CHAPTER 6

IMPACT OF ECONOMIC AND TECHNOLOGICAL FACTORS ON THE PUBLIC BROADCASTING SYSTEMS

Economic and technological factors have played an important role in the public broadcasting system, in the first instance, forcing public broadcasters to overcome the inertia that was concomitant to their semi-governmental status and adopt a dynamic approach to the challenges thrown up by the advancement of technology which was quite stark in the system in Britain. Secondly, their status as public corporations meant that “allocative financial control resided with the state”\(^1\) This has thrown up its own challenges for the public broadcasters and their credibility. Since these factors are more or less the two sides of the same coin, they need to be looked at together in order to comprehend the impact of one on the other, and on broadcasting in general. Given the fact that broadcasting began as a private enterprise in both Britain and India, the initial focus of this chapter will be on that initiative, and the “business model” that provided the backbone of those initiatives. Though the private initiatives existed for all too brief a period, many of the fundamental principles were established during that period. Once these private corporations were passed on as “a going concern” to the respective governments, the goalposts shifted, so to speak, and new viable sources of financing had to be worked out within the framework of the broadcasting system that was being established. The
existing broadcasting system also had to face challenges in the period under review. While Indian broadcasting went through a phase of first being, a private initiative, and then being taken over by the colonial government, and finally, in the post-independence phase, as an appendage of the government, the BBC had to learn to live with the licence fee. It also had to face the break-up of its monopoly which had an enormous economic impact on it.

**Financing the British Broadcasting Company**

The British Broadcasting Company had an initial capital of £60,000, mainly subscriptions from over 1000 participating manufacturers\(^2\). Another source of revenue was a comprehensive tariff imposed on each piece of apparatus manufactured as per the following schedule:

<table>
<thead>
<tr>
<th>Description of Apparatus</th>
<th>Sum payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each crystal set</td>
<td>£ 7 s. 6 d.</td>
</tr>
<tr>
<td>On each microphone amplifier without using valves</td>
<td>£ 7 s. 6 d.</td>
</tr>
<tr>
<td>On each crystal set and one valve</td>
<td>£ 1 s. 7 d.</td>
</tr>
<tr>
<td>On each crystal set and two valves</td>
<td>£ 2 s. 2 d.</td>
</tr>
<tr>
<td>On one valve set</td>
<td>£ 1 s. 0 d.</td>
</tr>
<tr>
<td>On each two valve set</td>
<td>£ 1 s. 15 d.</td>
</tr>
<tr>
<td>On each set adapted for more than two valves a further sum for each additional valve holder of</td>
<td>£ 10 s. 0 d.</td>
</tr>
<tr>
<td>On each telephone earpiece</td>
<td>£ 3 s. 0 d.</td>
</tr>
<tr>
<td>On each loudspeaker with or without trumpets</td>
<td>£ 3 s. 0 d.</td>
</tr>
<tr>
<td>On each valve</td>
<td>£ 2 s. 0 d.</td>
</tr>
</tbody>
</table>

Source: Licence and Agreement, 1923, p.9

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2 BBC, Written Archives Centre (from now on WAC), File CO 69, “The Broadcasting Service”, in *British Broadcasting Company- The Broadcasting Service 1922-24*, July 1926, p.1
Recurring expenditure was to be met through licence fee of 10 shillings payable by anyone owning a receiver, to be collected by the Post Office, of which the BBC was to receive half, with the other half going to the government to cover the costs of collection. Thus as per the initial business model, the Company’s income was to come from a number of sources including the licence fee and royalties. However, much was dependent on the Post Office since it not only had to enforce the de facto monopoly that it had granted to the Company, but also had to collect the Licence Fees and hand them over to the Company. Though the Licence and Agreement entered into between the Post Office and the Company covered virtually all possible aspects, it was entirely on the Post Office to enforce its part of the agreement. However, this was an unsatisfactory arrangement since the Post Office tried to have its cake and eat it too by proposing to issue “Constructors Licences” entitling amateurs to create their own receiving sets from components without having to stick to parts manufactured by the licenced manufacturers or making royalty payments to the BBC. This, coupled with the Post Office’s inefficiency in collecting the Licence fees, threatened the BBC’s financial viability. The BBC released a press statement on 17 April 1923 on the “controversy”, pointing out that the manufacturers had “on the strength of that Agreement, not only provided capital for the formation and operation of the Company, but, in addition, undertook still greater outlays in the establishment of a new industry, an adequate return which was dependent solely on

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3 Ibid. Additional revenue was to come from a percentage of royalties on the sale of receiving sets made by the licensed manufacturers and each member company had to undertake to sell only British-made sets.

4 BBC, WAC, CO38/2, “Broadcasting Question: Official Statement by the BBC”, in BBC Licence and Agreement 1923(File 2) Feb 1923-July 1926, p.2

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the observance of the signed agreement." The release virtually accused the Post Office of stabbing the Company in the back through its actions.

The initiative which led to the formation of the Company came from the Post Office .... The Post Office insisted that members should contribute to the expenses of the Company by tariff on the sale of their instruments. The Post Office approved the scale.... The opposition comes now from, even when broadcasting has been made popular by the efforts and risks of others, not from responsible bodies of commercial opinion, but from importers and those who are prepared to reap where others have sown.... The issue of a Constructors Licence on any terms means a serious diversion of trade from those 600 members who, in faith of the Agreement and the protection promised, subscribed the capital and proceeded to manufacture.6

A further statement issued by the BBC on 20 April 1923 gives further insight into the thinking that resulted in the formation of the Company. According to it, “the whole object of the introduction of the BBC mark was to make broadcasting possible, and to protect all British manufacturers equally against the dumping of foreign sets manufactured by labour paid for at a rate of about one fifteenth part of what British labour is paid, with which British manufacturers could not compete.”7

When the Broadcasting Agreement was entered into between the Post Master General and the Company, it had been clearly established that:

(a) No broadcasting Company could possibly be brought into being unless there were protection against the foreigner;

(b) That unless a Broadcasting Company were formed, tens of thousand of working men and working women

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5 BBC, WAC, CO38/2, “Statement sent to the Press from BBC”, in BBC Licence and Agreement 1923(File 2) Feb 1923-July 1926, 17 April 1923.
6 Ibid.
7 Ibid.
would remain idle instead of having remunerative employment in a new industry.8

Given all these problems, the Post Master General set up a Commission of Inquiry headed by Frederick Sykes in April 1923 to "consider the unresolved issues of finance, organisation and control of broadcasting".9 As the Post Master General, Joyson, put it in a letter to John Reith:

I am not at all satisfied with the whole broadcasting situation and I propose therefore to appoint the strongest committee I can to consider the position in all detail. I propose to make the terms of reference as wide as possible so that the committee can take a survey of the whole broadcasting position, both present and future, including the terms under which licences have been and should be issued and the desirability of maintaining the prohibition against foreign manufactured apparatus or apparatus not manufactured by the BBC. It will also be within the committee's province to consider other matters such as the advisability of admitting advertising matter in the broadcasting programme.10

The Committee, of which Reith himself was a member, held 34 meetings, examined 32 witnesses and reported to Parliament in August 1923.11 The Committee made a number of recommendations. The system of royalties was given up, as also the bar on foreign receivers since that too had been observed more in the breach. On the contentious issue of the Licence Fee, the Committee recommended that one licence should replace the three licences currently in use. The new licence would also cost 10 shillings, but three-fourths of it would go to the BBC instead of one-half, as had

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8 BBC, WAC, CO38/2, "Statement sent to the press from BBC", in BBC Licence and Agreement 1923(File 2) Feb 1923-July 1926, 20 April 1923.
10 BBC, WAC, CO 38/2, "Letter from Joyson to Reith", in BBC Licence and Agreement 1923(File 2) Feb 1923-July 1926, 21 April 1923.
earlier been the case. However, since the forecast was that the number of licences purchased would go up rapidly, the three-fourth share was to be subject to a sliding scale with a decrease in the proportion of each licence paid to the BBC as the number increased. The financial terms of the Licence, and the proportion payable to the Company were revised as follows:

... upto and including 31/12/24—75 per cent of the total Licence Collections; Thereafter upto and including 31/12/26 — “such proportion as the Postmaster General in consultation with the Company should consider reasonably adequate to enable the Company to provide a Broadcasting Service to his reasonable satisfaction.”

Here again, the Company’s perception of ‘reasonably adequate’ was at odds with the Postmaster General’s and this was manifested in his decision to peg the Company’s income at £500,000 for the year ending 31 March 1926 in view, as he put it, of the Broadcasting Enquiry about to begin and in view of the absence of public representation on the Board of the Company.

By the spring of 1924, the estimated expenditure on the Company had increased to £445,000, and a year later to £600,000, with much of the expenditure going into the development of relay stations, the extension of transmitting hours and also from the continued increase in the cost of programmes.

