of child abuse in Orkney and the plight of BCCI victims in the Western Isles following the bank's collapse. The use of subtitling for people with impaired hearing increased, notably in news bulletins.

ITV's effectiveness in social and community matters was clearly demonstrated by the sustained response to Community Service Announcements. Another example has been the high response to the

Crimestoppers series. In the Anglia region, for instance, an average of three arrests were made each week following *Crimestoppers*.

Local programming reflected the wide variety of British cultural traditions, for example, Scottish Television's coverage of the Edinburgh International Festival in *Craig, Millar and Cosgrove at the Festival*; Grampian Television's coverage of musical specials (broadcast simultaneously in stereo by Scotland's ILR stations); Ulster Television's two popular series about the countryside and country people, *McGilloway's Way* and *Once Upon a Place*; and in Wales, HTV's programme on the life of Sir Geraint Evans who died during the year.

Independent producers contributed to the variety and style of regional output, from a controversial programme for Tyne Tees Television about the Hare Krishna movement to a local arts series for Anglia drawing out idiosyncrasies of the region. Access to television has also been provided for aspiring programme-makers with series like *First Cut* (Central) and *First Take* (Anglia).

Particular credit is due to the outgoing ITV contractors, Thames, TVS and TSW, for continuing to serve their regional audiences in difficult circumstances. Detailed comment on regional programmes formed a vital

An Anglia *Crimestoppers* reconstruction.



part of the contribution of the ITC's regional VCCs, particularly during the transition towards the new licensing period and (in some regions) new licensees.

TV-am

Despite an understandable wind-down during the year, TV-am's easy-going style and familiar faces continued to attract audiences of over two million. Its dedicated news service, which had achieved high standards of authority and credibility, was replaced in the spring with a competent contracted-out service supplied by Sky News.

David Frost's news-making political interviews for TV-am ended halfway through the year with interviews with Margaret Thatcher and Neil Kinnock. Frost returned for a valedictory edition at the close of the year before taking his successful Sunday programme to the BBC.

One item in TV-am's regular *Fun in the Sun* holiday slot on Turkish Northern Cyprus incensed the Greek Cypriot community in Britain, prompting over 100 complaints to the ITC and a demonstration at TV-am's studios. The report in question, though distressing to displaced Greek Cypriots, did not breach the ITC's Programme or Advertising Codes.

Independent Productions on ITV

The voluntary initiative agreed with the Government in 1987 set a target of 25 per cent of all qualifying programmes to be made by independent production companies by the end of 1992. As a result, there has been a steady growth in the hours of programmes transmitted on ITV which

have been made by independent producers. Since 1987, 5,378 transmitted hours of new programmes worth £428 million have been commissioned from independent producers. In 1992, new programmes commissioned totalled 1,375 transmitted hours of which 691.5 were shown on the network and 683.5 were shown regionally. The total value of these programmes exceeded £116 million. Independent productions on ITV provided 22 per cent of qualifying programmes in the year under review. From 1993, ITV (and Channel 4) will need to meet statutory requirements for independent productions. New mechanisms for central planning and commissioning of networked programmes and the fact that two new licensees (Carlton and Meridian) will commission almost all of their productions should ensure that there will be no difficulty in complying with the new requirements. None the less, the ITC will continue to monitor progress.

ITV Support for the Arts and Sciences

ITV continued to provide considerable support for the arts, sciences and education throughout 1992. Certain grants were made centrally, for example, to the National Museum of Photography Film and Television, the National Film Archive and the Regional Theatre Young Directors Scheme. These represented a sum of approximately £400,000.

Other grants and donations, previously donated centrally, were made at the discretion of each ITV company for the period 1 August 1991 to 31 December 1992. These grants amounted to over £600,000 and were made to such organisations as the National Film and Television School, Ravensbourne College of Design and Communication,

The Actors Centre, the British Film Institute and the Cinema and Television Benevolent Fund.

In addition to these national bodies, grants continued to be given on a regional basis to organisations local to each ITV company.

Charitable Appeals on ITV

During the year, 67 charities applied for 12 free five-minute Sunday appeal slots on ITV. Applications were considered by the Central Appeals Advisory Committee (which also advises the BBC) whose recommendations were then submitted to the ITC for formal approval. Successful applicants were St Elizabeth's School and Home, ASBAH (Association for Spina Bifida and Hydrocephalus), SANDS (Stillbirth and Neonatal Death Society), Alzheimer's Disease Society, British Sports Association for the Disabled, National Listening Library, National Schizophrenia Fellowship, Prisoners Abroad, Down's Syndrome Association, Family Planning Association, Legal Assistance Trust and Sick Children's Trust. The appeals were networked throughout the UK, except for Scotland and Northern Ireland where separate committees made recommendations on behalf of locally-based charities. An appeal for Africa by the Disasters Emergency Committee (also carried by the BBC) raised in excess of £17 million.

From 1993, decisions on charitable appeals will be a matter for Channel 3 licensees themselves. Although the Central Appeals Advisory Committee will continue to advise the BBC, its advisory role with the ITC ceased at the end of 1992, as did that of the Scottish and Northern Ireland committees.

Channel 4 News is one of the most thorough and best appreciated news programmes on British television.

Channel 4

As required by the Broadcasting Act, Channel 4 addressed different tastes and interests from those targeted by ITV; and encouraged innovation and experiment in programmes.

Factual Programmes

Channel 4's coverage of the General Election successfully complemented ITV's election programmes.

Throughout the year *Channel 4 News* focused on politics, economics and foreign news in depth, with the main story frequently taking up the first 20-minute segment. It remains one of the most thorough and best appreciated news programmes on British television.

In current affairs the year contained a number of difficulties and disappointments. It was overshadowed by legal actions arising from an edition of *Dispatches*, 'The Committee', transmitted in October 1992, in which an anonymous source alleged collusion between Northern Ireland security forces and Loyalist paramilitary groups. Contempt proceedings were instituted in an attempt by the RUC to force Channel 4 to reveal the identity of the source. The action resulted in a £75,000 fine for Channel 4 and the production company, Box Productions. A separate action for perjury was later brought against one of the programme's researchers, but this was subsequently dropped.

Although the ITC had previewed the programme and approved its transmission, it was not directly involved in the legal actions. However, the ITC was obviously concerned at the issues raised, particularly the need to protect sources whilst ensuring the highest standards of accuracy and credibility in the notoriously difficult but important area of reporting on Northern Ireland. Another edition of the same series, a profile of the Peruvian terrorist group Sendero Luminoso (The Shining Path),



prompted a number of complaints that it was unduly sympathetic to that organisation. Channel 4 later made changes to the programme for a subsequent showing.

A short series, *The Big Picture Show*, was a brave but not altogether successful attempt to attack large issues, with senior print journalists questioning expert witnesses and then forming their own conclusions and solutions. There were a number of avoidable problems with bad language in the documentary series *Cutting Edge* and *The Falklands War* in their early evening repeat slots. These prompted complaints to the ITC and the BSC. Pre-vetting procedures at Channel 4 were strengthened as a result.

One of the more controversial programmes in a lively year for *Cutting Edge* was a portrait of the House of Lords – the first of its kind. Some peers expressed concern that this was an insufficiently serious portrayal of the Upper House. The ITC found no evidence that peers or officials had been deliberately misled about the programme's content or approach. Elsewhere, the documentary series *Female Parts* presented refreshing, if occasionally rather provocative, insights into aspects of women's lives, and *Secret*

History continued its well-researched investigations into events earlier this century. A major series, *The Germans*, opened the year and other newcomers included *Devil's Advocate* (part of Channel 4's impressive multi-cultural output) played by Darcus Howe, and topical comment in the initially unpromising *Stab in the Dark*. *Court TV*, repackaged from the US court cable channel, proved an interesting innovation and featured a number of topical trials. The generally excellent magazine for gay men and lesbians, *Out*, ended its run in series form this year. Controversial when it first started, *Out* gained critical respect and a wider audience with time and familiarity.

There was a welcome extension to the run of *Free For All*, the access programme in which individuals and groups make films about topical matters in which they have a direct interest. ITC staff previewed one such report by and about the Animal Liberation Front but concluded there was no risk of incitement to crime or violence. The 'alternative' current affairs strand *Critical Eye* featured some controversial stories, including a survey of Britain's lowest paid workers and the role of fathers in families.

Drama

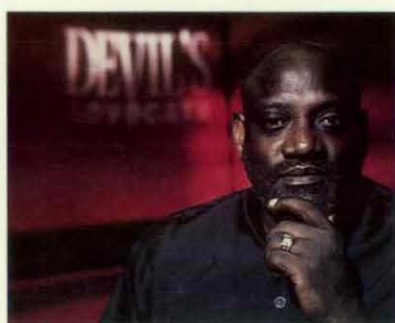
It was a somewhat disappointing year for drama on Channel 4. There have been fewer new *Film on Four* successes to compare with previous years and no critical triumph to compare with *GBH*. Two productions which might have been expected to do well were *The Camomile Lawn* and *The Big Battalions*. The former was notable mostly for the unexpectedly robust vernacular of its upper-class characters and the frankness of its sex scenes; in neither respect did the ITC find it unacceptable, scheduled late in the evening beyond family viewing time. The latter, with complex international cross-plotting in the style of a previous Channel 4 success,

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1 *Female Parts* provided a refreshing insight into different aspects of women's lives.

2



2 *Devil's Advocate* with Darcus Howe, was part of Channel 4's impressive multi-cultural output.

Traffik, disappointed after a strong opening episode.

Some of the best new drama on Channel 4 turned up in the returning series of short plays by new writers *He-Play* and *She-Play* (for young viewers) and in the series *Short and Curlies*. *Brookside* remained a mainstay of the schedule. Two episodes early in the year caused concern to the ITC, in both cases because of the use of knives before 9pm. (The ITC Programme Code gives specific guidance on scenes in which knives are used as weapons.) In one of the *Brookside* cases, the episode was acceptable at 8.30pm but required editing for the Saturday afternoon repeat when children were more likely to be viewing. In the other,

a scene was unacceptable to the ITC at either time and was re-shot.

Entertainment

There was a strong transatlantic flavour to Channel 4's entertainment programming. Of the 30 or so acquired American series scheduled during the year, the great majority were comedy series with many played in peak-time. Transatlantic comedians also featured in other programmes, notably *Just For Laughs*, *Whose Line Is It Anyway?* and *The Big One*. American comedian Bill Hicks made a strong debut in *Bill Hicks Relentless*, a programme whose late scheduling did not prevent complaints from a number of viewers

startled by the graphic content of his material. The high quality of his comic observation, however, helped considerably to alleviate the possibility of wider offence.

Other comedians were given an opportunity to shine. Jack Dee and Sean Hughes quickly established a television following with their contrasting styles of humour and Paul Merton, also in his own series, consolidated early success. Different flavours again came from Vic Reeves and Clive Anderson in their respective programmes *Vic Reeves' Big Night Out* and *Clive Anderson Talks Back*. Less successful were Channel 4's efforts to find a format for Julian Clary with *Desperately Seeking Roger* and *Terry and Julian*. *Drop the Dead Donkey* and *Desmond's* continued with new series – both of them now accomplished situation comedies which have received major awards. The range of comedy overall on the Channel was remarkable and demonstrated a continuing ability to recognise new talent and build successfully upon it.

There were occasional regulatory difficulties involving entertainment programmes on Channel 4. *Tonight with Jonathan Ross* featured an interview with Grace Jones whose sexual comments would have been barely acceptable even late at night. The programme had been scheduled at 6.30pm and was sharply criticised by the ITC. Channel 4 at once acknowledged its unacceptability and took immediate steps to ensure that the provisions of the ITC Programme Code were respected in the two remaining programmes of the series.

Episodes of *The Word* (part of Channel 4's youth output) escaped censure only because of the extreme lateness of their scheduling and the consequent unlikelihood of general offence. None the less, it was the ITC's view that the programme's standards of technical competence and editorial judgement fell below what viewers, including the youth audience for which it was intended, might reasonably expect.

Education, Science and Environment

Channel 4 organised a national *Disabling World* season which included *People First* and the *Year of the Patronising Bastard*. An ambitious global review of childhood, called *Childhood*, was backed by an excellent support publication, requested by over 2,500 viewers. Viewers' understanding and study of history were also encouraged by the archeological magazine programme *Down to Earth* and a major review of the Palestine-Israel conflict in a season of documentaries and films entitled *Maps and Dreams*. Meanwhile, *Fragile Earth* returned to explore a wide range of environmental issues, while an eight-part education series the *Spirit of the Trees* provided an in-depth study on the importance of trees to the environment. Stephen Hawking's *Brief History of Time* marked the launch of the Channel 4 Science Club. Three new strands of programmes aiming to encourage active citizenship, *Class Action*, *Food File* and *Our Backyard*, showed a refreshing new direction.

Scientific and environmental issues regularly found a place in Channel 4's news and current affairs programmes, two examples were an edition of *Scottish Eye*, which looked at the conservation of red deer in Scotland, and a programme from the *Dispatches* series which reported on moral and legal dilemmas arising from genetic engineering. In addition, the Channel transmitted specialist series, notably the *Equinox* programme which reported on scientific and medical matters ranging from whether individuals are born homosexual to the theories of antichaos.

Sport

Channel Four Racing, with its well tried team of commentators and presenters, provided flat racing and National Hunt coverage throughout the full 12 months. Channel 4 also continued to provide good coverage for followers of American football, of cycling, especially for its full daily reports on the Tour de France, and also of Italian league soccer which surprised many with its popularity in the second half of the year.

Children's Programmes

Channel 4 had an exceptional year in children's programmes with two awards at the Prix Jeunesse international children's festival and an Emmy for its 'special needs' strand *Beat That*. However, the ITC was concerned about an acquired drama, *But He Loves Me*, which was aimed at teenagers and scheduled in the late afternoon. It contained scenes of violence which were not acceptable at that time.

Beat That won an award at the Prix Jeunesse international children's festival.



Religion

Channel 4 was required to provide a weekly minimum of one hour of identifiable religious material. In line with its remit, a number of religious programmes in a sceptical vein were evident during the year. The benefits of such an approach were apparent in the series *Beyond Belief* in which religious faith was 'put on trial' by humanists, resulting in robust and convincing arguments from both sides. In other areas the scepticism seemed rather narrowly focused: the attitude of the Roman Catholic Church towards sexuality, for example, was the subject of a number of programmes, whilst other religious traditions escaped such detailed scrutiny.