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12 Ian McIntyre says the effect of this decision was dramatic with the number of licences increasing from 180,000 to 414,000 in ten days. Ian McIntyre, *The Expense of Glory: A Life of John Reith* (London: Harper Collins, 1993), p.129
14 BBC, WAC, n.2, p.1
15 Ibid.
With the Post Office and the Company virtually working at cross-purposes, with both deeply suspicious of the intentions of the other, it was inevitable that this experiment of a private enterprise run on the principle of public service would fail. Like its predecessor, the Sykes Committee, the Crawford Committee, though set up to look into the organisation of the broadcasting service, was seen by the Company as a possible arbitrator on the financial difficulties it was facing vis-à-vis the Post Office. In his report to the Board on 17 September 1925, this is what John Reith, the Managing Director, said on: "...Although the original and primary function of this Committee was to be the future constitution and control of broadcasting, the Committee’s appointment earlier than anticipated is I think very satisfactory since … it is very desirable to have as early a decision as possible as to the future financial arrangements of the Company."16

16 BBC, WAC C07/3, “Managing Director’s Report to the Board”, in BBC Board of Directors Minutes 1925, 17 September 1925.
Table 6.2 – Licence Fee Figures

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount received for Licences</th>
<th>Paid to BBC</th>
<th>Balance Retained</th>
</tr>
</thead>
<tbody>
<tr>
<td>31/3/24</td>
<td>£556,000</td>
<td>£177,000</td>
<td>£82,000</td>
</tr>
<tr>
<td>31/3/25</td>
<td>£689,000</td>
<td>£489,000</td>
<td>£115,000</td>
</tr>
<tr>
<td>31/3/26</td>
<td>£982,000</td>
<td>£500,000</td>
<td>£284,000</td>
</tr>
</tbody>
</table>

Source: BBC Written Archives Centre

Table 6.3 - Revenue and Expenditure Account

<table>
<thead>
<tr>
<th>Heads</th>
<th>15/12/22-31/3/24</th>
<th>31/3/25</th>
<th>31/3/26</th>
<th>31/12/26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>176,934</td>
<td>488,881</td>
<td>500,000</td>
<td>601,869</td>
</tr>
<tr>
<td>Tariffs</td>
<td>25,378</td>
<td>35,689</td>
<td>67,020</td>
<td>--</td>
</tr>
<tr>
<td>Publications etc.</td>
<td>4,062</td>
<td>13,959</td>
<td>83,557</td>
<td>44,598</td>
</tr>
<tr>
<td>Total</td>
<td>206,974</td>
<td>539,247</td>
<td>650,577</td>
<td>647,577</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Heads</th>
<th>15/12/22-31/3/24</th>
<th>31/3/25</th>
<th>31/3/26</th>
<th>31/12/26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programmes, Engineering and Admin</td>
<td>179,788</td>
<td>377,352</td>
<td>511,023</td>
<td>464,776</td>
</tr>
<tr>
<td>Provident Fund</td>
<td>--</td>
<td>10,000</td>
<td>4916</td>
<td>3289</td>
</tr>
<tr>
<td>Directors Fees</td>
<td>3364</td>
<td>4606</td>
<td>3200</td>
<td>3672</td>
</tr>
<tr>
<td>Capital and Depreciation Reserves</td>
<td>14,411</td>
<td>34,032</td>
<td>111,020</td>
<td>172,325</td>
</tr>
<tr>
<td>Income Tax</td>
<td>5,600</td>
<td>28,400</td>
<td>14,000</td>
<td>-3,511</td>
</tr>
<tr>
<td>Dividend</td>
<td>3,093</td>
<td>5172</td>
<td>5308</td>
<td>4026</td>
</tr>
<tr>
<td>Total</td>
<td>206,974</td>
<td>539,247</td>
<td>650,577</td>
<td>647,577</td>
</tr>
</tbody>
</table>

Source: British Broadcasting Company

Internal documents of the Company indicate that it had come to the conclusion that broadcasting was not a viable proposition in its present avatar, especially so since the Post Office was not favourably disposed to it. In his report, Reith said; "I reported at many meetings in recent months that the PMG seemed determined to
reduce the licence fee believing that the income was now more than adequate."17

Under the circumstances, the best thing was for the Company to exit while it could on the most favourable terms possible. In fact, as far as the Company and its backers were concerned, it had succeeded in the purpose for which it had been created; viz., as a driver for the sale of radio sets. Since advertising was as yet in its infancy, and in any case not allowed on the BBC, there was not much monetary remuneration accruing to the Company through the transmission of content. According to the P.J. Edmunds, Director of Wireless, Government of India, by the time it was taken over by the government, “the number of receivers numbered over two million and the revenue derived from this source was such that when the Company was wound up, the entire capital expenditure with interest was paid up and the Corporation took over free of encumbrances together with a substantial credit balance in cash.”18 As the Company reminded the general public through a press release following the publication of the Crawford Committee report, “The Company regards the essential recommendations of the (Crawford) Committee as the natural result of the policy it has endeavoured to follow during the period in which it has exercised the stewardship of the broadcasting service. Although the BBC is technically a trade organisation, it has constantly tried to interpret its functions as those of a public service. One of the notable recommendations of the Committee was “that no part of

17 Ibid.

18 National Archives of India (from now on NAI) Home-Pol-1927-File F227, No.7, Explanatory Note by P.J. Edmunds, Director of Wireless, 1 July 1927, p.2
the cost of broadcasting should fall on the taxpayer, but that the Government should not endeavour to make a profit on the administration of the Service."\(^{19}\)

**Financing Public Service Broadcasting**

*The Licence Fee*

The BBC is financed by a licence fee. Anyone who owns a television in the United Kingdom is required by law to purchase a licence annually from the Post Office.\(^{20}\) The money from the licence sales do not come direct to the BBC but is paid into a consolidated fund held by the Treasury. For each financial year, the BBC and the Treasury agree in advance on the likely level of licence sales and money is released on that basis from the consolidated fund in installments.\(^{21}\) It is the government's prerogative to decide the amount of the licence fee which it does after consultation with the BBC, but keeping in mind other relevant factors such as overall public expenditure, inflation and public reaction to price increases.\(^{22}\) To that extent, right from the beginning, the determination of the licence fee was a political issue equivalent, as the Estimates Committee of the House of Commons put in 1969, "to decisions on levels of taxation or charges in the National Health Service."\(^{23}\)

*The Antecedents of the Licence Fee*

The Licence Fee first made its appearance in 1922 when the government imposed a licence fee of 10 shilling on anyone owning a receiver with half of the proceeds...
going to the BBC and the other half going to the government.\textsuperscript{24} This system was continued when the government decided to run the BBC as a public corporation; the BBC's monopoly over broadcasting seeing to it that there were no other claimants to the licence fee. Even though this monopoly was broken in 1952, the BBC's monopoly over the licence fee continued, the justification for this being that the licence fee was the cornerstone of the BBC's independence from external pressures and the only way by which it could continue to uphold the principles of public service broadcasting. In its report to the Annan Committee 1974, the BBC gave the alternatives to financing by licence fee and its reasons for rejecting those alternatives. A parliamentary grant-in-aid would no doubt have the advantage of saving in collecting charges but would result in increasing control by the government, a fact acknowledged by the Treasury in its report to the Pilkington Committee which said if the Corporation were financed by general taxation, it would be "in a position very similar to that of a government department and would have to be subject to much the same amount of detailed control."\textsuperscript{25} Broadcasting funded through advertising was also firmly rejected on the grounds that an advertising supported service would bring "economic pressure ... towards the programmes which attract the largest audience.... Minority audiences are bound to suffer unless

\textsuperscript{23} Ibid., p.111

\textsuperscript{24} The licence fee in fact proved to be a thorny issue since the Post Office was in charge of collecting the licence fee and passing it on made quite a hash of it by issuing various types of licences and also being tardy in handing over the company's share of the licence fee. See earlier in this chapter.

\textsuperscript{25} Paulu, n.20, p.25.
protected in some way, because at the times at which they are available to view are not different from those at which the community-at-large is available.\textsuperscript{26}

There are, nonetheless, many disadvantages to being financed through the licence fee, the most obvious one, being the constant sceptre of governmental pressure in one form or another. That this is not an imagined fear has been demonstrated by successive governmental threats to reduce or withdraw the licence fee, and governmental lethargy over the BBC's legitimate request to raise the licence fee to cope with rising costs.\textsuperscript{27} The BBC has also felt duty-bound to dabble in providing a range of services without considering their cost-effectiveness on the grounds that the licence fee enjoins it to provide the maximum services to its viewers. The other disadvantage with the mechanism of the licence fee was that it was static, with the number of licences sold rising only marginally year after year making it difficult for the BBC to keep abreast with inflation.