Arts

The Channel's tendency to be provocative was clearly visible in its arts programming. The series *J'Accuse* questioned accepted reputations, sometimes with more spirit than conviction, and considered among others St Paul's Cathedral and Lord Olivier. The series *Dark Horses* investigated the influence of sexuality in the work of Michelangelo, Shakespeare and D H Lawrence. *Tights, Camera, Action!*, an innovative four-part series of new dance presented by the distinguished choreographer Lea Anderson, breached the ITC Programme Code requirement that portrayals of sexual intercourse should not be included in programmes scheduled within family viewing time. High points in the highly eclectic series *Without Walls* included a specially adapted version of Harold Pinter's play *Party Time*, whilst during the General Election campaign the programme examined the arts policies of the three main parties.

Detailed planning began for Channel 4 to take over full responsibility for the service for schools from ITV.



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1 *Tights, Camera, Action* an innovative four-part series on new dance.

2 *The Big Breakfast*, Channel 4's early morning weekday service, made an immediate impact on young viewers.

Multi-cultural Programmes

Channel 4's distinctive multi-cultural output included popular Hindi language feature films, which were supported during the year by a documentary series on the history of Indian cinema. The current affairs series on issues of concern to black and Asian communities, *The Black Bag*, responded swiftly to the Ayodhya riots with a well-balanced special edition on the roots of recent Hindu-Muslim tensions in India and reactions from British Asians.

Breakfast Service

In the autumn, the early morning weekday news and information service *The Channel 4 Daily* was replaced by *The Big Breakfast*, a bright, fast-moving entertainment-based programme. Presented, from specially converted lock-keepers' cottages in East London, by Chris Evans, a

talented young presenter from radio, *The Big Breakfast* made an immediate impact with young viewers – many of them new to breakfast television. As the new presenters, including Paula Yates and Bob Geldof, found their way with the hectic live format there were inevitable teething problems – mainly in the area of taste. In general, the programme made an impressive start, offering a novel alternative to the well-established style of the ITV breakfast service.

Schools Service

1992 was a year of change for the schools service, which was the first such regular service in the British Commonwealth, and for 35 years has been supplied by the ITV companies. The ITC is required, under the Broadcasting Act 1990, to do all it can to ensure that the service meets the needs of schools, and in 1992 a new Schools Advisory Committee was

formed to assist in this work. Detailed planning began for Channel 4 to take over full responsibility for the service from ITV.

More than four out of five British primary schools made some use of ITV schools materials in 1992 and an even higher percentage of secondary schools. Still the most popular schools programme in Britain, *How We Used To Live* was in use in 40 per cent of primary schools, as well as in 43 per cent of secondary schools. Major new initiatives this year included an ingenious early primary series *Time for Maths*; a wide-ranging look at Europe through *Geographical Eye* (for 11 to 13-year-olds); and a further series of the award-winning *Starting Out* dramas (personal and social education for 14 to 17 year-olds). A carefully researched study of Irish history made in Ulster *Understanding Northern Ireland*, deserved heavier use by UK secondary schools than it attracted.

Training in ITV

Training in ITV in 1992 was significantly affected by the changing environment in which ITV operates. For the four outgoing contractors the emphasis was on assisting redundant staff to find alternative employment. For other ITV companies purchases of new equipment, delayed pending the outcome of the franchise bids, could now proceed and this resulted in a significant amount of training by manufacturers on maintenance and operation of facilities. Much of the new generation of equipment is driven by computers and computer training was therefore a high priority during the year. Greater use was made of in-house training and the ITV Association's Training Department switched from mainly providing open courses to assisting ITV companies to run courses in-house. Staff also became increasingly multi-skilled with few, if any, barriers remaining between certain job functions.

The reduction in staff numbers and the corresponding expansion of the freelance market continued, although unemployment among freelances remained high. Recruitment of new entrants was a low priority. Most staff recruitment continued to be in areas such as computing, accounting and administration. There was little new entrant training in 1992.

National Training Awards

Channel Television won a National Training Award for its programme of multi-skilling training and a special award for small business sponsored by the *Daily Mail*. Both Yorkshire Television and Granada Television won Regional Commendations.

Skillset - The Industry Training Organisation

ITV recognised some three to four years ago that with the pattern of employment becoming increasingly based on freelances, co-operation with other sectors of the industry was essential. During 1992, an Industry Training Organisation (ITO) was formed to provide an infrastructure for industry-

wide training initiatives. Funding for the ITO came from the industry and the Department of Employment. ITV's share was approximately £60,000 and its role in the establishment of the ITO was substantial.

Freelance Training Fund

The Freelance Training Fund began to have a significant impact, with support being given to the National Short Course Training Programme, the Scottish Film Council, BKSTS, the ITV Association and individual ITV companies. By the end of 1992, the Fund had commitments of approximately £210,000 to meet a variety of skills needs including health and safety, screenwriting, single-camera operations and training in new technology. A significant step forward was taken when members of PACT (the trade association for independent producers) agreed to a levy on commissioned programmes with the proceeds going to the Fund. It is anticipated that this will raise about £500,000 to be added to ITV's contribution of approximately £200,000 a year and Channel 4's of around £100,000.

Training in Channel 4

1992 saw a continued high commitment to training at Channel 4. Internal training was dominated by the need to set up new computer systems which will enable the Channel to be efficient in selling airtime in 1993. Over 200 staff were trained on the new computer software. Sixty sales staff were recruited and trained in the skills necessary to optimise Channel 4 advertising sales.

The development of other staff continued through internal courses in accountancy, supervisory skills and time management for example. French language courses were extremely popular with over 80 staff taking part. The two production training courses for junior members of staff also proved popular. A number of external specialist courses were attended by relevant staff, such as music copyright, Health and Safety legislation and electricity at work.

The needs of ethnic communities and disabled people continued to be high on Channel 4's training agenda. The second ethnic scheme (Fourfit) continued through 1992 and finished on 31 December. All four trainees completed the course and all had jobs to go to in January, an excellent achievement and an indication of the high standard of this training scheme which will run again in 1993. In July, the second Disability Scheme (Fourthought), which will support four trainees for a two-year period, commenced.

Cable and Satellite Programmes

Cable and satellite programme services must adhere to the ITC's Code on Programmes (and on Advertising and Sponsorship), but, unlike ITV and Channel 4, are not subject to any positive obligations concerning either programme content or technical quality.

The licensed services include those carrying a broad range of entertainment (Sky One, UK Gold and Superchannel), those concentrating on feature films (Sky Movies Plus, The Movie Channel, Sky Movies Gold, Bravo and, of more limited appeal, Home Video Channel and The Adult Channel), sport (particularly Sky Sports and Screensport, though Eurosport is widely received in Britain from its base in France), or pop music (MTV Europe, Cable Jukebox and The

- 1 The Discovery Channel.
- 2 The choice for cable and satellite viewers is expanding steadily. UK Gold was one of the new channels to start up in 1992.
- 3 BSkyB secured the rights to live coverage of Premier League football matches.



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Box), and those concentrating on a particular area of interest such as Sky News, The Children's Channel, The Discovery Channel, The Learning Channel, Performance – The Arts Channel, The Parliamentary Channel and Lifestyle.

There are now a growing number of programme services aimed at particular ethnic communities. Four different channels serving Asian viewers were being provided at the end of the year, though two of them – Namaste and Channel A – had limited availability, while the other two, TV Asia and Asiavision, reached a larger audience around the country. In addition to the long-established Arabic Channel on Westminster Cable, the Middle East Broadcasting Centre provided a satellite service in Arabic. A Japanese service continued to be provided for Japanese viewers across Europe. The start of the multicultural television project on London's cable systems produced new programmes for Persian, Turkish, Greek and African-Caribbean viewers, in addition to Asians.

Many cable and satellite viewers had ready access to programme services originating in other countries, particularly in Europe, though services such as CNN and Country Music Television were transmitted from the United States. In this new world of television, there is perhaps diminishing reason for British viewers to remain insular in their attitudes.

Of the available channels, those which started in the course of 1992 included UK Gold, TV Asia, The Adult Channel, Sky Movies Gold, The Learning Channel, Performance – The Arts Channel, and The Box. The choice available to cable and satellite viewers is therefore expanding steadily.

For all but the last day of the year, BSkyB existed not only as the ITC's licensee but as the contractor for the provision of DBS services under the franchise originally granted by the IBA to BSB. As such, it was subject to closer scrutiny in relation to its programme services than would have been appropriate to satellite television services generally, with its programme schedules being approved in advance by the ITC. This status came to an end when transmissions from the Marco Polo satellite terminated on 30 December.

BSkyB continued as by far the most significant provider of satellite television services and it gained most publicity during the year for securing the rights to live coverage of Premier League football matches. This followed the exclusive coverage on Sky Sports of the World Cup Cricket matches from Australia earlier in the year and represented the main justification for translating Sky Sports into a subscription channel with effect from 1 September.

Audience research conducted on behalf of the ITC in broadband cable

homes in October showed Sky One to be the most watched cable and satellite channel, with a viewing share of 10.5 per cent. This represented a significant increase over the past year, though an even more marked increase was achieved by Sky Sports, which became the second most popular of the cable and satellite channels by increasing its share from 3.1 per cent in 1991 to 5.6 per cent in 1992 (or, in those homes which subscribed, to an 8.5 per cent share).

Overall, the ITC's survey of cable homes showed that cable and satellite channels together took a share of 38.6 per cent in October 1992, compared with 35.3 per cent in October 1991. The most popular channels continued to be ITV and BBC1, but Channel 4 and BBC2 slipped to seventh and eighth.

As the audience for cable and satellite programmes rose, the level of complaints about programmes also began to increase from its rather low level. The ITC's major interventions in this field tended, however, to result not from complaints but from the ITC's own monitoring of The Adult Channel which, on more than one occasion, overstepped the bounds of what was considered appropriate for a licensed channel. Another important intervention was in relation to *Die Hard 2* on Sky Movies Plus, which contained elements of violence and bad language unacceptable early in the evening.

Possible changes to the scheduling of *Highway* attracted some 1,460 complaints.



Monitoring

Since the services began, ITV, Channel 4 and the Marco Polo satellite channels have been viewed live or from tapes on a sampling basis by monitors from various ITC departments. Monitors report on all aspects of the services, taking account of the relevant parts of the Broadcasting Act, the ITC's Programme Code and the time of day at which the programmes were transmitted. Monitoring of programmes will continue to play an important part in the ITC's activities. However, from 1993 the monitors will be specialist staff only, monitoring on a sampling basis. The reports produced will contribute to the ITC's continuing assessment of the quality and diversity of the services provided by licensees.

A specific aspect of monitoring which falls to the ITC concerns the proportions of programming which are of European origin or independently produced. For terrestrial services these duties derive from the Broadcasting Act 1990, but the Act contains no similar provisions in relation to cable and satellite programmes. Nevertheless, the EC Directive on television broadcasting requires channels licensed within the EC to ensure, where practicable, that a majority of their programming is of European origin and that at least 10 per cent comes from independent producers.

The ITC's cable and satellite licensees have been notified by the Government that, notwithstanding the absence of provisions from the Broadcasting Act, these requirements apply to them as they apply to terrestrial broadcasters. At the request of the Department of National Heritage, the ITC has obtained the relevant data from its licensees for the period to the end of 1992 and has passed it to the Department, who will take responsibility for publishing it and submitting the information to the European Commission.

Complaints

The table below lists the complaints received by the ITC during the year. The total of 3,601 compares with 1,582 in the previous year. However, the figure includes some 1,460 correspondents who reacted to press reports of possible changes to the scheduling of the religious programme *Highway* in 1993; and 341 viewers complained about the use of a puppet of Jesus in one edition of *Spitting Image*. The volume of complaints also reflects increased public awareness of the ITC as a result of on-screen and other publicity.

Other issues that gave rise to correspondence included a holiday report on TV-am and a *Blind Date* destination, both based on Northern Cyprus, which some 120 Greek Cypriot viewers thought condoned Turkey's occupation of their country.

In 1992, the ITC upheld, wholly or in part, complaints about 36 individual programmes, mainly on grounds of unsuitability for family viewing. A complaints summary is published quarterly.

Complaints about TV Programmes (full year 1992)

	News/Factual			Fiction/Entertainment		
	ITV	C4	C/S*	ITV	C4	C/S*
Accuracy	47	5	2	22	1	-
Impartiality	134	43	2	33	6	-
Sexual portrayal	9	4	-	33	19	-
Language	14	7	1	100	12	3
Violence	13	1	2	25	7	6
Other taste and decency	115	37	5	153	46	4
Racial offence	25	5	1	28	8	-
Religious offence	15	3	1	360	7	2
Scheduling	1,655	7	9	153	11	12
Miscellaneous	231	18	7	118	11	3
Total	2,258	130	30	1,025	128	30

Overall Total 3,601

* Cable and satellite

Note: Not included in the above table are 160 complaints from former BSB customers about aspects of BSB's programme for replacing eligible customers BSB squarials and decoders with equipment capable of receiving Astra services. The majority of complaints were about the standard of the equipment offered.

The volume of complaints also reflects increased public awareness of the ITC as a result of on-screen and other publicity.

Archives in ITV

The ITC took steps, prior to the end of the ITV contracts, to ensure that all ITV companies had made appropriate arrangements for programme archives, both in terms of the preservation of material and of allowing access to it by bona fide researchers. As a result, a number of companies reviewed and improved their arrangements. The ITC was encouraged by the steps taken by the four out-going ITV contractors – Thames, TSW, TVS and TV-am – to ensure that their archives were not lost. TSW, for example, established a Regional Film and Video Archive which it is hoped will have charitable status and will be permanently based in the region. The ITC has also taken a leading role in the Archivists, an Independent Television group which is producing guidelines for maintaining a written archive within a television organisation.

Since 1969, the ITV companies have made annual grants to the British Film Institute, which maintains the National Film Archive, to cover the cost of recording and preserving ITV programmes and of making them available for study purposes. Under the Broadcasting Act 1990 the companies are required to make similar grants in the future, as determined by the ITC.

Analysis of Programme Production and Output

The statistics presented in this section provide a summary of the range of programmes transmitted on ITV and

Channel 4 in the year from 30 December 1991 to 27 December 1992.

Programme Transmissions on ITV and Channel 4

Tables 1 and 2 show the balance between different types of programmes transmitted on ITV (excluding TV-am) and Channel 4. All programmes are included, whether new or repeated, produced by ITV companies, commissioned from independent producers or acquired. In the average week on ITV, 32 per cent of programme hours were informative, 36 per cent narrative, 24 per cent entertainment and sport, and 8 per cent were children's programmes. In addition, TV-am transmitted a weekly average of 23 hours 55 minutes of which 16 hours 47 minutes was news and general interest material and 7 hours 8 minutes was programming designed mainly for children.

There were substantial changes in the balance of the output on Channel 4 compared with the previous year. There was an increase of 4 per cent in the proportion of entertainment programmes transmitted in 1992 compared with the figure for 1991 and the proportion of children's programmes increased by 1 per cent. There was a reduction of 7 per cent in the amount of time devoted to informative material, including news, documentaries and current affairs programmes. There were two principal causes: the introduction of the new early morning show, *The Big Breakfast*, which replaced *The Channel*

4 Daily in September, and an increase of 3.25 hours per week in transmissions. The increase in the number of feature films and TV movies occurred during these extra night-time hours.

The ITV Regional Service

In the year under review, each ITV company was required to produce or commission a minimum number of hours of new programmes designed to be of particular interest to viewers in its own region. Added together, an average of almost 151 hours of regional interest programmes were broadcast each week on ITV. The ITC requirements and the amounts of regional interest programmes transmitted by each company are given in Table 3. Most companies exceeded the minimum requirements. The amount provided by Tyne Tees for the north and south opt-outs was marginally below the required level, but the amount provided for the region as a whole was significantly more than the minimum requirement. As Thames neared the end of the franchise period, it fell below the regional interest target and the overall figure for the year shows a shortfall of 7 minutes per week.

ITV Companies' Productions and Commissions

In addition to their regional provision, ITV companies provided a wide variety of material for network and part-network transmission. In 1992,

new productions and commissions by the ITV companies averaged 54 hours weekly, of which the five largest companies provided 41 hours and the other companies 13 hours.

Sources of ITV and Channel 4 Programmes

The majority of programmes transmitted by ITV and Channel 4 were produced by the ITV companies and ITN or commissioned from independent companies. Charts 1 and 2 show the breakdown of the output according to their sources of origin. On ITV, 39 per cent of new and repeated programmes were produced by the companies themselves, 8 per cent by ITN, and 12 per cent were produced by independents. On Channel 4, 29 per cent of total output was commissioned from independent producers, 13.5 per cent was produced by ITV companies and 9 per cent by ITN.

On ITV (excluding TV-am) 81 per cent of all transmissions were new programmes, while on Channel 4 the proportion was lower at 67 per cent because the figure includes schools programmes, many of which are repeated.

The ITC regulations placed a limit on the amount of overseas acquired material that could be broadcast. At least 86 per cent of all transmissions up to midnight had to be from EC sources or exempted from the quota regulations because of their cultural or educational value. After midnight the proportion required was 75 per cent. In addition, the regulations limited the amount of overseas quota material permitted in peak viewing hours (6.30pm to 10.30pm on Monday to Saturday and 7.15pm to 10.30pm on Sunday) to an average of 4 hours per week. During 1992, Channel 4 kept within the limits. ITV companies exceeded the overseas quota for the period up to midnight by an average of 2 per cent. This was caused mainly by the increase in the amount of overseas material transmitted by TV-am compared with previous years. Within peak time ITV companies broadcast an average of only 2 hours 49 minutes a week of overseas material, significantly less than the maximum. They also remained comfortably within the limit for the period after midnight.

Table 1: Programme Transmissions on ITV*
(weekly average, year ended 27 December 1992)

	Duration Hrs:Mins	Percentage %
News and news magazines	18:45	13.0
Factual material including documentaries and current affairs	21:07	14.7
Social action	0:54	0.6
Adult education	2:09	1.5
Religion	2:11	1.5
Arts	1:20	0.9
Informative	46:26	32.2
Plays, series and serials	31:00	21.5
Feature films and TV movies	20:31	14.2
Narrative	51:31	35.7
Entertainment	26:33	18.4
Sport	8:10	5.7
Children's programmes	11:22**	7.9
Total All Programmes	144:02	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 31 minutes); children's drama and entertainment (9 hours 9 minutes); and information (42 minutes).

Table 2: Programme Transmissions on Channel 4
(weekly average, year ended 27 December 1992)

	Duration Hrs:Mins	Percentage %
News	10:16	7.2
Factual material including documentaries and current affairs	20:47	14.6
Education	7:00	4.9
ITV schools	7:11	5.1
Religion	1:02	0.7
Arts	4:07	2.9
Informative	50:23	35.4
Plays, series and serials	12:08	8.5
Feature films and TV movies	28:06*	19.8
Narrative	40:14	28.3
Entertainment	26:30	18.6
Sport	11:08	7.8
Children's programmes	13:57**	9.8
Total All Programmes	142:12	100

Notes

* Including Film on 4 and Film on 4 International which averaged 1 hour 53 minutes per week.

** This total comprises: pre-school programming (5 hours 11 minutes); and children's drama and entertainment (8 hours 46 minutes).

Table 3: New Production and Commission by ITV Companies for Local Interest (year ended 27 December 1992)

ITV Company	Weekly Average Hrs:Mins	Minimum Weekly Requirement 1992 Hrs:Mins
Anglia: Total	12:38	8:00
East only	4:10	*
West only	4:10	*
Border: Total	6:46	5:00
North only	0:52	*
South only	0:52	*
Central: Total	19:55	14:30**
West Midlands only	5:10	4:00
East Midlands only	5:10	4:00
South Midlands only	5:10	3:00
Channel	6:05	4:30
Grampian	7:18	6:30
Granada	9:04	8:00
HTV West	8:18	7:30
HTV Wales	8:09	7:30
LWT	3:37	2:30
Scottish	11:31	10:00
Thames	5:53	6:00
TSW	7:50	7:30
TVS: Total	14:33	12:30***
South only	5:39****	4:30
South-East only	5:39****	4:30
Tyne Tees: Total	9:07	8:30
North only	0:57	1:00
South only	0:57	1:00
Ulster	8:54	6:30
Yorkshire: Total	11:18	8:15
West only	1:35	0:45
East only	1:35	0:45
South only	0:41	*

Notes

* There was no requirement for local opt-outs in these regions, although the companies concerned chose to produce programmes especially for viewers in these sub-areas.

** A minimum of 7 hours per week to be provided for viewers in each part of the sub-area.

*** 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 main transmitters meant that production levels were higher.

Chart 1 ITV Transmissions (excluding TV-am) New and Repeat 1992

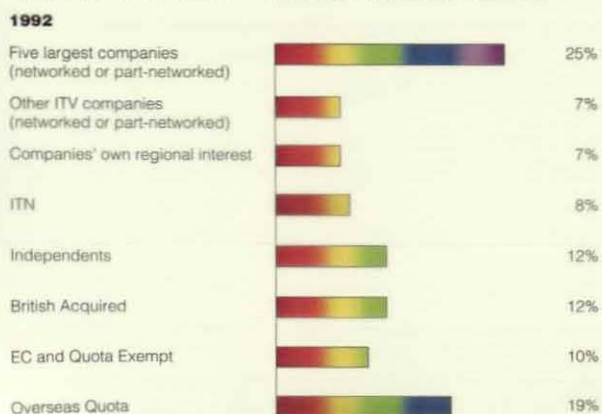
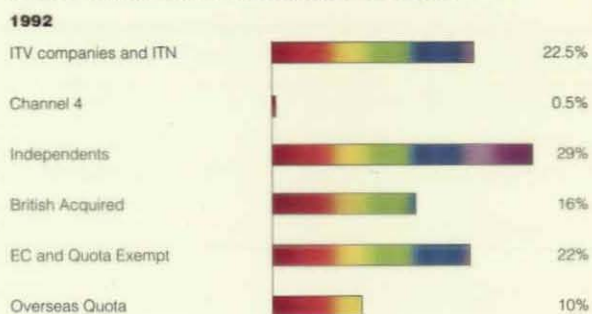


Chart 2 Channel 4 Transmissions New and Repeat 1992



Advertising and Sponsorship

Keeping an eye

This chapter reviews the activities of the Advertising and Sponsorship staff and highlights specific aspects of regulation of these areas.

Advertising Advisory Committee

In September 1992, the Commission considered the consultative arrangements for advertising matters and decided to maintain the Advertising Advisory Committee (AAC) as the main forum for discussion of the rules relating to advertising standards. The AAC also offers advice to the ITC on sponsorship matters. The Committee comprises nominees of a number of consumer, medical and advertising organisations, representatives of both terrestrial and satellite broadcasters, and some members appointed on an individual basis. The majority have no connection with advertising interests. In October, after four years distinguished service, Professor Geoffrey Stephenson retired from the Chairmanship of the Committee and was succeeded by Colin Seymour-Ure, Professor of Government at the University of Kent.

In November, the Commission accepted the AAC's recommendation for a change in the rules applicable to

The rules for advertisements for medicines and vitamin supplements were changed.



advertisements for medicines and vitamin supplements likely to be seen by children. The purpose of the change was to remove anomalies which had been identified in relation to the existing rule, while preserving its central purpose of reducing risks of stimulating children to self-administer medicines.

The AAC also considered draft guidelines setting improved standards for the legibility of superimposed text and captions, and the portrayal in advertising of motor cars and driving.

on the ads

The area of advertising which attracted by far the most adverse comment was for sanitary protection.

ITC guidance notes on these matters, clarifying interpretation of the relevant code rules and incorporating the AAC's recommendations, were issued in April and December respectively.

Among other topics addressed by the AAC were draft rules on sponsorship by religious and charitable bodies, advertising by the nuclear industry and sanitary protection advertising.

Improved standards were set for the legibility of superimposed text and captions.



Complaints

In 1992, the ITC dealt with 3,504 complaints about advertising on television, including teletext, satellite and cable services. Over recent years between 2,000 and 3,000 complaints have usually been received annually. However, it is worth noting that approximately 1,000 complaints received in 1992 related to just two commercials, those for Vespre Silhouettes and Citroen ZX.

Complaints may, to some extent, also have been stimulated by increased ITC publicity for its regulatory functions through, for example, on-screen promotions and advertising in listings journals.

The area of advertising which attracted by far the most adverse comment was for sanitary protection, a total of 742 complaints. In particular, 334 complainants objected to a forthright commercial for Vespre Silhouettes featuring Claire Rayner. A further 17 complainants referred to other brands and 391 complainants simply registered objection to the sector as a whole. The ITC also received some representations from viewers supporting the right of advertisers in this sector to use television. While appreciating that a significant minority find advertising for these products distasteful, the ITC did not consider that there were grounds for regulatory intervention to prevent the broadcast

of any of the commercials shown. At the end of the year, as a commercial decision, the ITV companies decided to cease broadcasting the Vespre advertisement after concluding from extensive viewer research that the style of this particular execution was causing a degree of annoyance to viewers which they wished to avoid.

An advertisement for Citroen ZX, in which a female spy was blindfolded and later released in the course of a secret service operation, prompted 328 viewers to complain. Although there was no overt violence or threat to the female character, who was portrayed as being in control of the situation at all times, many viewers interpreted the treatment as condoning violence to women and referred to recent kidnapping incidents involving motor cars. The vast majority of complaints were received after a popular press columnist had analysed the advertisement in these terms and invited readers to object. The ITC did not consider that it was likely to have the effect alleged and did not, therefore, uphold the complaints.



The ITC required that a Tango advertisement be withdrawn after reports of imitative behaviour causing injuries to children's ears.

However, given the sensitivity of the issue of violence to women and the potential for offence, the ITC asked the television companies to reflect carefully on the reactions received with a view to avoiding, as far as possible, similar ambiguities in future.

An advertisement for Tango, a soft drink, showed an orange-coloured genie slapping a young man vigorously on the cheeks to simulate the taste experience of the product. The

Complaints about Advertising on TV (full year 1992)

	Complaints	Advertisements referred to	Advertisements about which complaints were upheld wholly or in part
Misleading	687	438	30
Offensive	1,655	277	5
Harmful	882	203	6
Miscellaneous	280	191	6
Totals	3,504	1,109	47

advertisement proved so popular with young children that it provoked a spate of imitative behaviour in many parts of the country. The ITC received reports from a number of parents, teachers and doctors of injuries to children's ears arising from this and required the commercial to be withdrawn.

A pressure group concerned about excessive consumption of sugar complained about the long-standing Mars Bar slogan "A Mars a day helps you work, rest and play". After careful review, both of the communications and physiological background to the use of this slogan, the ITC concluded that, even taken in isolation and at a very literal level, the only area for possible objection to the slogan on grounds of misleadingness would be the extent to which the product could be said to contribute to the physiological process of "rest". The scientific evidence presented was not, in the ITC's view, conclusive. However, in the context of the advertising in which the slogan had been used no attempt had been made to present this as a product benefit and it was unlikely, therefore, that viewers would have been misled about the product's properties. While recognising that there was wider concern among some parts of the dental profession about the marketing of sugared products in connection with the risk of dental decay, the ITC made it clear that this was a separate issue which it would not have been appropriate to allow to influence its adjudication on this complaint.

Advertising Sales Practices

During the year, the ITC carried out public consultation on the interpretation of the clause in the Broadcasting Act prohibiting "unreasonable discrimination" in the acceptance of advertisements. In light of this, the ITC confirmed that it would continue to be likely to consider a refusal by ITC licensees to carry advertising for competing broadcasters as "unreasonable discrimination" and also in breach of the condition in ITC licences prohibiting practices prejudicial to fair and effective competition.

The Commission also reviewed its consultative arrangements for commercial aspects of advertising sales practices and decided to replace the existing Advertising Liaison Committee with a broader forum on which, in addition to the ITV companies, other categories of ITC licensee would be represented. The main purpose of the new forum will be to provide an opportunity for exchange of views between the ITC, the advertising industry and the television companies on issues of general concern in the area of television advertising and sponsorship sales arrangements.