In 1985, the question of the licence fee rose again when the Peacock Committee of 1985 was asked, among its terms of reference to: i) assess the effects of the introduction of advertising or sponsoring on the BBC's Home Services, either as an alternative to the income received through the licence fee; ii) to identify a range of options for the introduction, in varying amounts and on different conditions, of advertising or sponsorship on some or all of the BBC's home services, with an assessment of the advantages and disadvantages of each option, and; iii) to consider

\textsuperscript{26} Ibid., p.26.
\textsuperscript{27} See Chapter 3.
any proposal for securing income other than through the licence fee.\textsuperscript{28} The Committee examined in detail the pros and cons of each of the various alternatives to financing the BBC, including funding through direct taxation, advertising and subscription. It found that the disadvantages with the existing licence fee were that: i) it was a regressive tax in that it was a flat rate tax which all owners of T.V. sets must pay independent of wealth or income; ii) it was potentially unfair in that, in theory owners of T.V. sets might prefer to watch only channels other than the BBC; iii) it was expensive to administer and was therefore an inefficient use of resources;\textsuperscript{29} and iv) it encouraged evasion of payment of the licence fee since costs of detection were high and penalties low.\textsuperscript{30} It also implied some degree of political control because the level of the licence fee was set by the government. Nonetheless, when compared to the alternatives, it did help the BBC to maintain some amount of independence not only from the government, but from other influences. It also helped the BBC to maintain a direct relationship with its audience and enabled it to produce programmes of high quality covering a wide range of subjects. On the other hand, the only advantage of funding out of direct taxation was that it was a relatively more progressive form of funding. The disadvantages were much more; the BBC would have to compete with other services such as education and health for its share, and of course the risk of government interference was maximum here. Similarly, if the advantage of advertising was that it freed the BBC from any dependence on the government, this was simply to replace one form of dependence with another, in this


\textsuperscript{29} 6 per cent of revenue went towards collection charges.
case, the paying client, whose whims and fancies would decide the types of programmes that would be broadcast, since advertising finance paid premium to the number of viewers over audience satisfaction. It therefore tended to favour low-risk, so-called "common denominator" programmes over diverse programmes catering to various minorities. The Pilkington Committee had also considered this alternative as early as 1960 and the Treasury Department's advice to the Committee at that time had been as follows: "If the Corporation were to be financed from general taxation, instead of from licence fees, the BBC would be in a position very similar to that of a government department and would have to become subject to much the same kind of detailed control.... Parliament would regard the Minister responsible for the Vote as being in some degree at any rate accountable for the Corporation's policies and actions." The problem with subscription was also similar in the sense that though it favoured the production of more specialised programmes, it still would not cater to the poorer or more marginalised viewers.

The Impact of New Technologies on the Monopoly

Compared to other forms of media such as the press, broadcasting has, right from inception, been in a state of flux. This has been largely due to the constant technological change and innovation, and if, in the beginning, governments cited the national interest as a reason for retaining tight control over the new technologies,
other forces (chiefly market forces) took advantage of the technological innovations that came through with regularity to present a constant challenge to the state’s perceived right of absolute monopoly over broadcast policy. In other words, the changes that took place in the field of broadcasting have historically been the result of new technologies coupled with the willingness of private enterprises to experiment with these technologies in the hope of returning a profit. The challenge to governments has been in walking the tightrope of modifying broadcast policy taking into account such technological changes in such a way that it still retains control over what it perceives as a medium of communication and information of supreme importance. At the same time it was duty bound to keep the public broadcasters’ interests in mind while making sure that it was not accused of stifling the growth of the medium which in its turn could lead to accusations of suppressing the fundamental right to freedom of expression (a stick that private enterprise has used very often to get its way when lobbying with the government for changes in broadcast policy.) If initially, the government and the public broadcasters had the common aim of ensuring the continuance of the monopoly, the state because that ensured a greater amount of control over the medium, and the broadcaster because such a monopoly made it easier for it to carry out its public service brief of providing programmes that ‘informed, educated and entertained’ the audience. This task was made not easy by the appearance of commercial broadcasters who were more than willing to give the audience what they wanted without being troubled by such niceties. That the government would have to be partial to the public broadcaster to ensure its survival might have been an accepted fact right from the beginning, but that did not make it any easier for the public broadcaster to combat competition or to ensure a favourable climate for its
continued success nor for that matter could the government’s automatic support be taken for granted.

*Origins of the Monopoly*

In a memorandum to the Crawford Committee, Evelyn Murray, Secretary of the Post Office, stated that though the power to licence additional stations had existed after December 1924, “no demand has been forthcoming and no occasion for granting an additional licence has arisen.” The memorandum further stated; “In the opinion of the Post Office, the experience of the past three years, and in particular the lines on which the technical development of Broadcasting has proceeded, tend to confirm the original decision in favour of a monopoly.” Six reasons, mostly technical, were also given as to why, this pattern should continue. They were: 1) The locating of broadcasting sets “so as to reach the maximum population ... can be done most effectively by a single authority.” 2) A single broadcasting authority “would consider itself bound to cover the widest possible area: a number of separate authorities would tend to concentrate on the populous centres, yielding the largest revenue, and none of them would be under an obligation to cater for less remunerative districts.” 3) Separate stations in adjacent towns would lead to an overlapping of services and risk of interference. 4) By means of simultaneous broadcasting “the London programme can be distributed over the whole country and London can get the advantage of any item of special interest transmitted from a Provincial station. To carry this out effectively and systematically, all stations need to be under a single control. 5) The division of the licence fee would present great

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difficulties if there were separate broadcasting authorities. And 6) There would be a saving in administrative and overhead charges.

These arguments were largely accepted and the debate over the BBC's monopoly was re-awakened only in 1944 when *The Economist* presented a series of articles examining the issue and explaining that the technological and economic issues that had earlier stood in the way of breaking up the monopoly were no longer relevant. It gave sufficient reason for the War Cabinet to constitute a Committee on Broadcasting to examine this and other issues related to Broadcasting. The Committee presented a Draft Report on 19 February 1945. On the question of monopoly, it gave its analysis as follows:

In favour of abandoning monopoly principles, it is argued that a system of effective competition would act as an incentive for the improvement of broadcasting technology and programmes, and that unless this incentive is provided by competition within the United Kingdom, the British public will tend to listen to programmes from foreign stations established to make a commercial profit out of the lack of variety in U.K. programmes.

The view that the BBC monopoly should be terminated has been urged. It is argued that the existing system places too much power in the hands of the BBC and deprives broadcasting of the advantages of healthy competition. It has been suggested that while the State should own the physical assets required for broadcasting, the provision of programmes should be entrusted to three competing corporations, each of which would receive a basic share of the licence fee plus an additional share based on the votes of listeners. One corporation would be modelled on the existing BBC, one would be a co-operative exercise and the third a business venture. The capital for the first and second models would be provided from public funds.37

36 Ibid.

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After considering these proposals, the Cabinet recommended that “the BBC should continue to have a monopoly of broadcasting” since putting in place the alternatives would result in “great upheaval.”

*Relay Exchanges*

Along with wireless broadcasting, ‘wire broadcasting’ had also made a parallel entry in the 1920s through the mechanism of the relay exchange. The relay exchange was made up of a high-quality receiver which was used to receive radio broadcasts which was then fed over wires connected to loudspeakers into individual homes. These exchanges first came into being in rural and low-income communities, with the first one coming into operation in 1925. Though the relay exchange contravened a clause of the receiving licence which stated that the radio apparatus could only be used to receive messages in the premises occupied by the licencee, the Post Office’s decision to subsequently licence these exchanges threw the floodgate open and by 1930, there were over 86 relay exchanges with over 21,677 subscribers.

According to Coase, there were a number of reasons why those wishing to hear programmes might prefer to become subscribers to a relay exchange rather than buy a receiving set. They were:

1. The loudspeaker which was installed in a subscriber’s home was simpler to operate than a receiving set. Furthermore, it was less likely to develop faults; or if it did there was a maintenance staff of the relay exchange to set it right.

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38 Ibid.
39 Coase, n.35, p. 69
40 Paulu, n.20, p.20. By 1955, there were 250 firms providing this service to over a million homes and by 1973, there were over 2000 exchanges with over 2.5 million subscribers.
2. In areas such as ports in which there was considerable interference or in which, owing to natural features or the location of the transmitting station, reception was difficult on an ordinary receiving set, the subscriber to the relay exchange was able to hear the programmes much more clearly.

3. The master set of the relay exchange was able to pick up programmes from foreign stations which it would be difficult, or impossible, to receive on an ordinary set. The same interests that had earlier on encouraged the BBC monopoly again came together to ward off threat from the relay exchanges. Those were the radio trade, the press and the BBC. The radio trade saw a competitor which eliminated the need for a radio set. They organised opposition to the grant, by the local councils, of concessions to relay exchange companies. The press, though it was more worried about losing revenue from commercial stations which were being relayed from these relay exchanges, tried to pressure the government by emphasizing on the security aspect, saying, “the relay exchanges constituted a general menace by placing in uncontrolled hands the power to upset the balance of broadcasting opinion on controversial matter which is so carefully held by the BBC today.” The BBC was wary of the relay exchanges since it threatened the Corporation’s “programme monopoly.” It urged the government to let it run the relay exchanges, but the Post Office refused on the grounds that that would lead to a conflict of interest and would sound the death-knell for the wireless industry since there would be no need for wireless receivers if programmes were to be transmitted over the wire. Instead, in

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41 Coase, n.35, p. 75
42 Ibid., p.76
1930, the government made regulations for relay exchanges more stringent, making it compulsory for them to relay only BBC programmes. 43

Broadcasting over Longwave

Though the first radio transmitters had a limited range since they broadcast over medium wave and had limited power, the introduction of longwave transmitters made it feasible for high-powered broadcasts to cover a much wider area. In the twenties and thirties, a number of such transmitters were set up in the European continent with Britain as their prime target since commercial broadcasting was not allowed within the country. The first ever such programme was a fashion talk broadcast from the Eiffel Tower in Paris in 1925 and sponsored by Selfridges. However, it was only in March 1930 that the International Broadcasting Company was set up to broadcast on a regular basis to the British Isles. By 1932, over 21 British firms were using these stations to advertise their wares in Britain. The best known of these was Radio Luxembourg, a station which began broadcasting in English on longwave into Britain on 4 June 1933. 44 Financed by French and British businessmen who hoped to make their returns from advertising revenue, the station mainly broadcast popular music which was not available on the BBC, subject to strict controls on what could and what could not go out over the airwaves. 45