Sponsorship

Sponsorship continued to grow steadily in 1992. On the ITV network, sponsorships included the European Football Championship (Sega),



Sponsorship continued to grow steadily.

Inspector Morse (Beamish Stout), *Maigret* (Kronenburg 1664), *Prime Suspect 2* (Peugeot) and *Darling Buds of May* (Tetley Tea). On satellite channels there was also a considerable amount of activity, for example BSKyB's coverage of the World Cup Cricket (no less than four sponsors), its Movie Premier Season (Foster's Lager) and MTV's *Coca-Cola Report*.

The ITC continued to receive very little complaint from viewers and attributes this both to the effect of the Code of Programme Sponsorship in limiting the degree of potential commercial intrusion and the efforts made by television companies and sponsors to produce attractive credits which harmonised with the style of the programmes.

The Code of Programme Sponsorship contains a requirement that no undue prominence may be given, in any programme, to a commercial product or service (whether or not the programme is sponsored). Any reference to such a product or service must be limited to what can clearly be justified by the editorial requirements

of the programme itself. In April, the ITC published two cases where it had concluded that breaches of the code in this and related areas had taken place. The first concerned BSKyB's coverage of the World Cup Cricket Championship, where there were a number of references to sponsors' products and services in the studio element of the coverage, as well as other breaches of the rules governing separation of credits from programming. The second case was ITV's coverage of the 'Grand Opening of Euro Disney' where the responsible ITV contractor was LWT. The ITC concluded that the extent and nature of material of a promotional character had been excessive. Throughout the year the ITC took up with the relevant licensees other more isolated cases of non-compliance or questionable interpretation of the rules and where necessary gave supplementary guidance.

The ITC continued to canvass the views of licensees on development of the Sponsorship Code and expects to publish proposals for a revised edition during 1993.

Control of Advertising Standards

At the end of 1992, the ITC relinquished its remaining direct involvement in advertising copy clearance. Although the ITC will continue to give general guidance to licensees on the interpretation of the Code of Advertising Standards and Practice, pre-transmission decisions on whether to accept advertising will be for the licensees alone.

The vast majority of television advertisements are likely to continue to be cleared centrally by an industry copy clearance secretariat, working on behalf of a number of broadcasters including the regional ITV companies, GMTV, Channel 4 and BSKyB. The ITC will continue to monitor closely the advertising which does appear and will intervene as necessary where it identifies problems. In such cases, the ITC has a variety of remedies at its disposal. It can direct immediate cessation of broadcasting of a particular advertisement, impose scheduling restrictions or, in less serious cases, issue guidance for the future.

Cable and Local Delivery Telephony boo

As reported in the chapter on licensing, the ITC licensed no new local delivery operators during 1992 and the year was, therefore, one of continuing development by the cable franchises awarded by the Cable Authority before the ITC was formed. Another eight cable franchises went live, bringing the total at the end of the year to 58. This is still less than half the total of franchises currently in existence (127) and at the end of the year only 14 per cent of franchised homes had been physically passed by cable.

Finance

Although progress speeded up in 1992, the development of cable continued to be slower than had been expected, due primarily to what was still a shortage of investment finance. The very substantial funding required for the construction of new cable systems has always been in short supply and, in a time of economic recession, sources of such funding continue to be difficult to identify.

This has not affected the cable industry in a uniform manner. Several franchises have sound financial backing from well-resourced corporations and are pushing ahead with substantial amounts of new construction, taking advantage of the lower costs which have resulted from the recession. At the other end of the scale, various companies have been struggling to find the financial backing

which would enable them to start their construction. In between are a number of companies which have had access to some funds, but insufficient amounts to enable them to construct their networks as fast as they would have liked.

The financial difficulties showed signs of easing during the year. The main reason for this was the changing perception of cable as an investment medium, reflecting the encouraging level of business which several operating companies were able to demonstrate. In particular, the value of combining a telephone business with cable television began to be perceived much more widely, not only because telephony added a separate stream of revenue from what were essentially the same construction costs, but because all experience showed that a customer offered a cable telephone as well was more likely to subscribe to cable television.

The new confidence within the British cable industry was demonstrated by the efforts of some existing players, such as Bell Canada Enterprises, General Cable and Diamond Cable, to expand their interests. There were also early indications of fresh interest from financial institutions in the prospects for cable. Warburg Pincus & Co and Bankers Trust reached an agreement with Comcast for the injection of new investment of £70 million into their UK cable franchises. County NatWest took on the task of financing the Leeds franchise on behalf of the Jones Cable Group, with the National Westminster Bank underwriting part of the bank debt.

New confidence within the British cable industry was demonstrated by the efforts of some existing players to expand their interests.

sts cable development



1



2

1 Cabling Westminster.
2 Cable telephony.

Construction

In the course of the year, another 611,272 new homes were passed by cable systems, compared with a total of 515,330 in 1991. This year the crown for building the largest amount of new cable went to Southwestern Bell in relation to their franchises in the Black Country, Preston, Liverpool and Wigan. The franchises in which Comcast is involved (in each case with other partners) contributed the next largest increase in homes passed. Heavy construction programmes were also pursued by NYNEX, Telewest and Videotron. However, Videotron, who had been the largest constructor of cable in 1991, cut back its rate of construction in 1992 in order to concentrate more on introducing telephony into its cable systems.

Telephony

It was indeed cable telephone services which provided the most dramatic boost to cable in 1992. The number of cable franchises providing a telephone

service rose from 10 to 24 and the number of telephone lines installed by cable operators went up from 21,225 to 106,989. The telephone business also developed in other ways, with increasing focus being placed on cable operators installing their own telephone switches in order to reduce their reliance on BT and Mercury and to increase the proportion of call revenue they could retain. It was gratifying for cable operators that in one area of their business at least it was possible to perform well ahead of original expectations. The disadvantage for some operators was that they had allowed insufficient capacity in their networks to provide a service to everyone who wanted it.

Cable TV Statistics 1992

	1 January	31 December
Broadband homes connected	268,812	440,162
Broadband homes passed	1,343,557	1,954,829
Broadband penetration	20.0%	22.5%
*Total homes connected	490,000	617,343
*Total homes passed	2,208,000	2,912,959

Total homes includes all those on SMATV and upgraded narrowband systems.

Enforcement

Because of the way in which financial constraints prevented some companies from building their systems, enforcement continued to be a concern throughout the year. Early in 1992, seven franchises were revoked by the ITC either because the companies concerned could see no way of progressing or because they were finally told by the Department of Trade and Industry that they had run out of time to obtain a licence under the Telecommunications Act. The revoked franchises were for West Dorset, Carlisle, the Isle of Thanet, Tamworth, Hinckley, Burton-on-Trent and Haywards Heath.

For the remainder of the year it fell primarily to OfTel to consider where enforcement action should lie, given that a number of operators were in breach of their build timetables as set out in the Telecommunications Act licence. At the end of the year, the ITC began the process of following up with cable franchisees the implementation of the service proposals contained in their franchise applications.

Technical Standards, Service Planning and Research

Researching

The ITC has responsibilities in the following areas of engineering and technology: maintaining high standards of technical quality and reliability for ITV and Channel 4, ensuring that effective use is made of the radio frequency spectrum available for UK commercial television and managing long-term research and development projects in consultation with licensees. In each of these areas the establishment of technical standards is often involved.

These activities are carried out by a small team of specialist engineers with major projects or studies being contracted out to external organisations.

Technical Quality and Reliability

The Broadcasting Act 1990 established that high standards of technical quality and reliability should be provided by ITV and Channel 4 services. During the year, these standards were required from ITV companies through their programme contracts and from Channel 4 by informal agreement. From 1993 onwards, the requirements are contained in the licences.

The main vehicle of the regulation of technical quality and reliability is the ITC's Technical Performance Code.

Work continued during 1992 to update the code in areas such as satellite news-gathering and digital production standards. The new code was issued in December, containing revisions mainly in the area of standards for transmission. These standards have been simplified to allow greater flexibility for ITV and Channel 4 to negotiate specific requirements with the transmission operator, National Transcommunications Ltd (NTL), while ensuring satisfactory minimum standards of quality and reliability.

for the future

Extensions of transmission coverage by the self-help transmitter near Kentmere in the Lake District.



Monitoring

Standards of technical quality and reliability are monitored in three ways. The first is the monitoring of representative samples of ITV and Channel 4 output by ITC specialist engineering staff and by non-specialist staff in the regions. The second is by information provided on a regular basis by the programme companies themselves and the third is by receiving complaints from the public.

Complaints

During 1992, around 700 complaints were received which related to technical issues. However, about 90 per cent of these were connected with reception problems rather than

technical quality and reliability matters as such. A common complaint was about the sound level of advertisements or promotional material often appearing to be greater than that of the surrounding programmes. Some studies were carried out on this, and as a result the requirements of the Technical Performance Code have been tightened up in this area. The fact remains, however, that this phenomenon is often a subjective one which cannot readily be controlled by objective technical requirements. A sound level which seems acceptable following one programme, for example, may seem unnaturally loud when it follows another which ends on a quieter note.

There were no major difficulties with the technical quality or reliability of ITV or Channel 4 output during 1992,

although routine discussions took place with companies on issues such as the quality of acquired American film material and programme inserts using non-broadcast equipment. Some reliability problems occurred in East Anglia due to unfavourable atmospheric conditions affecting some of the microwave links between transmitters.

Service Planning

The coverage of terrestrial television services is defined by reference to a frequency allocation plan which allows transmitters to operate from specified sites with maximum power levels and aerial heights. This 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 1992. The planning and construction of these relays is shared between NTL 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.

1



1 Measurement of SPECTRE signals by NTL survey vehicle.

2



2 Demonstration of widescreen television.

In addition to the UHF band, a much higher set of frequencies have been allocated for microwave transmission to the home (usually designated by the initials MVDS or MMDS) by local delivery operators. The frequency band involved is in the range 40.5 to 42.5 GHz. Low-cost equipment is not yet available for the transmission and reception of television signals at these frequencies, although relevant developments outside the broadcast field (in personal telecommunications for example) are proceeding rapidly. The ITC has worked with the Radiocommunications Agency to produce an outline frequency allocation plan for this frequency band. More basic data on the properties of transmission at these frequencies is needed, however, and the ITC has placed a contract with the SERC's Rutherford Appleton Laboratory for a practical propagation study.

Research and Development

The ITC is involved in managing Research and Development work through contract arrangements. During 1992, work was carried out by the R&D laboratories of NTL on digital television, widescreen enhancements to the PAL system and on the transmission of audio description information. A further contract was placed with SPEKA Ltd (an offshoot of the University of Surrey) for speech-coding work for audio description.

Digital Television

The largest of the projects managed by the ITC is the SPECTRE project dealing with terrestrial digital television. A field trial for this project was established in March, which continued throughout the year. The trial involved transmitting digital

signals using an efficient form of modulation known as Orthogonal Frequency Division Multiplexing (OFDM) from existing sites at Stockland Hill and Beacon Hill in Devon. Measurements were made at over 300 locations to confirm the coverage and error performance of the digital signals. These measurements confirmed the earlier laboratory-derived results which led to the conclusion that it should be possible to introduce digital television services, in the future, to most parts of the UK in UHF channels currently unusable for PAL services because of interference constraints.

In December, some digital picture compression equipment was delivered to the field trial site for 1993 trials involving the transmission of compressed television signals (as opposed to the digital data used for technical measurements). Digital compression uses computer-analysis of pictures to extract and code, for transmission, the bare minimum of information necessary to reconstruct a high-quality picture in the receiver. Combined with digital transmission techniques it is possible to transmit pictures of a higher quality than existing standards, but with significantly lower transmitter power.

From April, the work of the SPECTRE project was incorporated into a

The largest of the projects managed by the ITC is the SPECTRE project dealing with terrestrial digital television.

European collaborative framework called dTTb (digital terrestrial television broadcasting). This is a project under the European Commission RACE structure which is led by the national television and telecommunications research institute, CCETT, in France. The ITC is heavily involved as leader of one of the work packages and a member of the project board. European collaboration provides a broader base of technical expertise and the prospect of a wider market for system introduction. Financial support is provided by the EC towards relevant costs incurred in the collaboration.

A pilot statistical study of the quality implications of digital picture compression schemes was carried out outside of the SPECTRE project. This is an important area of research, since as yet, there has been no experience gained in how viewers will react in practice to the variable picture quality inherent in many digital compression schemes. Discussions with outside parties are now taking place towards developing this study into a major project area for 1993.

Widescreen Transmission

A second major project area is in the development of an enhanced compatible widescreen transmission

format for existing PAL services. In this field the ITC's work is closely co-ordinated with that carried out by the ITV companies and Channel 4. Together their work is part of the Anglo-German-Austrian-Swiss PALplus project. Studies in this project reached the stage of starting system specification in 1992. ITC staff are particularly active in this area both within the project and in the relevant European standardisation forums.

Audio Description

The ITC was able to mount a demonstration of the PALplus system for ITV managing directors in November. Also included in this demonstration was progress with the third major research project area, that of Audio Description. This refers to a specially prepared sound channel which, for the benefit of the visually disabled, conveys an additional narrative explaining what is happening during a programme. The ITC is continuing to lead a European collaborative project in this area known as AUDETEL. Experimental equipment to transmit the digitally compressed sound 'description' channel within the NICAM system has been developed, under contract, by NTL. In parallel, SPEKA Ltd has developed, under contract, a low data-rate speech compression system which

is optimised for the characteristics of the elderly ear, bearing in mind that the majority of visually disabled people are also elderly.

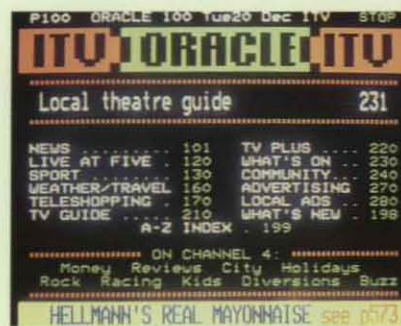
The ITC's work in this project is co-ordinated with that of other partners. For example, the ITV Association produced a variety of sample programmes with an audio description soundtrack, and is now working on the design of a computer based audio describer's workstation which will help to automate the process and improve efficiency. The Italian receiver manufacturer Seleco is working on receiver architectures for the system. The AUDETEL project is supported by the EC. Further negotiations with the EC have been successful in agreeing a continuation phase of this project into 1993 and 1994.

Teletext

Standards safeguarded;

Sales of teletext receivers in 1992 were maintained at near 1991 levels. Over 75 per cent of all large screen receivers sold were capable of receiving teletext, bringing the total of teletext receivers in UK homes to over nine million, some 40 per cent of UK households.

- 1 An Oracle teletext page.
2 The subtitling of advertisements became more common.



1



2

subtitling increases

Oracle Teletext Ltd (owned by all ITV companies except TV-am) continued to provide a broad range of material on ITV and Channel 4, including national and international news, sport, weather reports and financial information and television programme listings. The last category remained the most popular pages accessed by viewers. Daily usage of the whole service amounted to around seven million adult viewers, increasing to nearly 11 million at weekends. Subscription services continued to be provided by Data Broadcasting International Ltd, as Oracle agents, and included financial information and interactive teletext.

Regulation of the public teletext service was conducted in a similar manner to the regulation of ITV companies and Channel 4, in that Oracle was required to maintain certain editorial standards, for example, in relation to accuracy and impartiality and good taste and decency. There was also a limit on the amount of advertising: not more than 30 per cent of all material transmitted. These requirements are set out in the ITC's Public Teletext Code. During the year, the output maintained a generally high standard, but the ITC expressed

concern over the content of some pages dealing with personal problems, which were likely to cause offence to viewers.

Oracle's contract with the ITC ended on 31 December 1992. As reported earlier, public teletext on Channels 3 and 4 will be provided under a separate licence from 1 January 1993.

Other Text Services

Teletext is also becoming available on a number of satellite services. Currently, BSkyB offers Skytext while Supertext is available on Superchannel. Some cable companies also provide teletext. Videotron, for example, has set up a pioneering interactive teletext service.

Subtitling

Closed caption subtitling on teletext has become widely used by people with impaired hearing. In part this popularity has been due to the availability of moderately priced teletext receivers. The amount of subtitling provided by broadcasters has also increased over the years. By the end of 1992, an average of over

60 hours of subtitled programmes was provided each week on ITV and Channel 4 by Oracle Teletext, compared with 50 hours in 1991. The introduction of personal computers with specially designed software links to newsroom computers has allowed the subtitling of live news programmes to expand on ITN and in a number of ITV regions. Advertisements carrying subtitles have also become more common.

The new Channel 3 licensees are required to provide minimum amounts of subtitling. In accordance with the 1990 Act, the ITC requires an increase in subtitling as part of the licence conditions, so that by 1998 at least 50 per cent of the average number of programme hours a week will be subtitled. For the years leading up to 1998, a graduated increase in subtitling has been specified. Channel 4 has agreed to provide a similar amount.

In addition to specifying the amount of subtitling, certain technical standards are also to be attained. A guidance document on standards for subtitling has been issued to all Channel 3 licensees and Channel 4.

Specialist

ITC Employment Policy

The ITC has a policy of equal opportunities 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 has 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).

Gaelic Television Committee

(Comataidh Telebhisean Gaidhlig)
The Gaelic Television Committee is an independent statutory body, established under the Broadcasting Act 1990, whose Chairman and Members are appointed by the ITC. It is responsible for managing the Gaelic Television Fund (some £9.5m per annum), which finances, through grants, the production of Gaelic programmes, training, research and other purposes related to Gaelic television broadcasting.

Chairman

Roy MacIver

Members

Christina Bannerman
Mary Bremner
Roderick Cunningham
Iain Kennedy
Catriona MacDonald
Matthew MacIver
Neil McKachnie
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 UK.

Chairman

The Rt Rev David Sheppard¹

Members

Akhandadhi das
The Rev Douglas Alexander*
The Rt Rev Gordon Bates
Dorothy Brown
The Rev Anthony Burnham
Costa Carras
Priscilla Chadwick*
Dr Syed Darsh* (until end of February)
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 Rev Eileen Lake
The Rt Rev Dr Gordon McMullan
Syma Weinberg*
The Rev Cynwil Williams
The Rev Anne Wilkinson-Hayes*

¹ The Rt Rev David Sheppard retired from the Chairmanship on 31 December 1992 and is succeeded by The Rt Rev Roy Williamson.

* Members of the ITC Panel of Religious Advisers. Final meeting held in November 1992.

Educational Advisory Council

(abolished June 1992)

The Council offered advice on policy for adult education programmes on ITV and Channel 4. Members were drawn from a wide range of educational organisations and schools.

Chairman

Nicky Harrison CBE

Members

Veena Bahl
Eddie Burch
Fred Cunningham
Elizabeth Dickie
David Green
Terry Lacey
John Rennie
Vivienne Ravis
Anne Stamper
Alan Tuckett
Alan Wells

HMI Assessors

Dr Dougie Duffin
John Fairhurst
Owen Jones

Schools Advisory Committee

(established February 1992)

The Committee offers advice on proposals for schools programmes and monitors the performance of the service in meeting the needs of schools.

Chairman

Geoffrey Drought

Members

Alison Albion
Dr Linda Badham
David Banks
Mike Coles
Carmel Gallagher
Joan Hafenrichter
Dr Alan Marshall
Robbie Robertson
Dr Joan Solomon
Glenda White

HMI Assessors

Gabriel Goldstein
Elwyn Lloyd-Williams
Peter Seaborne
Tom Shaw
Alan Stewart

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 television or advertising connections represent consumer interests. The Chairman of the Committee is independent, having neither industry nor consumer group affiliations.

Chairman

Professor Geoffrey Stephenson
(until September)
Professor Colin Seymour-Ure
(from December)

Members

Mike Churchman
Bob Gale
Michael Hopkins
The Rev Eileen Lake
Craig Pearson
Professor Peter Quilliam CBE DSc FRCP
James Scott (until September)
Tim Shepherd-Smith
Rosemary Stock
Peter Tabern
John Wells
Diana Whitworth

Committees

Medical Advisory Panel

Panel members are nominated by the leading medical professional bodies. They 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
Professor Malcolm Greaves MD PhD FRCP
Dorothy Hollingsworth OBE BSc C.Chem FRSC FIBiol FIFST SRD
Professor Harry Keen MDS FRCP
Professor Tony Naylor BSIC BDS PhD FDS RSC(Eng)

Central Appeals Advisory

Committee (ceased to advise ITC on 31 December 1992)

The Appeals Advisory Committees advised on matters relating to charitable appeals. They selected, from a number of applicants, those appeals most worthy to be aired free on television.

Chairman

Sir Harold Haywood KCVO OBE FRS DL

Members

Pauline Bibby
David Carrington
Lady Sylvia Crathorne
Prof Ronald Davie
Gwynne Evans
Mary Garland OBE
Nicholas Hinton CBE
The Hon Alastair Hoyer-Millar
Charles Johnston
Linda Lazenby
Professor Peter Quilliam OBE DSc FRCP
Nancy Robertson
Peter Stokes
Paul Sweeney
Frederick Trinder
Priscilla Young CBE

Scottish Appeals Advisory

Committee (ceased to advise ITC on 31 December 1992)

Chairman

Charles Johnston

Members

John Allen
Sandy Brydon
Professor Alexander Campbell
William Ferguson
Robina Goodland
Murdina MacIver
Sonia Parry
Elaine Ross

Northern Ireland Appeals

Advisory Committee (ceased to advise ITC on 31 December 1992)

Chairman

Paul Sweeney

Members

Dr Ian Adamson
John Conlon
Terry Doherty
Brian Draine
Vera Graham
Rose McCaffrey
Joan McCrum
Isobel Reilly
Dr David Stevens
Arthur Ward

Viewer Consultative Councils

Ten Councils covering the UK 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.

East of England

Chairman

Caroline Sier

Members

Anthony Brooks
Rowena Craddock
Anne Faulkner
Paul Griffiths
Pamela Halliwell
Cecil Harrison
Helen Huish
Christine Marriott
Eric Shields
Angela Smith
Gordon Warner
Rhonwen Washford

London

Chairman

Martin Grout

Members

The Rev John Cleaver
Jorn Cooper
Norma Coulter
Antony Edkins
Joan Kinsella
Judith St John
Robert Shaw
Harmander Singh

Midlands

Chairman

Moyra Haynes

Members

Sally Dean
Hamlyn Hanoomansingh
Irene Hickin
Keith Morrison
Hilary Rawson
Ivy Ryalls
Sandy Taylor
Dr John Turner
James Waddell

Northern Ireland

Chairman

Ivor Oswald

Members

Alex Blair
Brian Carlin
Aimear Cullen
Gill Johnston
Eamon Kavanagh
Pearl McCallan
Joanna McVey
Eamonn O'Neill
Dr Nial Quigley
The Rev Kathleen Young

North-West

Chairman

Paul Davidson

Members

Alison Child
Margaret Davison-Scott
William Hamilton-Turner
Brian Harvey
Allan Craig Muirhead
Dr Olu Olojugba
Tom Stout
Pamela Wallbank

Scotland

Chairman

Joseph Anderson

Members

The Rev Douglas Alexander
Geraldine Baird
Michael Barron
Jim Craigen
Allison Gilliat
Bruce Halliday
Caroline Holmes
Kathleen Scott
Helen Tennant
Shena Wardrope

South of England

Chairman

Peter Sykes

Members

Charles Baker
Michael Bridger
Eunice French
Susie Kemp
Cyd Holzman
Anna McGrail
Alan Miller
Mary Newcombe

Wales

Chairman

Janice Rowlands

Members

Andrew Cooksley
Gary Davies
Charles Erickson
Daniel Fellows
John Gregory
Bryn Lloyd Jones
Elizabeth Jones
Sandy Mewies
David Smith
Lena Stephens
John Warman

West and South-West

Chairman

Jean Dunkley

Members

Penny Brohn
Ian Durham
Nicola Glassbrook
Phil Gregory
Stephen Hall
James Sawyer
Richard Thorn
Jacqui Wilson

Yorkshire and North-East

Chairman

Sheila Patchett

Members

Yakoob Ali
Steve Bown
Stephen Brown
Carol Cliffe
Brian Darvell
Robert Guthrie
John Mackie
Suzanne Patrick
Robert Rhind
Heather Stephenson
Nicholas Wilson-Wright

Financial Report

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 1992. 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 ceased to be a subsidiary of the Commission on 1 January 1993, the shares being vested in the Channel Four Television Corporation in accordance with Section 24 of the Broadcasting Act 1990.

Principal Activities

The principal activities of the ITC during the year were the broadcasting and regulation of television programme services, and the regulation of cable and local delivery services. A description of these activities is provided in prior chapters.

Financial Review

The ITC's revenue account records that expenditure exceeded income for the year by £1.72m, after taking into account an extraordinary item of £0.15m in respect of reorganisation costs. This deficit is reflected in a decrease in the balance sheet value of net assets over the year to £5.18m as at 31 December 1992. The cash flow statement records an increase in cash and cash equivalents over the year of £3.07m. This amount of cash in hand at the year end was inflated by the late receipt on 31 December 1992 of a Fourth Channel subscription installment of £3.90m, which was received too late to be transferred to the Fourth Channel bodies before the year end.

The ITC's income was mainly derived from rentals paid by the ITV, teletext and direct broadcasting by satellite (DBS) programme contractors (£16.71m), together with licence fees payable by cable and local delivery service licensees

(£0.47m) and by non-domestic satellite (NDS) and licensable programme service (LPS) licensees (£0.20m). The rentals and licence fee tariffs for 1992 were reduced by 10 per cent from the levels charged in 1991 and the amounts payable were further reduced by a rebate of 7.4 per cent during the course of the year. These reductions resulted from reviews of the ITC's financial position and projections of future costs.

Application for a judicial review of the basis of the ITC's licence fee tariff was made by some of the NDS licensees in early 1991, but the application was withdrawn in February 1993.

A broad analysis of the ITC's operating costs is given in note 2 to the accounts. In addition to the expenditure charged to the year's revenue account, reorganisation costs of £1.51m were incurred and set against provisions made in previous years. These costs result from the changes in the ITC's functions that occurred at the end of 1992, when responsibility as the broadcaster of ITV and Channel 4 ceased. Consequently the number of employees is being reduced, the reductions being spread over 1992 and 1993. Within London the ITC's headquarters are being relocated to smaller premises, and some functions are moving from London to Winchester. Provision has been retained for further reorganisation costs of £1.2m to be incurred in 1993.

Future Developments

Contrary to the assurances given at the time of the Broadcasting Bill, HM Customs and Excise have subsequently ruled that, with effect from the change in the ITC's responsibilities on 1 January 1993, the ITC's regulatory functions do not constitute a VAT business. The effect of this decision is that the ITC will be unable to recover VAT input tax, with a consequent increase in annual operating costs estimated at £1.6m.

Fixed Assets

The movement in fixed assets during the year is shown in note 7 to the accounts. The main expenditure during the year was

incurred in refurbishing the ITC's offices near Winchester. These offices were acquired at the end of 1991 to accommodate staff relocated from London together with other staff who formerly occupied rented accommodation in the locality.

Research and Development

Expenditure on engineering research, including applied research on the optimum use of the broadcasting frequency spectrum, totalled £2.48m. Grant income of £0.46m was received towards this expenditure from the European Commission and the Department of Trade and Industry. Information on engineering research activities is given in the Technical Standards, Service Planning and Research chapter. Expenditure on audience research totalled £1.15m. Information on audience research activities is given in the Communication with Viewers chapter. Most of the expenditure was specifically commissioned by the ITC from other organisations, ie, it was not undertaken in-house.

Personnel

The Members of the Commission are listed on page 5.

The ITC's policies with regard to the employment of disabled persons, and with regard to the involvement of employees, are described on page 48.