44 Others were Radio Normandy and Radio Lyon, both in France. The French government had followed a slightly different model for broadcasting in their country, declaring a monopoly over the medium under the control of the post office which then gave out licences to various independent stations. Richard Nichols, Radio Luxembourg: The Station of the Stars (London: W.H. Allen & Co., 1983), p.11
45 See chapters 2 and 3.
The BBC was well aware of the dangers posed by this threat to its monopoly. As early as 1928, the Foreign Director of the BBC had written a memo to the Controller of Broadcasting in which he said "...in my opinion there are at least 3 dangers that might arise if we don’t do our utmost to stop this move ... a) both as to our education and our Sunday policy our flank will be turned ... b) a large increase in oscillation is to be expected ... c) with foreign and British advertisements flowing in, we shall find it difficult to resist pressure for our own system being opened to publicity." 46

The promoters of these new ventures, being the astute businessmen they were, ensured wide publicity for their venture in the newspapers, portraying their effort as an attempt to widen choice for the listener. Gordon Sherry in the *Daily Chronicle* of 5 November 1928 expostulated: "... there is no animus on our part towards the BBC but we are definitely working against the existing monopoly so far as programmes are concerned.... We shall provide alternative programming to the ordinary official programming. People will then be able to choose for themselves instead of having, as now, to take or leave what the BBC may be pleased to send out...." 47

The BBC tried its utmost to get Radio Luxembourg off the air even before it began broadcasting, first by getting the government to put pressure on the French to put pressure on Luxembourg to prevent the station from broadcasting to Britain on the grounds that it was operating on a wavelength not assigned to it. 48 When that didn’t

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47 Ibid.
48 In a memo from Reith to his Deputy Director General, dated 2 October 1935, Reith complains: "There are all sorts of things which they (French) have promised to do and have not yet done and the more money that goes to France from English advertising the less likely are they to wish or be
succeed and the station built up a following through its offering of popular music and light entertainment,\textsuperscript{49} which was not available on the BBC at that time, it went to the extent of blacklisting those artistes and employees who were working for Radio Luxembourg.\textsuperscript{50} The BBC also took the initiative to move a resolution at the Council of International Broadcasting Union stating:

1. The Council... holds that the systematic diffusion of programmes or messages, which are specially intended for listeners in another country and which have been the object of a protest by the broadcasting organisation of that country, constitutes an 'inadmissible' act from the point of view of good international relations.\textsuperscript{51}

Subsequent representations made to the French government and later to the Luxembourg government calling their attention to these resolutions did not evoke any response. The BBC also prevailed on the government not to provide communication links to the radio station from Britain necessary for news programmes and the like.\textsuperscript{52} However, this did not lead to the end of the broadcasts. Programmes were now made on gramophone tapes and carried out for broadcasting.

The BBC also had an unlikely ally in the Press who adhered to the BBC’s request not to publicise Radio Luxembourg since they were also losing advertising revenue to the foreign stations. That the BBC ensured that this fact was known to the newspapers is

\begin{flushright}
\textsuperscript{49}The station was broadcasting two hours a day in English during weekdays and all day on Sundays when listenership was highest since the BBC under Reith began broadcasts only after 3.30 p.m. and that too, only religious material along with a few serious features. Paulu, n.20, p.282
\end{flushright}

\begin{flushright}
\textsuperscript{50}Nichols, n.44, p.20ff and p. 31
\end{flushright}

\begin{flushright}
\textsuperscript{51}Coase, n.35, p. 112
\end{flushright}

\begin{flushright}
\textsuperscript{52}Nichols, n.44, p.37
\end{flushright}
evident in a letter written by the Director General of the BBC to Col. Dawson of the Daily Telegraph newspaper pointing out that the foreign stations had drawn in revenue from advertising to the tune of £30,000 in 1934, £315,000 in 1935 and £630,000 in 1936. The Director General went on to say: “It is believed in well informed quarters that the 1937 figure may well be nearly double that of 1936....”

As early as January 1933, members of the Newspapers Proprietor Association had agreed that they would not make use of foreign stations for advertising or publicity purposes, nor would they print announcements of radio broadcasts for advertising purposes.

The advertisers had protested as early as 1935 against the governments’ attempts to get these stations off the air. In a telegram to the then Prime Minister Stanley Baldwin, they informed him of a meeting in which they “... considered the action that is being taken by the PMG to prevent British manufacturers continuing to take advantage of existing wireless advertising facilities given by continental broadcasting stations. The meeting decided unanimously that any such action would be seriously prejudicial to trade and employment, since it would deprive manufacturers of a means of advertising that has proved conclusively to be of great benefit to British trade both at home and abroad....”

Despite the government’s and the BBC’s best efforts, Radio Luxembourg had built up an audience of 4 million listeners by 1938 and over three hundred British companies were spending £1,700,000 a year to advertise over these stations. As Richard Nichols puts it, advertisers were willing to "... pay the highest advertising rates in the world to reach what was quite probably the largest single audience available to any advertiser anywhere in the world...."  

The government had got a boost in its efforts to be seen to be only following the letter and spirit of the existing laws in its campaign against the longwave stations when the Broadcast Committee of 1935 (Ullswater Committee) went into this question and ruled in favour of the government. When L.A. Blanckensee sent a communication to the Home Secretary expressing his surprise and concern to "see reports in the press that His Majesty’s Government is aiming at abolishing sponsored broadcasts from abroad..." , the Telecom Department responded to it as follows:

...I am directed by the PMG to say that the view has been taken by successive governments that it is in the interests of the broadcast service and in the general public interest that the service should be kept free from advertisements. The transmission of advertisements in English from stations abroad runs counter to this policy; it is contrary to the views of the International Union representing the broadcast authorities; and it has been accompanied by an infringement of the regulative arrangements of the ITU. The Broadcast Committee of 1935, under the Chairmanship of Mr. Ullswater which received evidence on all aspects of the question, recommended in their report

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55 This was double the BBC’s audience figures. Ibid., Nichols, n.44, p.47  
56 Paulu, n.20, p.21  
57 Nichols, n.44, p.47.  

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that the responsible departments should take all steps within their
cpy power, with a view to preventing the broadcasting from foreign
ș stations of advertisement programs intended for this country. The
government accepted this recommendation, after the Committees'
ș report had been debated in Parliament....

This state of affairs continued till the clouds of war loomed large in the horizon
ș across Europe in 1938. According to a Post Office memo:

... until 1938 the British government was in a strong moral position
ș on the question of the impropriety of broadcasting programmes
ș directed to foreign audiences because this country had undertaken no
ș such transmissions, commercial or otherwise. In 1938, however, in
ș view of the deteriorating international situation the government
ș decided to counteract the propaganda of certain other nations.
ș Broadcasting in Arabic for the Middle East started on 3 January 1938.
ș During the Munich crisis, broadcasts in German, Italian and French
ș were started. One of the best methods of doing this was by the use of
ș Radio Luxembourg because it was so near the frontiers of Germany.
ș
ș It was obviously going to be difficult if not impossible to secure the full co-
ș operation of Luxembourg if the government maintained their declared aim of
ș opposing the Luxembourg Company's settled policy of broadcasting sponsored
ș programmes in English. On 2 February 1939, a formula agreed by the Information
ș Office and Post Office received Ministerial approval. It stated that "...if approval by
ș commercial interests or by foreign governments in regard to any scheme for the
ș establishment of additional advertising station in continental countries, it should
ș adopt a neutral attitude." The change in the government’s policy was clearly a matter
ș of political expediencies. There is nothing to suggest that it was in any way due to

59 Ibid., "Reply from Telecom Department to L.A.Blancenase", 13 January 1938.
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any fundamental alteration of opinion on the undesirability of broadcasting advertising (i.e. sponsored) programmes.  

The Second World War saw these stations fall into Nazi hands and being used to beam propaganda into Britain. During the war, in a reversal of its previous policies, the BBC adopted many of the features, and personnel, of Radio Luxembourg for its General Forces Programme consisting of popular music and features. Its successor, the Light Programme, had a similar format and its brief was to keep ‘British listeners from Radio Luxembourg’. Radio Luxembourg, which had returned to the air at the end of the war countered this by switching to the medium wave band with an increased power output of 1200 watts as well as changing its programming format to American-style radio stations with music countdowns.

With the end of the war, the status quo ante returned with regard to Radio Luxembourg as far as the BBC and the Post Office was concerned. In another memo, the Post Office set forth its views on the subject:

We understand that in anticipation of return of peace these stations are planning to resume operations. We have been informed of at least one proposal designed to reconcile the government to their continuance by giving the control of Radio Luxembourg to a joint Anglo-French-Luxembourg combine with the stations’ political broadcasting to be controlled jointly by the British and French governments. We consider everything possible should be done to eliminate such programmes. We realise, prohibition will require a degree of international agreement which will not be easy to secure.


61 Paulu, n.20., p.158

62 The station continued to be enormously popular till television became popular in the mid-fifties. Radio Luxembourg still broadcasts daily to the United Kingdom with programmes of popular music and light drama.
The most effective remedy is to improve attractiveness of BBC programmes.63

Pirate Radio

The physics of radio transmission meant that commercial radio stations broadcasting from the continent could deliver a clear signal to Britain only after the sun went down – the gap in the daytime was suddenly filled up by what came to be known as “pirate” radio stations which sprang up in the sixties. These stations were located on ships or artificial islands located in or near British territorial waters and broadcast mainly recorded popular music.64 The first pirate ship to go on air was Radio Caroline in 1964, followed by others like Radio London, Radio 270, Radio Scotland and so on. They immediately became popular and began to attract advertising which in turn led to more and more of these stations, financed mainly by businessmen who hoped for large and quick returns on small investments, coming on air. These stations violated almost every law and international agreement governing the use of the airwaves in force; “... they threatened the national broadcasting monopoly, they introduced commercial broadcasting into a country that had legislated against it, ... and by operating on frequencies not assigned by an international agency, they interfered with authorised marine, aircraft and broadcasting services ....”65 They also played “pirated” music on their stations since they did not pay any royalty on it either to the artiste or the record company. Despite all this as well as pressure from the BBC to do something,66 the

63 British Library, IOR, n.60, para. 45.
64 Paulu, n.20, p.22. Such stations were, in fact, dotted all over Europe but Britain soon became a hot-spot for pirate radio due to a potent combination of a large number of radio enthusiasts, businessmen ready to take a risk and advertisers willing to pay for air-time due to the absence of commercial broadcasting stations.
65 Ibid.
66 Nichols, n.44, p.131
government found itself in a bind because of the national popularity of these stations which seemed to have fired the public imagination.\textsuperscript{67} This meant that the government would have to provide a similar replacement service to meet audience demands once the pirates were eliminated. Thus, in December 1966, the government authorised the BBC, in a White Paper, to introduce a channel broadcasting continuous popular music; simultaneously, a bill (The Marine Offences Bill) was introduced in Parliament which ‘made it illegal for British subjects to ‘own, operate, supply or advertise on pirate stations, whether located on ships, aircraft or structures on the high seas or within British territory, or to induce anyone else to do so.’\textsuperscript{68} Richard Nichols points out what he considers to be the government’s double standards in being prepared to “pander to populism” but only when such indulgence was conducted under the umbrella of the BBC monopoly.\textsuperscript{69} Being such a blatantly illegal activity, it should have been easy for the government to reassert the monopoly of the BBC and ban these stations, but their popularity meant that first, the BBC had to get its act together and come up with similar sort of programmes to take the place of these stations. The new station was called Radio 1 and many of the erstwhile pirate radio presenters were taken on as staff. It was only after this that the government on 14 July 1967, approved a law which made it illegal for British subjects to own, operate, supply or advertise on pirate stations, whether located on ships, aircraft or structures on the high seas or

\textsuperscript{67} Ibid.
\textsuperscript{68} Paulu, n.20, p.22
\textsuperscript{69} Nichols, n.44, p.134. According to Nichols, the Labour government that came to power in 1964 did so on a very slender majority and never felt strong enough to take on the pirates because of their enormous popularity. It was only after the General Election of 1966 where the Labour Party got a higher majority that it introduced the above legislation.
within British territory, or to induce anyone else to do so.⁷⁰ Those stations that did not voluntarily shut down their operations were confiscated by the government.

**Commercial Broadcasting**

The fact that broadcasting was a field in which powerful interest groups operated was brought home by the manner in which commercial broadcasting came to Britain, at one stroke doing away with one of the tenets of public service broadcasting, that of the monopoly. According to Burton Paulu, commercial broadcasting came to Britain not spontaneously in response to widespread public demand but because well-organised pressure groups, led by individuals who saw financial gains for themselves, prevailed on the government to end the BBC's monopoly and to introduce a competitive system supported by advertising.⁷¹ Prominent among the proponents were several Conservative Party MPs, with advertising agency and electronic manufacturing connections, with funds for the campaign being provided by equipment manufacturers.⁷² The battle for the most monumental change in broadcasting policy since the establishment of the BBC was carried out both within Parliament and outside with all sorts of interest and pressure groups ranged for and against the policy shift.

The first ripple in the pond was a minority report attached to the Beveridge Committee report which had been set up in 1946 to look into broadcasting.⁷³ The minority report was written by Selwyn Lloyd, a junior Member of Parliament whose opinion was that

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⁷⁰ Paulu, n.20, p.22. From the Marine and Broadcasting Offences Act, a bill to suppress Broadcasting from Ships, Aircraft and Certain Marine Structures.

⁷¹ Ibid., p. 58

⁷² Ibid., p.60

"only private sponsoring of programmes could provide an effective method for the elimination of the potential dangers of monopoly." He also felt that the BBC's size was a "hindrance to its technical development" and recommended that the BBC continue to operate as a non-commercial public service system financed by licence fees and that it be paralleled by one or more private commercial systems. This report came out in June 1951, and the Labour government immediately responded with a White Paper recommending the continuation of the monopoly. However, before action could be taken on this, a General election was announced in October 1951 putting this decision in abeyance for the time being. The General elections brought the Conservative Party to power with Winston Churchill as Prime Minister. Unlike the Labour Party which was unanimous about its support to the monopoly principle, the Conservative Party had mixed feelings about the BBC.\textsuperscript{74} Party members suspected that the BBC was infested with employees who were identified with left wing tendencies and were opposed to the policies of the Conservative Party. Churchill himself had not forgotten the BBC's "disdainful treatment" of him during the 1926 General Strike and being denied opportunities to broadcast his views on controversial subjects when he was a backbencher during the 1930s. In June 1952, he declared in Parliament, "the more I have studied this matter and watched its development in the last few months, the more convinced I am that the present monopoly should not continue."\textsuperscript{75}

Six months after its election victory, following intense lobbying by its backbenchers the Conservative government issued its White Paper on broadcasting policy indicating formally the new direction the government intended to take with regard to

\textsuperscript{74} Paulu, n.20, p.59

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broadcasting. The Paper began by pointing out that the BBC’s various licences did not make the BBC the “sole authority for all broadcasting in the United Kingdom.”76 The government had chosen to give it an informal monopoly to enable to establish and maintain a national broadcasting service. Now, twenty five years on, “the present government have come to the conclusion that the expanding field of television provision should be made to permit some element of competition.”

The White Paper led to much debate within Parliament, with the voices against led by a highly exercised Lord Reith who wanted to know in the House of Lords:

> What grounds are there for jeopardising this heritage and tradition [of the BBC]? .... A principle absolutely fundamental is scheduled to be scuttled .... Somebody introduced dog racing into England ... and somebody introduced Christianity and printing and the uses of electricity. And somebody introduced small pox, bubonic plague and the Black Death. Somebody is minded now to introduce sponsored broadcasting into this country.77

Reith condemned what he called the “scuttling” of a fundamental principle of public service broadcasting and referred to the various machinations that had produced the White Paper thus: “One can imagine the stresses and strains, the pullings and pushings behind the scenes, arguments and counter-arguments, drafts and re-drafts”. Lord Macdonald, a former Postmaster General said in a similar vein: “Is it wise for this country to follow up the craze that we find growing rapidly to commercialise everything? Is it really wise, will it add to the dignity of this great country of ours? Surely, there are some things which are too sacred to be commercialised.”78 According

75 Ibid.
76 Beveridge Report, n.73, p.1
77 Hansard: House of Lords, col 176, col.1297, 22 May 1952.
78 Wilson, n.43, p.19

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to Wilson, in the House of Lords, debate was one-sided, “both numerically and in terms of prestige, status and presumed influence of those who spoke against the government’s proposals.” 79

The government tried to walk the middle line with the Postmaster General stating that while “it is clear that under our proposals commercial television is possible ... it is equally true that there are other possible ways of providing competition. For this reason, the word ‘commercial’ was quite deliberately left out, and not because we were either shy or coy about its use.” 80 In the event, the government’s report was approved by a vote of 297 to 269.

The uproar and national debate provoked by the parliamentary proceedings led the government to issue another White Paper on the issue in 1953. In the year and a half that separated the two White Papers, a number of pressure groups had jumped into the fray with the avowed purpose of mobilising public opinion. According to Wilson, once the “formal curtain” behind these pressure groups was removed, it became clear that powerful financial and manufacturing interests, prepared to invest money in the new broadcasting scheme, were the ones that “supplied the motives, the people, the money and the rationale behind the case for a commercial alternative.” 81

The two main pressure groups that played a major role in mobilizing public opinion were the National Television Council that was in favour of the status quo and the Popular Television Association which demanded freedom of the airwaves. A letter

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79 Ibid, p.19
80 Ibid.
81 Ibid, p.21
to *The Times* stated the *raison d'etre* of the former pressure group; its brief was to
"resist the introduction of commercial television into this country, and to encourage
the healthy development of public service television in the national interest" since
"the development of this new medium of information and entertainment calls for the
exercise of the highest sense of social responsibility in all those that engage in it, and
commercialisation - now imminently threatened - is fraught with dangers to those
spiritual and intellectual values which the BBC has nobly striven to maintain."82

The Popular Television Association, on the other hand, made no secret of the fact
that it was funded by those with an "economic stake in breaking the BBC’s control
of British broadcasting." Its objective was "awaken the national conscience to the
dangers, social, political and artistic, of monopoly in the rapidly expanding field of
television, to provide the public ... with programmes which are in keeping with the
best standards of British taste, and to open up steadily widening opportunities of
employment ... in all fields of the entertainment and electronic industries."83

In the final analysis, the campaigns by the pressure groups at opposite ends of the
spectrum had its impact on the structure of the new television authority as detailed by
the government in its White Paper.