The Fourth Channel

The Fourth Channel consists of Channel Four Television Company Limited together with Sianel Pedwar Cymru (S4C) which broadcasts Fourth Channel services in Wales. The ITC was responsible until 31 December 1992 for financing the costs of both Channel 4 and S4C from subscriptions payable by the ITV contractors. In return these contractors had the right to provide advertisements on the Fourth Channel. The subscriptions consisted of basic subscriptions which covered the programming and overhead costs of Channel 4 and S4C, together with supplementary subscriptions which covered the costs of transmission of the programmes.

The basic subscription payments for the year to 31 December 1992 totalled £281.7m, of which Channel 4 received £227.3m and S4C £54.4m. The £227.3m paid to Channel 4 represented 13.1 per cent of ITV's net advertising revenue for the year. The equivalent figures for the previous year were £232.0m and 13.9 per cent.

The supplementary subscription payments for the year to 31 December 1992 totalled £28.1m, of which Channel 4 received £23.9m and S4C £4.2m. These payments cover the charges payable to National Transcommunications Limited (NTL) for the transmission of programmes.

Net advertising revenue on Channel 4 was £242.2m for the year to 31 December 1992, equivalent to 14.0 per cent of ITV revenue. The equivalent figures for the previous year were £249.8m and 14.9 per cent. The Fourth Channel's share of Independent Television's viewing increased from 18.7 per cent for the year to 31 December 1991 to 19.9 per cent for the year to 31 December 1992.

In the year to 31 December 1992 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 £262.7m. Advertising revenue was less than the estimated costs by £20.5m, giving a cumulative deficit at the year end of £258.5m. These figures do not, however, include the costs of S4C which were also met by the ITV companies. Including figures for S4C would lead to a deficit for the year to 31 December 1992 of £75.9m, and a cumulative deficit of £686.7m before allowing for an increase in the levy-free slice which contributed to the cost of Welsh language broadcasting.

Gaelic Television Committee

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

Additional payments, usually called the "Exchequer Levy", were the payments which the television programme contractors were required to make into the Consolidated Fund under the terms of Section 129 of the Broadcasting Act 1990. The levy was based partly on the revenues and partly on the profits of the programme contractors, but the system came to an end on 31 December 1992. In effect, it has been replaced by the payments under the tender system which the Channel 3 and additional service licensees have paid from January 1993.

The ITC is responsible for assessing the levy payments, collecting the amounts due and paying them to the Exchequer. The sums involved form no part of the revenue of the ITC and are not contained in these accounts. 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 levy charge on the resulting profits remained unchanged at 25 per cent. Profits from the sale of programmes outside the UK are free of levy.

The additional payments made by the television contractors during the year to 31 December 1992 were £69.2m, compared with £113.8m for the year to 31 December 1991. A lower percentage rate of levy was charged on approximately the same aggregate value of advertising revenue as in 1991. The lower rate of levy on advertising revenue contributed to the slightly higher profits for the ITV companies in 1992. 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)

The ITC, as with the BBC, the Radio Authority and S4C, is required to pay such a sum as the Secretary of State for the Department of National Heritage considers to be an appropriate contribution towards the expenses of the BCC. Under arrangements which were 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 did not form part of the revenue of the ITC and were paid through the ITC to the Secretary of State, as recorded in note 13 to the accounts. With effect from 1 January 1993 the ITC's contribution to the expenses of the BCC will be charged to the revenue account.

Appointment of Auditors

Coopers & Lybrand were appointed as auditors 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 Auditors to the Independent Television Commission

We have audited the accounts of the Commission set out on pages 52 to 59 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 64 to 71 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 55, give a true and fair view of the state of affairs of the Commission and the group at 31 December 1992 and of its results and cash flows for the year then ended and have been properly prepared in accordance with the Broadcasting Act 1990.

Coopers & Lybrand
Chartered Accountants and
Registered Auditors
London

30 March 1993

Revenue Account

for the year ended 31 December 1992

	Notes	1992 £000	1991 £000
Income			
Rentals and licence fees	1.1	17,380	20,928
Other income	1.2	1,115	2,575
		18,495	23,503
Expenditure			
Staff costs	2.2	8,462	8,382
Other operating costs	2.5	11,957	13,048
		20,419	21,430
Operating (deficit)/surplus		(1,924)	2,073
Interest receivable	3	539	779
Interest payable	4	(2)	(5)
(Deficit)/surplus on ordinary activities before taxation		(1,387)	2,847
Taxation	5	(183)	(286)
(Deficit)/surplus on ordinary activities after taxation		(1,570)	2,561
Extraordinary item	6	(146)	(1,544)
(Deficit)/surplus for the financial year		(1,716)	1,017
Movement on reserves			
		Cable licence fees reserve £000	Capital Revenue £000
Balance at 1.1.92	1,013	4,502	1,381
Deficit for the financial year	-	-	(1,716)
Transfer between reserves	(323)	-	323
Transfer between reserves	-	40	(40)
Balance at 31.12.92	690	4,542	(52)

The notes and statements on pages 54 to 59 form part of these accounts.

Balance Sheet

as at 31 December 1992

	Notes	1992 £000	1991 £000
Fixed Assets			
Tangible assets	7	4,542	4,502
Investments	8	-	-
		4,542	4,502
Current Assets			
Debtors	9	1,501	3,442
Cash at bank and in hand		7,076	4,005
		8,577	7,447
Creditors – amounts falling due within one year	10	(6,730)	(2,476)
Net current assets		1,847	4,971
Total assets less current liabilities		6,389	9,473
Provisions for liabilities and charges	11	(1,209)	(2,577)
Net assets		5,180	6,896
Reserves			
Cable licence fees reserve		690	1,013
Capital		4,542	4,502
Revenue		(52)	1,381
Total reserves		5,180	6,896

The notes and statements on pages 54 to 59 form part of these accounts.

Sir George Russell Chairman
 Jocelyn Stevens Deputy Chairman
 30 March 1993

Cash Flow Statement

for the year ended 31 December 1992

	Notes	1992 £000	1991 £000
Net cash inflow from operating activities	12.1	3,732	2,402
Returns on investments and servicing of finance			
Interest received		539	779
Interest paid		(2)	(5)
Net cash inflow from returns on investments and servicing of finance		537	774
Taxation			
Corporation tax paid		(289)	(51)
Investing activities			
Payments to acquire tangible fixed assets		(926)	(2,887)
Receipts from sales of tangible fixed assets		17	32
Net cash outflow from investing activities		(909)	(2,855)
Net cash inflow before financing		3,071	270
Financing		-	-
Increase in cash and cash equivalents	12.3	3,071	270

Accounting Policies

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 the 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 because separate accounts are more informative. The company ceased 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 (S4C), and the costs of transmitting 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 payable in monthly installments. Licence fees of £25,000 or less are payable 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 5-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.

Notes to the Accounts

1. Income

The principal sources of income to the ITC were 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

	1992 £000	1991 £000
ITV programme contractors	16,285	19,542
Teletext contractors	7	8
DBS programme contractor	418	700
Non-domestic satellite licensees	185	66
Licensable programme service licensees	12	33
Cable and local delivery licensees	473	579
	<u>17,380</u>	<u>20,928</u>

1.2 Other income

	1992 £000	1991 £000
Application fees for licences:		
Channel 3	-	1,855
Channel 5	40	-
Teletext	82	-
Other	3	9
Grant income for engineering research	460	-
Rents and service charges to sub-tenants	420	572
Service charges to other bodies	88	104
Miscellaneous income	22	35
	<u>1,115</u>	<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:

	1992	1991
Chief Executive and Secretariat	18	18
Programme contract and licence regulation	50	56
Advertising and sponsorship regulation	12	13
Engineering	20	19
Public affairs and information	27	33
Regional offices	37	38
Finance	26	25
General administration	49	52
	<u>239</u>	<u>254</u>

2.2 Staff costs

	1992 £000	1991 £000
Fees of Commission Members, including pension and social security costs	167	159
Employees' costs	8,295	8,223
	<u>8,462</u>	<u>8,382</u>

Employees' costs consist of:

	1992	1991
Wages and salaries	5,576	5,450
Social security costs	492	470
Other pension costs	2,227	2,303
	<u>8,295</u>	<u>8,223</u>

2.3 Fees of Commission Members

The fees paid to Members of the Commission (excluding pension contributions) in the year, as determined by the Secretary of State, were as follows:

	1992 £	1991 £
Chairman	56,809	53,284
Deputy Chairman	14,574	13,322
National Members (each)	10,934	10,255
Other Members (each)	7,289	6,835
Pension payments to a former Chairman of the IBA totalled £3,000 (1991 - £2,871).		

2.4 Management Board

The members of the ITC's Management Board received emolument (excluding pension contributions) which fell within the following bands:

	1992 Total	1992 Normal	1991
£ 40,001 - £ 45,000	2	2	1
£ 50,001 - £ 55,000	-	-	2
£ 55,001 - £ 60,000	-	2	1
£ 60,001 - £ 65,000	1	3	2
£ 65,001 - £ 70,000	2	1	3
£ 70,001 - £ 75,000	-	2	-
£ 75,001 - £ 80,000	4	-	-
£ 80,001 - £ 85,000	1	-	-
£ 90,001 - £ 95,000	-	-	1
£ 100,001 - £ 105,000	-	1	-
£ 115,001 - £ 120,000	1	-	-
£ 125,001 - £ 130,000	-	-	1
£ 130,001 - £ 135,000	-	1	-
£ 155,001 - £ 160,000	1	-	-

During 1992 some executive staff received once and for all bonus payments in recognition of the work done over the previous two years on the Broadcasting Bill and licensing process. These bonus payments have been included for the purpose of the 'Total' column above, but they are excluded from the 'Normal' column.

2.5 Other operating costs

	1992 £000	1991 £000
Travel and subsistence	535	597
Recruitment, training and other staff costs	628	894
Public relations and information services	644	547
Administration and office expenses	1,025	959
Premises costs	3,516	3,787
Depreciation	862	793
Subscriptions	513	362
Professional fees	605	1,560
Audience research	1,145	1,126
Engineering research and frequency planning	2,484	2,423
	<u>11,957</u>	<u>13,048</u>

The above costs include:

Operating leases - land and buildings	1,796	1,952
- vehicles and equipment	92	147
Audit fee	10	10

Payment to the auditors of £1,000 was made for taxation services.

Engineering research and frequency planning consists of applied research commissioned by the ITC. Grant income of £460,000 (1991- Nil) was received from the European Commission and the Department of Trade and Industry during the year towards the costs of this work.

3. Interest receivable

	1992 £000	1991 £000
On short term deposits	536	776
On late payment of rentals and licence fees	3	3
	<u>539</u>	<u>779</u>

4. Interest payable

	1992 £000	1991 £000
On bank overdrafts	2	3
On other loans	-	2
	<u>2</u>	<u>5</u>

5. Taxation

	1992 £000	1991 £000
UK corporation tax at 33 per cent (1991 33.25 per cent)	183	282
Under provision by Cable Authority in respect of prior year	-	4
	<u>183</u>	<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

	1992 £000	1991 £000
Reorganisation costs	146	1,544
Taxation	-	-
	<u>146</u>	<u>1,544</u>

An additional provision was made in 1992 for estimated reorganisation costs which will be incurred by the ITC as a result of the Broadcasting Act 1990 and consequent decisions regarding reorganisation. Further information on the reorganisation is given in the Financial Report.

continued over page

Notes to the Accounts

7. Tangible assets

	Freehold property	Leasehold property	Furniture and equipment	Computer equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 1992	2,431	762	2,481	1,321	6,995
Additions	187	-	540	199	926
Disposals	-	-	(99)	(136)	(235)
At 31 December 1992	2,618	762	2,922	1,384	7,686
Depreciation					
At 1 January 1992	-	544	1,403	546	2,493
Charge for year	39	218	333	272	862
Disposals	-	-	(83)	(128)	(211)
At 31 December 1992	39	762	1,653	690	3,144
Net Book Value					
At 1 January 1992	2,431	218	1,078	775	4,502
At 31 December 1992	2,579	-	1,269	694	4,542

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

	1992 £000	1991 £000
Contracted for	68	10
Authorised but not contracted for	61	342
	129	352

8. Channel Four Television Company Limited

Channel Four Television Company Limited, which was a wholly-owned subsidiary of the ITC until 1 January 1993, was incorporated on 10 December 1980 and registered in England with an Authorised and Issued Share Capital of £100 fully paid. In accordance with Section 24 of the Broadcasting Act 1990 the shares were vested in the Channel Four Television Corporation on 1 January 1993 for no consideration. Accordingly the shares of the company are included in these accounts at nil value.

9. Debtors

	31.12.92 £000	31.12.91 £000
Amounts falling due within one year:		
Trade debtors	310	2,690
Other debtors	136	-
Loans/advances to staff	49	37
Prepayments and accrued income	1,002	711
	1,497	3,438
Amounts falling due after one year:		
Loans/advances to staff	4	4
	1,501	3,442

Certain staff receive loans and advances to meet travel and short-term housing commitments to assist them in performing their duties. The loans to staff include an interest-free housing loan of £17,000 to an executive member of staff.

10. Creditors

	31.12.92 £000	31.12.91 £000
Amounts falling due within one year:		
Trade creditors	431	1,008
Corporation tax	176	282
Other taxation and social security	189	197
Other creditors	446	138
Accruals and deferred income	1,593	851
Fourth Channel subscription	3,895	-
	6,730	2,476

11. Provisions for liabilities and charges

	1992 £000	1991 £000
Balance at 1 January - reorganisation costs	2,577	1,466
Extraordinary item (note 6)	146	1,544
Provision utilised	(1,514)	(433)
Balance at 31 December	1,209	2,577

A gain of £2,900,000 should 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.