The 1953 White Paper outlined the governments’ position in greater detail and drew
out the broad framework of the broadcasting organisation it had in mind. The new
organisation would not be in the business of creating programmes, but would merely
confine its activities to licensing and operating television transmitters. It would sell

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82 Ibid, p.25
83 Ibid, p.27
time to private companies which would produce programmes for transmission – the companies would obtain revenue from advertising. Both programmes and advertisements would however be supervised by the regulatory body set up by the government.\textsuperscript{44} The White Paper explained the government’s reasoning thus:

\begin{quote}
The policy which the government recommends to Parliament is designed to achieve three objectives - the first to introduce an element of competition into television and enable private enterprise to play a fuller role in the development of this important and growing factor in our lives; the second is to reduce to a minimum the financial commitments of the State; and the third is to produce with caution into this new field and to safeguard this medium of information and entertainment from the risk of abuse or lowering standards.\textsuperscript{45}
\end{quote}

The Television Act, 1954, established the Independent Television Authority to supervise the establishment of a commercial system of broadcasting. The new network was designed as a federal structure of companies differing in size and regional characteristics, but jointly and separately making and broadcasting a range of programmes varying from light entertainment to news, sports, films and documentaries as well as religious and educational programmes. Income was to be derived from advertising, and regulation was to be like the BBC by a government appointed Board. Thus both the BBC and the ITA were intended to run at tandem but independently of each other. Competition was not for revenue, but for audiences thus ensuring that they both broadcast attractive high quality programmes. Furthermore, though income came from advertising, the advertiser had no say in

\begin{flushleft}
\textsuperscript{44} Paulu, n.20, p.61
\end{flushleft}
programming decisions, unlike in the American model where the advertiser had a major say in all aspects of the programming they sponsored.

The coming of independent television ultimately represented a windfall for the BBC as well since it expanded television viewership considerably; in 1955, the year ITV was launched, the number of television licences hovered around 4 million. Within five years, it had more than doubled to over 9 million. This translated into a net annual increase in revenue for the BBC of more than £20 million. 86

Financing the Independent Television Authority

The private channels are financed through the revenue they get by selling advertising time on their channels. The regulatory authority, in its initial avatar as the Independent Television Authority (ITA), got most of its income from payments made by programming companies for the privilege of broadcasting over its transmitters. The ITA estimated its financial needs and set out reasonable rentals leaving the programme companies with sufficient returns on their investments. The I.T.A’s responsibilities were enumerated as follows:

- at intervals to appoint programme contractors from among those applying for contracts;
- to regulate in the general interest the programme matter, including advertisements, provided solely by the programme contractors;
- to transmit the programme matter for general reception by the public.

The functions of the programme contractors were:

- to provide the programme matter, including advertisements;

to sell advertising time and so provide the finance on which the systems depended.\(^{87}\)

As Burton Paulu put it, “nowhere else in the world is there a system to finance broadcasting like that used for the Independent Broadcasting Authority.”\(^{88}\) Seymour-Ure’s analysis shows that the major sources of finance for the private programme producers came from existing programme production companies, theatre and cinema chains, newspaper organisations and firms that specialised in the hire of radio and television sets.\(^ {89}\) The new service faced a number of teething problems. On the technical side, it operated on a band that could not be received by the existing television receivers; advertisers were also not forthcoming with much needed revenue until the viewership base increased.\(^ {90}\) That happened very fast and by the 1960s, programme company profits were so high that an additional tax, the “levy”, was imposed to drain off excessive company profits in 1964.\(^ {91}\) It was first imposed on the net revenue of the companies, and later, in 1972, converted to a tax on net profits. These decisions were taken in the wake of the Pilkington Committee’s report which criticised the private companies as well as the Independent Broadcasting Authority, the regulatory body, on a number of counts.\(^ {92}\) The Committee had actually recommended that programme planning and collection of advertising revenue should become the sole responsibility of the ITA and the surplus revenue should go into government coffers. In its evidence to the Annan Committee, ITV

\(^{87}\) Memorandum submitted by the Ministry of Post and Telegraphs to the Select Committee on Nationalised Industries, Session 1971-72, (H.C. 465), p.1-3

\(^{88}\) Paulu, n.20, p.112


\(^{90}\) Independent Television Companies Association, n.87, p.10

\(^{91}\) £ 100 invested in television company stock in 1959 was worth £11,200 in 1960. Paulu, n.20, p.116

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gave explanations as to why this step would have been detrimental to it. In the first instance, it would have destroyed the regional system that had been put in place by ITV since the whole structure would have had to be centralised. Secondly, marketing would not be carried out as efficiently by a quasi-governmental body as it was being done by the private companies. Furthermore, from being "broadcasters," the private companies would simply become programme producers and lose their character and strength which they derived from the regions they served. The ITA’s preferred solution to the problem of high profits was “introducing a second commercial television network to compete with the first one.”

Table 6.4 – ITV Commercial Accounts

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Advertising Revenue (NAR) £ million</th>
<th>Levy £ million</th>
<th>Costs £ million</th>
<th>Profit before Interest and Tax £ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>82.6</td>
<td>21.6</td>
<td>43.9</td>
<td>19.0</td>
</tr>
<tr>
<td>1966</td>
<td>82.0</td>
<td>21.1</td>
<td>46.1</td>
<td>16.8</td>
</tr>
<tr>
<td>1967</td>
<td>89.9</td>
<td>24.0</td>
<td>48.8</td>
<td>19.1</td>
</tr>
<tr>
<td>1968</td>
<td>94.9</td>
<td>25.7</td>
<td>53.4</td>
<td>18.3</td>
</tr>
<tr>
<td>1969</td>
<td>98.6</td>
<td>25.4</td>
<td>64.8</td>
<td>9.6</td>
</tr>
<tr>
<td>1970</td>
<td>93.3</td>
<td>24.1</td>
<td>65.6</td>
<td>6.0</td>
</tr>
<tr>
<td>1971</td>
<td>101.4</td>
<td>17.7</td>
<td>69.1</td>
<td>6.0</td>
</tr>
<tr>
<td>1972</td>
<td>120.4</td>
<td>15.2</td>
<td>81.3</td>
<td>26.9</td>
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<td>1973</td>
<td>149.5</td>
<td>21.4</td>
<td>98.7</td>
<td>32.5</td>
</tr>
<tr>
<td>1974</td>
<td>150.3</td>
<td>20.9</td>
<td>110.2</td>
<td>22.2</td>
</tr>
</tbody>
</table>


92 See Chapter 3.
93 Independent Television Companies Association, n.87, p.25-26

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Table 6.5 – Changes in Levy

<table>
<thead>
<tr>
<th>Effective Dates</th>
<th>Net Advertising Revenue</th>
<th>Rate of levy (%)</th>
<th>Effective Dates</th>
<th>Net Advertising Revenue</th>
<th>Rate of levy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964 to July 1969</td>
<td>0-1.5%</td>
<td>Nil</td>
<td>February 1971 to June 1974</td>
<td>0-2</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>1.5-7.5</td>
<td>25</td>
<td></td>
<td>2-6</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Over 7.5</td>
<td>45</td>
<td></td>
<td>6-9</td>
<td>17.5</td>
</tr>
<tr>
<td>July 1969- April 1970</td>
<td>0-5</td>
<td>Nil</td>
<td></td>
<td>9-12</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>.5-1.5</td>
<td>7</td>
<td></td>
<td>12-16</td>
<td>22.5</td>
</tr>
<tr>
<td></td>
<td>1.5-4</td>
<td>25</td>
<td></td>
<td>Over 16</td>
<td>25</td>
</tr>
</tbody>
</table>
|                 | 4-10                    | 35               | 23 June 1974 Profits basis introduced: The greater of 
|                 | Over 10                 | 47.5             | i) 2 percent of net advertising revenue or 
| April 1970 to February 1971 | 0-2                | Nil              | ii) £250,000 Balance of Profits | Nil | 66.7 |
|                 | 2-6                     | 20               |                              |                        |                  |
|                 | 6-9                     | 35               |                              |                        |                  |
|                 | 9-12                    | 40               |                              |                        |                  |
|                 | 12-16                   | 45               |                              |                        |                  |
|                 | Over 16                 | 50               |                              |                        |                  |

Financing Indian Broadcasting

The colonial government began by seeing broadcasting as a nuisance it could well do without and tried its best to foist it upon private enterprise. In a letter to the Earl of Birkenhead, Secretary of State for India, the Information and Labour Department under whose control broadcasting lay tried to justify the handing over of broadcasting to private enterprise:

After due consideration we decided to entrust Broadcasting to private enterprise under suitable government control. In arriving at this decision, we were actuated by the following considerations:

If broadcasting were to develop it was essential that its organisation should follow closely the actual requirements of the public.... A private commercial undertaking depending entirely on the licence fee for its existence was far more likely to be sensitive to the changing needs of the public than a government department. Moreover, the financial condition of the country at the time precluded any large
Among the main economic provisions incorporated into the Licence were the following: the licence was to be for ten years from the date of the commencement of a regular service from at least one station. During the first five years, and subject to satisfactory performance, the government would undertake not to licence any other person or company for the purpose of providing a broadcasting service. The Company would be free to manufacture and sell apparatus for wireless telegraphs of all kinds, including broadcast receivers and their components, but no monopoly would be permitted for this. Also no limitation would be imposed on profits for the first five years, after which the government would have the right to reduce the proportion of fees payable to the company. The annual fee for each broadcast receiver licence was to be Rs.12, calculated at Re.1 per month, of which the government would retain Rs.2, and the remaining Rs.10 would go to the company providing the service.96

The company would also be given a percentage of the revenue from customs duties on imported apparatus:

At present, no wireless apparatus is manufactured in India so that in the early stages all the receivers would be imported and we decided to allow the broadcasting agency to receive a royalty of 10 percent on the value of all imported receiver apparatus. In this way, the private agency would obtain considerable additional revenue in the earlier stages when that derived from licences would be small. At the same time, the sale of apparatus would remain unrestricted and the manufacture of receiving sets in India would be fostered.97

95 National Archives of India (from now on NAI) Home-Pol-1927-File F227, “Letter from the Information & Labour Department to the Earl of Birkenhead, Secretary of State for India”.
96 India, NAI, Development of Radio Broadcasting in India, Serial Nos.1-18, File No.153 of 1924.
97 NAI, n.96.
Despite such relatively generous provisions, the only application received was from the Indian Radio Telegraph Company, which was two-thirds owned by the Marconi Company. Extending the last date for applications twice, first, to 31 August 1925, and then to 7 December 1925, did not elicit any other response. The Department of Labour and Industries opposed issuing a licence to a company that manufactured and sold transmitters and receivers, saying that a separate company would have to be formed whose sole purpose was broadcasting.

Thus was formed the Indian Broadcasting Company (IBC), with its main shareholders being Raja Saheb Dhanrajghirji Narsinghirji and the Indian Radio Telegraph Company. While the former contributed Rs. 2.64 lakhs, the latter contributed Rs. 2.63 lakhs out of a total subscribed capital of Rs 6 lakhs. The remaining Rs. 73,000 was contributed by numerous shareholders including some well-known names from the electronics industry such as M.A. Fazalbhoy, Y.A. Fazalbhoy and N.G.Motwane. Control of the company, for all practical purposes rested with the Indian Radio Telegraph Company, which, in its turn, was 2/3rd owned by the Marconi Company of Britain. The Board of Directors was made up of C.N.Wadia (Chairman), his brother Sir N.N. Wadia, C.N. Moberly (representing the government), J.P.Dastur (a Bombay solicitor representing Raja Dhanrajghirji), R.M. Chinoy and Sultan Chinoy. A letter from Reith to William Bull gives his opinion on the developments:

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98 BBC, WAC, E1/897/4, Indian Broadcasting Company, 1928-30, (Written Archives Centre, BBC)
99 India, NAI, Agreement with the IBC for the establishment, maintenance and working of a commercial broadcasting station in British India; appointment of the Director of Wireless as a government representative on the directorate of the IBC, Serial No. 19-27, File No. 153 of 1924.

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The company is formed much on the lines of the BBC three and a half years ago, but with a much stronger commercial element. They have a ten years virtual monopoly; dividends are not limited for the first five years, but may be limited to a maximum of 15% in the second five; the capital is only £10,000, which is a very small sum since they have to deal with the whole of India, and it is the intention of four large manufacturing firms in this country to underwrite the total amount - Marconi through their Indian company, General Electric, Standard Telephones, and Cables (Western Electric) and Burndpt. Membership, as here, is open to manufacturing firms and shares will apparently also be available to the public, but the four firms will retain a majority holding. There are to be not less than seven and not more than twelve directors, including one nominated by the government of India.... The revenue for the first five years of the company is to be derived from 80% of the receiving licence fee and 10% on all wireless material imported into India....

Another source of income was to be from licences procured from importers who could only thus become members of the IBC. In the first instance, though the IBC had issued capital to the tune of Rs. 6 lakhs, about Rs. 5 lakhs had been spent on the construction and equipment of the two stations as well as preliminary expenses up to the date of inauguration of the service. Thus, by the time the stations actually went on air, only Rs. 1 lakh was available as working capital.101

By December 1928, the situation had deteriorated to the extent that the company had only Rs.15,000 by way of cash in hand and was subsisting on loans from its parent company, the Indian Radio Telegraph Company.102

100 BBC, WAC, E1/897/1, “Letter from Reith to Bull”, in Indian Broadcasting Company 1924-26, 22 April 1926. Reith ended his letter with the caution that “even from the purely commercial point of view, it is necessary in this business to have high regard to public service obligations.... In other words, it not only pays to do so, but disregard brings commercial difficulties.”

101 Ibid.

Table 6.6 – CASH POSITION OF IBC ON 20TH SEPTEMBER 1927

<table>
<thead>
<tr>
<th>Share Capital</th>
<th>598,166</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% Levy</td>
<td>20,953-7-2</td>
</tr>
<tr>
<td>Interest</td>
<td>6909-12-0</td>
</tr>
<tr>
<td>Share Transfer Fees</td>
<td>146-6-0</td>
</tr>
<tr>
<td>Total</td>
<td>626,175-9-2</td>
</tr>
</tbody>
</table>

TOTAL EXPENDITURE ON CAPITAL A/c

<table>
<thead>
<tr>
<th>Bombay</th>
<th>Transmitter-I.R.T on a/c 156,841-10-8</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Station Building 33,787</td>
</tr>
<tr>
<td></td>
<td>Furniture at Transmitter Building 3,426-13-9</td>
</tr>
<tr>
<td></td>
<td>Studio Equipment 9,201-6-9</td>
</tr>
<tr>
<td></td>
<td>Tools &amp; Instruments 472-8-0</td>
</tr>
<tr>
<td></td>
<td>Control Room 1377-13-0</td>
</tr>
<tr>
<td></td>
<td>Valves 3,788-2-0 208,895-6-2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Calcutta</th>
<th>Transmitter building &amp; Fittings 33,195-6-9</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Control Room 1,523-7-0</td>
</tr>
<tr>
<td></td>
<td>Studio Equipment 5,881-15-0</td>
</tr>
<tr>
<td></td>
<td>Tools &amp; Equipment 382-15-0 40,983-11-9</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

Source: BBC Written Archives Centre

In the absence of any monetary help from the government it was decided that the only option left was to drastically reduce expenses by at least Rs 9,000 - this was done by cutting down on staff, reducing the programme allowance and reducing the hours of broadcasting from 5 hours a day to three. An indication of the drastic cuts was given in a letter from Dunstan to Reith:

The staff have been ruthlessly cut down in every other way and the programme allowance reduced by 40% .... In Bombay, Page will have no assistant on the programme side and no announcer .... In Calcutta, Wallich loses his assistant and announcer, and Cobb has only himself and two fairly competent Indians and 2 boys as apprentices .... The hours of broadcasting are reduced from 5 hours to 3 or 3.5 ....The amount available for providing both European and Indian programmes is reduced to 175 pounds per station p.m .... Had it been

possible for the Board to save their faces and do so, it would shut down altogether, but this being impossible, they have condemned us to a lingering rather than a sudden death. With the means now at my disposal, I cannot put out programmes that either community, European or Indian, will invest money to listen to, and the Company can never hope to reach a paying basis on such poor programmes.

Eric Dunstan prepared an exhaustive brief in order to convince the British and other international wireless manufacturers that it would be in their interests to invest in Indian broadcasting. He did not mince any words in saying that without fresh capital the service would cease. He elaborated on the reason why he was unable to raise further capital in India, saying, “the capital so far invested has come from Indian sources and was subscribed under the misapprehension that it would bring a speedy return. It has not; and an investment in which a dividend is not more or less immediate does not appeal to the Indian investor.”

Giving an overview of the company in the five months of its operations, he said that 3,750 licences had been issued yielding a revenue of Rs. 30,000 (at Rs.8 per licence) while the 10 percent levy on imports of broadcasting apparatus had garnered a sum of Rs 25,000, giving a grand total of Rs 55,000. Dunstan’s proposal was to issue the remainder of the authorised capital of the Company to the tune of Rs. 8.75 lakhs and to use this money to not only maintain and extend the present services from Bombay and Calcutta but also to start two further stations in Lahore and Madras respectively. He was of the opinion that this step would be sufficient to set the IBC

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105 Ibid., “IBC’s Letter of Offer to British Companies”.
106 Ibid, Extracted from Eric Dunstan’s proposal to British wireless manufacturers dated 21 March 1928. This was against a monthly operating expenditure of Rs. 33,000.
on the path to profitability by 1932.\textsuperscript{107} As Dunstan put it: “The progress of the BBC at the outset was gradual and altogether out of proportion to what took place when appreciation of Broadcasting developed; and when, all the circumstances of India are considered, there is no reason to anticipate that the progress of India, where the eventual possibilities are greater, should not advance in a similar manner and belie all revenue estimates based on the first few months of working.”\textsuperscript{108} However, Dunstan’s bait was not bitten; the response from J.T. Mould of the Igranic Electric Company was indicative of the general feeling in the British industry on Indian broadcasting. He simply said that “from the British manufacturers point of view, the Indian broadcasting proposition is a rather hopeless one”.\textsuperscript{109}

In March 1929, the Indian Broadcasting Company informed the Government that it would not be able to go on incurring losses (which by then amounted to Rs 3,82,882) and invited the government to either take over its assets at cost price or to assist it by granting Rs 2 lakhs per year to cover its losses. The financial position of the Company then was that the Company had completely spent its original capital of Rs. 6 lakhs, plus a further Rs. 3 lakhs borrowed from The Indian Radio Telegraph Company, as also the revenue amounting to approximately Rs. 3.5 lakhs, totaling Rs. 13 lakhs all together.

\begin{footnotesize}
\begin{enumerate}
\item[107] Ibid.
\item[108] Ibid.
\end{enumerate}
\end{footnotesize}
The government after due consideration conveyed its refusal to bail the IBC out in January 1930. Faced with no alternative, the Company decided to go into voluntary liquidation with effect from 1 March 1930.