12. Notes to the cash flow statement

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

	1992 £000	1991 £000
Operating (deficit)/surplus	(1,924)	2,073
Extraordinary item	(146)	(1,544)
Depreciation	862	793
Loss on sale of tangible fixed assets	7	6
Decrease/(increase) in debtors	1,941	(1,897)
(Decrease)/increase in trade creditors	(577)	712
(Decrease)/increase in other taxation & social security creditors	(8)	197
Increase in other creditors	308	100
Increase in accruals and deferred income	742	851
(Decrease)/increase in provision for liabilities and charges	(1,368)	1,111
Increase in Fourth Channel subscription creditors	3,895	-
Net cash inflow from operating activities	3,732	2,402

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

	1992 £000	1991 £000
Balance at 1 January	4,005	3,735
Net cash inflow	3,071	270
Balance at 31 December	7,076	4,005

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

	31.12.92	31.12.91	Change in year
	£000	£000	£000
Cash at bank and in hand	126	199	(73)
Unpresented cheques	(520)	(120)	(400)
Short-term investments	3,575	3,926	(351)
Cash due to Channel 4 and S4C	3,895	-	3,895
	<u>7,076</u>	<u>4,005</u>	<u>3,071</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 £261,000 as a contribution to the expenses of the Broadcasting Complaints Commission in respect of the year ended 31 March 1992 and £201,000 in respect of the nine months to 31 December 1992. These payments are not treated as part of the revenue of the ITC.

14. Fourth Channel Subscription Account for the year ended 31 December 1992

	1992 £000	1991 £000
Subscriptions received from ITV companies	309,801	313,564
Payments made to Channel Four Television Company Limited	248,578	255,155
Payments due to Channel Four Television Company Limited	2,652	-
	<u>251,230</u>	<u>255,155</u>
Payments made to Sianel Pedwar Cymru	57,908	58,409
Payments due to Sianel Pedwar Cymru	663	-
	<u>58,571</u>	<u>58,409</u>
Total	<u>309,801</u>	<u>313,564</u>

A subscription installment of £3,315,000 plus VAT of £580,000 was paid into the ITC's bank account in the afternoon of 31 December 1992, too late for transmission that day to the Channel Four Television Company Limited and Sianel Pedwar Cymru. Payment was effected on 4 January 1993, being the next working day.

15. Gaelic Television Fund

In accordance with the provisions of Section 183 of the Broadcasting Act 1990, the Secretary of State paid £8,295,000 (1991 - £100,000) to the ITC during the year ended 31 December 1992, 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 to 31 March 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. 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 contribution would need to be increased from 17 per cent to 19.5 per cent of pensionable salaries to place the scheme in balance in the longer term.

The ITC Staff Pension Plan assumed liability for all of the IBA's pensioners and deferred pension entitlements on termination of that body. Having regard to the past practice of funding discretionary pension increases to maintain the purchasing power of pensions, the ITC made a supplementary contribution to the pension fund in accordance with the actuary's advice of £1,400,000 (1991 - £1,500,000) in addition to £832,000 (1991 - £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 1992 was £73,273,000 (1991 - £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	712	25	737
- between one and five years	13	7	20
- after five years	192	-	192
	<u>917</u>	<u>32</u>	<u>949</u>

In addition to the above, in January 1993 the ITC entered into a property lease of 20 years. The commitment for the year 1993 is £169,000.

Chairman's Statement

Channel 4 had an eventful and remarkable year in 1992 culminating in celebrations to mark 10 years on air. During the year our share of audience climbed to record levels, establishing a strong base for the new independent status as the Channel Four Television Corporation from 1 January 1993.

Critical to the preparations for 1993 were discussions with the ITC for our broadcasting licence covering the next 10-year period and the approval of a new constitution for the channel. It is particularly satisfactory that a Programme Policy Statement is attached to the new licence now granted explaining the Board's interpretation and definition of the Channel 4 remit in relation to the Broadcasting Act 1990. These two documents, combined with an internal 'Terms of Reference' manual, give a firm direction for the programme ambitions and operating procedures of the Channel Four Television Corporation.

In addition to the introduction of new regulatory guidelines, the transition to a statutory corporation also involved the creation of an advertising sales organisation and the commissioning of new transmission facilities. A substantial additional effort has been required by the management of the company to ensure that the year-end deadline for these changes was met. The Board extends its special appreciation to our Chief Executive, Michael Grade, and all his colleagues for their skill and commitment which achieved such an effective and smooth start to our next decade on air.

A considerable debt of gratitude is owed by the channel, since its inception, to the IBA and its successor the ITC for their unfailing support and guidance. The encouragement of the ITV companies, particularly in the early years of Channel 4, has been of equal importance and value.

In the new competitive interface between Channel 4 and the ITV companies for advertising revenue, which the channel will pursue vigorously, there is also a place for continuity of goodwill and co-operation

existing at other levels with the ITV companies. The Board is convinced this remains in the long-term interests of the viewers we both serve.

The change from company to corporation is an important watershed in the development of the channel. With the essential new organisational arrangements in position, the successful base on which the channel was founded and developed will be a guarantor for our future.

The current social, business and international environment is creating a quite different decade from the 1980s – a change which Channel 4 will need to reflect. I am confident that Channel 4 will continue to enhance its reputation by meeting this challenge in creating programmes which will ensure the pre-eminence of the channel as a stimulating, different and more radical force in television.

The Channel 4 Board includes four new non-executive members and I am especially pleased to welcome David Plowright as my deputy. His dedication to public service television and long experience will be an invaluable asset to our deliberations. Sir David Nicholas, Bert Hardy and Mary McAleese all bring a wealth of expertise to the Board.

At the same time, the change in composition of the Board dictates our farewell to David Vines and particularly Peter Rogers, a Board member since 1982. We are sorry to lose the benefit of their contribution to our discussions.

Liz Forgan, our Director of Programmes, resigned at the year end to take up an important position at the BBC. Since the formation of the channel, she has held senior editorial posts and played a pivotal role in shaping the distinctive programme policy of the channel. The Board is grateful for her service to the company.

John Willis has succeeded Liz Forgan, following four years as her deputy. It is especially satisfactory that a speedy and internal appointment has been possible. His inspired contribution whilst Controller

of Factual Programmes augurs well for his new role.

At the end of the year, Channel 4 said farewell to Sir Richard Attenborough, Deputy Chairman, then Chairman during the full 12-year period since incorporation. His energy, enthusiasm and commitment to brave programming will be hard to follow. That resolute quality of his leadership was never more clearly in evidence than during the testing period of recent court action when the Board defended a refusal to reveal sources of information in compiling a programme for the *Dispatches* series. Our heartfelt thanks reach out to him for all his achievements which have reflected in the high standing which the channel enjoys.

It is a privilege for me to be invited to succeed Sir Richard as Chairman. During my brief period as his deputy, I am especially grateful for his guidance and support particularly in sharing, with warmth and generosity of spirit, his profound knowledge and experience.

Channel 4 must not shrink from its traditional role of providing viewers with programmes which deal responsibly with difficult and controversial matters of public interest. This is a policy with which I am proud to be associated and I am determined that this policy, which my predecessor did so much to nurture and support, will be continued under my chairmanship.

The future looks good for Channel 4. I am confident that we have the people and the policies to maintain the success of the channel. The new commercial environment in which we now operate will be stimulating and I am sure will carry us forward to a greater quality and excellence in television for the coming years.

Sir Michael Bishop
Chairman
22 March 1993

Directors and Advisers

Chairman

* **Sir Michael Bishop CBE**

Succeeded Sir Richard Attenborough CBE as Chairman on 1 January 1993. Chairman of British Midland Airways Limited.

Deputy Chairman

* **David Plowright**

Former Chairman of Granada Television Limited.

Other non-executive directors

Bert Hardy

Managing director of Associated Newspapers Limited.

Anne Lapping

Independent producer and a director of Brook Productions (1986) Limited.

Mary McAleese

Director of the Institute of Professional Legal Studies at Queens University, Belfast.

John McGrath

Independent producer and writer. Director of Freeway Films Limited.

Sir David Nicholas CBE

Former Chairman and Chief Executive of ITN Limited.

Usha Prashar

Past director of The National Council of Voluntary Organisations.

* Member of the audit committee

Executive directors

Michael Grade

Chief Executive

Non-executive director of ITN Limited, the Open College Limited and First Leisure plc and a member of the British Screen Advisory Council.

Stewart Butterfield

Director of Advertising Sales and Marketing

Colin Leventhal

Director of Acquisition

Deputy Chairman of the British Screen Advisory Council.

Frank McGettigan

Director and General Manager

A governor of the National Film and Television School.

David Scott FCA

Director of Finance

John Willis

Director of Programmes

Secretary

Janet Walker ACA

Registered office

70 Brompton Road
London SW3 1EY

Registered auditors

Coopers & Lybrand
Chartered Accountants
Plumtree Court
London EC4A 4HT

Bankers

Midland Bank plc
27/32 Poultry
London EC3P 2BX

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

Company registration

Registered in Cardiff as company number 1533774

Directors' Report

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 appears 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 Four Television Company Limited was a wholly-owned subsidiary of the ITC until 31 December 1992.

The Broadcasting Act 1990 established the Channel Four Television Corporation on 1 January 1993. Under the terms of that Act, the shares of Channel Four Television Company Limited vested in the Channel Four Television Corporation from the ITC on that date.

Post Balance Sheet Event

On 1 January 1993 the ITC issued a broadcasting licence under the terms of the Broadcasting Act 1990 for the Channel Four Television Corporation to broadcast for the 10 calendar years 1993 to 2002.

On 1 January 1993 the Channel Four Television Corporation acquired all the activities, assets and liabilities of its wholly-owned subsidiary Channel Four Television Company Limited. The assets and liabilities were transferred at book value and the consideration was left outstanding on inter corporate current account due from the Channel Four Television Corporation.

Funding

Until 31 December 1992 Channel 4 obtained funds from the ITC, which collected the Fourth Channel subscription from each of the ITV companies, who sold Channel 4's advertising time. This funding arrangement, which operated since Channel 4 started, ceased at the end of 1992.

From 1 January 1993 Channel 4 sells its own advertising time, which is its principal revenue source.

The Broadcasting Act 1990 establishes a new funding relationship between Channel 3 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

The subscription income from the ITC for 1992 was £251.2 million. This income was 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 financial statements.

In addition to the income from the ITC, Channel 4 has other trading activities and receives interest on cash balances. In 1992 the channel was establishing the new advertising sales trade and incurred costs of £8.6 million on that activity. The net deficit on all of these other activities, after tax, was £6.6 million in 1992.

Fixed Assets

Movements in fixed assets during the year are set out in note 8 to the financial statements.

Directors

The present directors of Channel 4 are listed on page 61.

Five directors have joined the Board since 1 January 1992. David Plowright, Bert Hardy, Mary McAleese and Sir David Nicholas were appointed to the Board as non-executive directors on 1 September 1992. John Willis was appointed to the Board as Director of Programmes on 25 January 1993.

Three non-executive directors have left the Board since 1 January 1992.

Sir Richard Attenborough *CBE*, Peter Rogers and David Vines completed their terms of office on 31 December 1992.

Liz Forgan resigned as Director of Programmes on 25 January 1993.

All other directors served throughout the period since 1 January 1992.

All of the directors of Channel 4 listed on page 61 are also members of the Channel Four Television Corporation.

Directors' Interests

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

As indicated on page 61, 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 23 to the financial statements gives the information required to be disclosed in relation to material interests of two directors in contracts with Channel 4.

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 1992 on scripts and programmes not commissioned for production by the end of that year amounted to £4.3 million (1991: £4.0 million).

Employee Involvement and Consultation

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

- through normal collective bargaining with trade unions. Approximately 20 per cent of the channel's employees are in membership of one of three recognised trade unions:

- BECTU (for engineering, presentation, clerical and studio staff)
- AEEU (for plumbers and electricians)
- Equity (for continuity announcers)

- regular departmental meetings where information is disseminated and staff have an opportunity to air views; and

- an annual staff meeting, where the executive directors give presentations on Channel 4'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.

Auditors

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

By order of the Board
Janet Walker
22 March 1993

Income and Expenditure Account

		1992	1991
	Notes	£m	£m
Income from the ITC	1(c)	251.2	255.2
Cost of programme transmissions	1(c)	(200.1)	(195.2)
Transmission and distribution costs		(23.9)	(23.2)
		27.2	36.8
Operational and administrative expenses	2	(28.0)	(33.4)
		(0.8)	3.4
Transfer from/(to) deferred income	1(c), 15	0.8	(3.4)
Other income less expenditure	1(c), 5	(5.4)	1.2
Less taxation thereon	6	(1.2)	(1.0)
(Deficit)/surplus for the year after taxation	16	(6.6)	0.2

The notes on pages 67 to 71 form part of these financial statements.
Report of the auditors – page 71.

Balance Sheet

at 31 December

	Notes	1992 £m	1992 £m	1991 £m	1991 £m
Fixed assets					
Tangible assets	1(d),8		58.4		43.1
Current assets					
Programme and film rights	1(c),1(f),9	111.9		112.8	
Debtors	10	13.3		16.9	
Cash at bank and in hand		4.8		-	
		130.0		129.7	
Creditors					
Amounts falling due within one year	11	(29.9)		(21.4)	
Bank borrowings	12	-		(4.5)	
Net current assets			100.1		103.8
Total assets less current liabilities			158.5		146.9
Creditors					
Amounts falling due after one year	12		(19.0)		-
Net assets			139.5		146.9
Capital					
Called up share capital £100	14		-		-
Deferred income	1(c),15		136.8		137.6
Income and expenditure account	1(c),16		2.7		9.3
			139.5		146.9

Sir Michael Bishop Chairman

These financial statements were approved by the Board of Directors on 22 March 1993.
The notes on pages 67 to 71 form part of these financial statements.
Report of the auditors – page 71.

Cashflow Statement

	Notes	1992 £m	1992 £m	1991 £m	1991 £m
Operating activities					
Cash received from the ITC		248.6		255.2	
Other cash receipts		14.7		17.3	
Cash payments to suppliers		(235.7)		(244.6)	
Cash paid to and on behalf of employees		(16.5)		(15.7)	
Net cash inflow from operating activities	1		11.1		12.2
Returns on investments and servicing of finance					
Interest received		0.1		0.5	
Interest paid		(1.3)		(0.3)	
			(1.2)		0.2
Taxation					
UK corporation tax paid		(1.0)		(1.0)	
Overseas tax paid		(0.3)		(0.2)	
			(1.3)		(1.2)
Investing activities					
Purchase of tangible fixed assets		(19.0)		(10.9)	
Sale of fixed assets		0.1		0.1	
Loans		-		(5.3)	
			(18.9)		(16.1)
Net cash outflow before financing			(10.3)		(4.9)
Financing					
Medium-term loan			19.0		-
Increase/(decrease) in cash and cash equivalents	2		8.7		(4.9)

The notes on page 67 form part of the cashflow statement.
Report of the auditors – page 71.

Notes to the Financial Statements for the year ended 31 December 1992

Cashflow Statement

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

	1992 £m	1991 £m
Transfer (from)/to deferred income	(0.8)	3.4
(Deficit)/surplus for the year before tax	(5.4)	1.2
	<u>(6.2)</u>	<u>4.6</u>
Depreciation charges	3.8	4.3
Provisions against loans	-	5.3
Net interest paid/(received)	1.3	(0.2)
Decrease/(increase) in programme & film rights	0.9	(0.2)
Decrease in debtors	3.6	4.3
Increase/(decrease) in creditors	8.3	(5.9)
Exchange gains	(0.6)	-
	<u>11.1</u>	<u>12.2</u>
Net cash inflow from operating activities		

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

	1992 £m	1991 £m
Balance at 1 January	(4.5)	0.4
Net cash inflow/(outflow) before adjustments for the effect of foreign exchange rate changes	8.7	(4.9)
Effect of foreign exchange rate changes	0.6	-
	<u>4.8</u>	<u>(4.5)</u>
Balance at 31 December		

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

	1992 £m	1991 £m	Change in year £m
Cash at bank and in hand	4.8	0.9	3.9
Bank overdrafts	-	(5.4)	5.4
	<u>4.8</u>	<u>(4.5)</u>	<u>9.3</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 receivable.

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 transmission and distribution costs, and 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.

(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%

(iii) The construction costs of the Horseferry Road property will be depreciated at the rate of 2% per annum from the date of occupation of the completed building in 1994.

(iv) Direct computer software development costs are capitalised and depreciated at 20% per annum from the date of implementation of the software system.

Notes to the Financial Statements

(e) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates prevailing at the balance sheet date. Any resultant gain or loss on exchange is shown as part of the surplus or deficit for the year.

(f) 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 financial statements.

2. Operational and administrative expenses

	1992 £m	1991 £m
Employee and freelance staff costs	15.2	15.4
Establishment costs	6.1	5.2
Depreciation of fixed assets (note 8)	3.8	4.3
Press office and promotion	1.8	1.7
Travel and subsistence	1.0	1.1
Provision against investment (note 7)	-	0.3
Provision against deposit with BCCI	-	5.0
Other general expenses	0.1	0.4
	<u>28.0</u>	<u>33.4</u>

and include:	£000	£000
Auditors' remuneration:		
audit	38	35
non audit	104	71
Directors' remuneration:		
to the non-executive directors	78	68
to the executive directors for management (including pension contributions)	957	1,349
Operating lease rentals:		
company premises	2,927	2,398
Equipment hire	233	203

3. Directors' remuneration

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

	1992 £000	1991 £000
Chairman's remuneration	33	31
Highest paid director's remuneration	314	485

	Number	Number
£0 - £5,000	6	4
£5,001 - £10,000	3	5
£10,001 - £15,000	1	-
£30,001 - £35,000	1	1
£95,001 - £100,000	1	-
£100,001 - £105,000	2	1
£105,001 - £110,000	1	1
£115,001 - £120,000	1	-
£180,001 - £185,000	-	3
£310,001 - £315,000	1	-
£480,001 - £485,000	-	1
	<u>17</u>	<u>16</u>

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.

Liz Forgan left the channel in January 1993. In the circumstance of departing during her contract term, her contract required the repayment of the additional remuneration referred to in the preceding paragraph. That amount has been received since the year end and the comparative figures for 1991 have been restated accordingly.

4. Employee information

The employment costs for all employees, including executive directors, were as follows:

	1992 £m	1991 £m
Aggregate gross salaries	14.1	12.7
Employer's national insurance contributions	1.2	1.1
Employer's pension contributions (note 21)	1.7	1.5
Total direct costs of employment	<u>17.0</u>	<u>15.3</u>

The average numbers of employees, including executive directors, were as follows:

	1992 Number	1991 Number
Full-time permanent employees	472	413
Short-term contract staff	32	33
	<u>504</u>	<u>446</u>

5. Other income less expenditure

	1992		1991	
Programme and Film Sales	£m	£m	£m	£m
Income:				
Programme sales	3.8		5.0	
Film sales	3.4		3.0	
Co-finance	3.5		1.7	
Commission	1.0		1.1	
Investment income	0.5		0.4	
Publishing and merchandising	0.3		0.2	
	<u>12.5</u>		<u>11.4</u>	
Less costs of sales:				
Direct costs	(3.0)		(3.6)	
Share of income due to independent producers and third parties	(5.8)		(4.6)	
Operational and administrative expenses	(1.6)		(1.4)	
		2.1		1.8
Other income and expenditure:				
TV Times copyright fees	1.1		1.1	
Sponsorship income	0.8		0.2	
Foreign exchange gain	0.6		-	
Interest receivable	0.1		0.5	
Other income	0.7		0.1	
Less:				
Advertising sales				
start-up expenses	(8.6)		(2.1)	
Interest and finance charges	(2.2)		(0.4)	
		(7.5)		(0.6)
		<u>(5.4)</u>		<u>1.2</u>

In addition to the co-finance included above, £24.2 million (1991: £27.5 million) was contracted in 1992 by co-financiers to pay direct to production companies and hence does not appear in these financial statements.

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

	1992	1991
	£m	£m
Exports:		
USA	2.6	1.7
Rest of the world	7.4	6.9
	<u>10.0</u>	<u>8.6</u>
UK sales and other income	2.5	2.8
	<u>12.5</u>	<u>11.4</u>

6. Taxation

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

UK corporation tax is payable on other income less expenditure as follows:

	1992	1991
	£m	£m
UK corporation tax based on other income less expenditure for the year at 33.0% (1991:33.25%)	1.2	1.1
Double tax relief	(0.2)	(0.2)
	<u>1.0</u>	<u>0.9</u>
Adjustment in respect of prior years	-	(0.1)
Overseas taxation	0.2	0.2
	<u>1.2</u>	<u>1.0</u>

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"), representing 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 financial statements for British Screen for 1992 show accumulated losses of £8.6 million and a loss for 1992 of £1.2 million. 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 and equipment	Motor vehicles	Total
	£m	£m	£m	£m	£m
Cost					
At 1 January 1992	29.2	8.2	23.4	0.5	61.3
Additions	11.4	0.4	6.9	0.5	19.2
Disposals	-	-	(0.1)	(0.2)	(0.3)
At 31 December 1992	<u>40.6</u>	<u>8.6</u>	<u>30.2</u>	<u>0.8</u>	<u>80.2</u>
Depreciation					
At 1 January 1992	0.1	4.8	13.2	0.1	18.2
Charge for the year	-	1.0	2.6	0.2	3.8
Disposals	-	-	(0.1)	(0.1)	(0.2)
At 31 December 1992	<u>0.1</u>	<u>5.8</u>	<u>15.7</u>	<u>0.2</u>	<u>21.8</u>
Net Book Value					
At 31 December 1992	<u>40.5</u>	<u>2.8</u>	<u>14.5</u>	<u>0.6</u>	<u>58.4</u>
At 31 December 1991	<u>29.1</u>	<u>3.4</u>	<u>10.2</u>	<u>0.4</u>	<u>43.1</u>

Notes to the Financial Statements

(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 1992 was located as follows:

	Freehold properties	Leasehold properties	Furniture and equipment	Motor vehicles	Total
	£m	£m	£m	£m	£m
Held by Channel 4	40.2	2.8	14.5	0.6	58.1
Held by third parties	0.3	-	-	-	0.3
	<u>40.5</u>	<u>2.8</u>	<u>14.5</u>	<u>0.6</u>	<u>58.4</u>

(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. The building is under construction and is on schedule and budget for completion early in 1994.

The freehold properties held by third parties are 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

	1992 £m	1991 £m
Programmes and films completed but not transmitted	31.7	37.5
Programmes and films in the course of production	47.4	44.4
Purchased programme and film rights	32.8	30.9
	<u>111.9</u>	<u>112.8</u>

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

	1992 £m	1991 £m
Prepayments and accrued other income	7.2	13.8
Subscription income due from the ITC	3.1	-
Value added tax	-	0.3
Other debtors	3.0	2.8
	<u>13.3</u>	<u>16.9</u>

The above amounts are receivable within one year.

11. Creditors

	1992 £m	1991 £m
Trade creditors	6.5	3.2
Accruals	21.4	17.1
Other creditors including taxation and social security:		
UK corporation tax	0.4	0.6
Social security	0.5	-
Value added tax	0.2	-
Other creditors	0.9	0.5
	<u>29.9</u>	<u>21.4</u>

The above amounts are payable within one year.

12. Borrowing facilities

Channel 4 has arranged £75.0 million of term and revolving loan facilities which are available for drawdown between March 1992 and September 1994, and are due for repayment between March 1995 and March 1999. At 31 December 1992 Channel 4 had utilised £19.0 million of these loan facilities.

Exposure to fluctuations in interest rates has been managed through interest rate swaps which have the effect of fixing the rate of interest at 9.38 per cent for £50 million of these facilities until September 1996.

The loans are secured by a first legal charge over the freehold land and office building under construction at Horseferry Road, London SW1.

In addition to these medium-term loan facilities, Channel 4 has a £20 million overdraft facility with the Midland Bank plc.

13. Deferred tax

Losses for tax purposes, arising from the start-up costs of the new advertising sales trade and capital allowances, are carried forward and available to provide future tax relief. No deferred tax asset is recognised in respect of these losses.

14. Share capital

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

15. Deferred income

	1992 £m	1991 £m
At 1 January	137.6	134.2
Net transfer for the year	(0.8)	3.4
At 31 December	<u>136.8</u>	<u>137.6</u>

16. Income and expenditure account

	1992 £m	1991 £m
At 1 January	9.3	9.1
(Deficit)/surplus for the year	(6.6)	0.2
At 31 December	<u>2.7</u>	<u>9.3</u>

17. Company status

On 1 January 1993 Channel Four Television Company Limited became a wholly-owned subsidiary of Channel Four Television Corporation which is a body incorporated under the terms of the Broadcasting Act 1990.

Until 31 December 1992 Channel 4 was a wholly owned subsidiary of the Independent Television Commission. On 1 January 1993 all of the shares of Channel 4 were transferred from the ITC to Channel Four Television Corporation under the terms of the Broadcasting Act 1990.

18. 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 1992. All are incorporated in England.

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

19. Programme and film commitments

At 31 December, Channel 4 had committed future expenditure for programmes and films due for payment as follows:

	1992 £m	1991 £m
In one year	159	123
After one year	36	21
	195	144

20. Other commitments

(a) Capital Expenditure:	1992 £m	1991 £m
Amounts contracted but not provided for in the financial statements	25.8	0.4
Amounts authorised for expenditure but not contracted at 31 December	9.9	30.3

The capital expenditure commitments relate mainly to the construction of the building at Horseferry Road and the technical equipment required for broadcasting from that building in 1994.

(b) Forward Foreign Exchange Contracts:

At 31 December 1992, Channel 4 had entered into commitments to purchase foreign currencies amounting to £5.5 million (31 December 1991: £5.9 million), maturing between February and July 1993, 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 1993 or thereafter. The amount payable under these leases in 1993 will be £2.9 million (1992: £2.9 million).

21. 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 & 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 1992 was £1.7 million (1991: £1.5 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.

22. 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.

23. 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 26 one hour *A Week in Politics* programmes, a three-quarter-hour *A Week in Politics Special* programme, and a one-and-a-half-hour programme *Sunday Bloody Sunday*. The production costs for these programmes are £888,063, of which £22,600 is due to Anne Lapping as executive producer and £79,971 is the production fee to the production company. £5,771 of the production fee was paid in 1992, with the balance being payable in 1993. Weekly transmissions of *A Week in Politics* began in October 1992, *Sunday Bloody Sunday* was transmitted in March 1992, and *A Week in Politics Special* was transmitted in January 1993.

Brook Productions (1986) Limited was commissioned to produce a number of other programmes with executive producers other than Anne Lapping. The company received 25 per cent of the production fees of £4,606 which were paid for those programmes in 1992, 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 received £34,870 during the year for the development of two programmes *Home of the Ikon* and *My Old Flame*.

Report of the Auditors

To the members of Channel Four Television Company Limited

We have audited the financial statements on pages 64 to 71 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 1992 and of its results and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants and Registered Auditors
London

22 March 1993

Independent Television

Key Figures

years ending 31 December

	1991	1992
ITC Licences Extant (nos)		
Terrestrial		
Channel 3 regional	14	15
Channel 3 national breakfast-time	-	1
Channel 4	-	1
Public teletext service	-	1
Commercial additional services	-	1
Cable and satellite*		
Non-domestic satellite	33	45
Licensable programme services	41	51
Local delivery systems (15 years)	9	9
Local delivery transitional (5 years)	49	49
Cable diffusion	45	44
Prescribed diffusion	122	115
Programme hours transmitted (year)		
ITV (in average region)	7,490	7,490
TV-am	1,244	1,244
Channel 4	7,225	7,394
Total	15,959	16,128
Staff		
ITC (average number)	254	239
Finance (£m)		
Terrestrial net advertising revenue (1)		
ITV	1,344	1,411
Channel 4	250	242
S4C	3.5	3
TV-am	74	75
Total	1,671.5	1,731
Terrestrial sponsorship income	[†] n/a	9
Total terrestrial qualifying revenue	[†]n/a	1,741
Total satellite and cable programme services qualifying revenue (2)	140	306
ITC rentals and licence fees	21	17
Fourth Channel subscription allocation	313	310
Allocation: Channel 4	255	251
S4C	58	59
Exchequer levy	114	69

Notes

(1) Until the end of 1992 the ITV companies sold airtime on both ITV and the Fourth Channel. The sub-divisions shown are the amounts invoiced to each channel and may not necessarily reflect the share of the terrestrial NAR total which will be earned by each channel when their airtime is sold separately from 1 January 1993.

(2) Advertising revenue, sponsorship, and subscription income for year ended 30 September. Excludes services broadcast wholly outside the UK.

* Including those inherited from the Cable Authority. Licence definitions on page 17.

[†] Not available

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