_Reasons behind failure of the IBC: An Analysis_

Lionel Fielden, India’s first Controller of Broadcasting, ascribed the failure of the IBC to various factors:

The Company was, in the first place, undercapitalised. In other countries, the rate of increase in the licence fee had been so rapid that increasing funds had been readily available to build up and improve the broadcasting service with great rapidity in early years and so to form an ever-widening circle of listeners. In India, the direct opposite had been the case. The capital reserve and revenue had been insufficient from the start and the economies made almost immediately in staff and programme funds, at a time when increased programme funds and increased staff were absolutely essential in order to attract listeners. Secondly, the very high prices of receiving sets were a formidable deterrent, at about Rs.500 for a four-valve set.  

An internal memo of the BBC, dated 26 September 1928 went deeper into analysing the reasons behind the failure of the IBC. Among the reasons given was the difference in the conditions existing in Britain and India: “A predominantly urban character, a high standard of literacy in the people, a relatively settled political and constitutional outlook, European wages, and an enterprising outlook upon novelties were all favourable factors present in Great Britain and absent in India.”

Other possible factors thrown up by the report included the following:

110 Progress of Broadcasting in India: Report by the Controller of Broadcasting (New Delhi: Government of India Press, 1940), p.3

111 BBC, WAC, E1/897/4, “BBC memorandum on Indian Broadcasting prepared for Viscount Burnham”, in Indian Broadcasting Company July 1928-December 1930, 26 September 1928, p.2
a) There is little or no demand for the broadcasting of European-type programmes. Primarily therefore, broadcasting must be to and for the native;

b) There is a certain demand for European-type programmes on the part of the British population and the Anglicized native of the soldier-business class. But this demand is for matter unobtainable locally, such as news, sentimental contacts with home and concerts;

c) There seems to be no likelihood of the wireless-industry in this or other European countries venturing on a policy of mass-exportation unless Indian broadcasting is in the hands of either the government or of some organisation which is financially strong enough to operate on a very large scale. Nor, without this guarantee, is it to be expected that an adequate local industry will come into existence;

d) Whether importing or local, the industry would or should look for its profits in the sale of sets and components rather than in dividend on the shares of an IBC held by them;

e) Taking all classes of prospective individual set owners into account (Europeans, Princes and Chiefs, prosperous native merchants, the wealthy zamindars), it seems unlikely that the total of individual licences for all India will ever exceed 100,000. The political and cultural purposes for which it is desirable and necessary to promote broadcasting in India would scarcely be served at all by addressing so small a fraction of its 350,000,000 inhabitants.\footnote{Ibid., p.6-7}

The pros and cons of revenue from tributes was also examined: “British experience indicates that broadcasting ought to be freed as soon as possible from dependence on trade revenue (in the case of Britain, the discontinuance of the BBC tariff on sets was recommended by the Sykes Committee within less than a year from the beginning of the Company’s operations...).”\footnote{Ibid., p.3} Partha Sarathi Gupta attributes the
uncertainties of the Independence movement as a major reason for the reluctance of British businessmen to invest in Indian broadcasting.\textsuperscript{114}

The Licence Fee system in India

The excessive bureaucratisation of the colonial administration was reflected in varied categories of licences that were issued and the conditions attached to their issuance. Luthra lists the various types of licences that were issued and their respective fees as follows:

\begin{table}[h]
\centering
\begin{tabular}{|l|l|}
\hline
Broadcast receiver Licence & Rs. 15.00 \\
\hline
Domestic Cheap & Rs.7.50 \\
\hline
Community sets & Rs.7.50 \\
\hline
Hospitals & Rs.7.50 \\
\hline
Schools & Rs.3.00 \\
\hline
Tourists & Rs.7.50 \\
\hline
Commercial Receivers (Urban) & Rs. 50.00 \\
\hline
Commercial Receivers (Rural) & Rs. 30.00 \\
\hline
Commercial low cost sets & Rs.15.00 \\
\hline
Demonstration Licences & Rs.15.00 \\
\hline
Possession Licences (Dealers) & Rs.60.00 \\
\hline
Possession Licences (non-dealers) & Rs.25.00 \\
\hline
Additional domestic (same premises) & Rs. 3.00 \\
\hline
Additional commercial (-do-) & Rs.10.00 \\
\hline
\end{tabular}
\caption{Table 6.7 – Types of Broadcast Receiver Licences}
\end{table}

Source: H.R. Luthra, \textit{Indian Broadcasting} (Delhi: MIB, 1986)

\textsuperscript{114} P.S. Gupta, \textit{Radio and the Raj 1921-47} (S.G. Deuskar Lectures on Indian History and Culture (Calcutta: Centre for Studies in Social Sciences, 1988)
A basic broadcast receiver licence covered "the use of the set at the address specified in the licence only, of any number of wireless receiving sets by the licensee or his family...." Licenses could also be issued for "receiving sets in motor cars. In such cases the application form must have the words 'for use in motor cars.' " "For the benefit of persons who are required to tour extensively, a licence may be issued available throughout British India."

As regards Commercial Receiver licenses, these were applicable "in the case of reproduction of broadcast programmes in the rooms of business premises to which the public have access....Such licenses are also issued to the proprietor or manager of a touring organisation such as a circus, concert or theatre party." Then there were Demonstration Licences which were "issued for the benefit of dealers in wireless apparatus who wish to demonstrate wireless receiving apparatus on their premises or at the residence of a prospective customer." Dealers also had to take out a "Possession Licence" under the Indian Wireless telegraph Act of 1933 as well as Import (Wireless Telegraph) Licences (issued under the Sea Customs Act 1878) to import equipment into British India.

**Financing Broadcasting by the colonial administration**

The announcement of the IBC's liquidation led to protests, largely from the wireless trade, who held large quantities of equipment, and those members of the public who

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115 Progress of Broadcasting in India, n.110, p.149
116 Ibid.
117 Ibid.
118 Ibid., p.150
119 Ibid.
120 Ibid.
had invested in wireless receivers. This led the government to reverse its earlier decision and to decide to purchase the physical assets of the Company for a sum of Rs 3 lakhs after due approval of the Legislative Assembly. It was “further decided to maintain the service for a period of two years during which the expenditure was estimated at Rs. 2,67,000/- per annum against anticipated revenue of Rs 1,26,000/- per annum leaving a deficit of Rs. 1,41,000/- to be met from the revenues of the Government of India.” The government’s first move upon taking over the IBC was to further reduce the monthly expenditure budget from Rs. 24,000 to Rs. 22,000.

In 1931, the government made a further attempt to divest itself off the responsibilities of broadcasting by attempting to shut down the ISBS, acting on the recommendations of the Retrenchment Committee. This committee had been set up following the worldwide recession of the 1930s, to look at ways and means of reducing government spending which was part of a General Retrenchment Campaign. A Press communiqué issued on 9 October 1931 referred to how the Committee had given due weightage to the arguments in favour of continuing the service, “especially its ultimate financial value, its cultural, educational and nation-building possibilities, its utility in time of national disturbances, and the objections to the alternative of allowing small independent broadcasting organisations to spring up without adequate control.” However, all this paled in the face of the fact that

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121 From proceedings of Standing Finance Committee-7/2/30, quoted in Ibid., p.3
122 BBC, WAC, 896/1, “Note on Development of Broadcasting in India 1927 to 1933”, in Indian Broadcasting June 1933-August 1934, p.1
124 Ibid, p. 64
there was an urgent necessity for retrenchment and the fact that the service was being maintained at a loss.\textsuperscript{125}

A response from the traders and the general public similar to the one following the announcement of the shutting down of the IBC a year and six months earlier resulted in the government deferring this decision as well and deciding to continue the service “for an interim period during which proposals for its maintenance by private enterprise might be formulated and examined.”\textsuperscript{126} The attempts to foist it back onto private enterprise were unsuccessful and it soon became apparent that the service, if it were to be carried on at all, would have to be conducted by the government itself. Once that became obvious, a number of decisions were made to obtain more revenue for broadcasting. Customs duties on wireless receiving sets which were initially set at 12.5 percent before March 1931 and which had been raised to 20 percent from March 1931 onwards and then to 25 percent six months later was doubled and fixed at 50 percent from 1 April 1932.\textsuperscript{127} This led to a major improvement in revenue even though the measure was criticised both in England and in India for “stifling the development of broadcasting.”\textsuperscript{128} Nonetheless it was justified on the grounds that “this appeared to be the only means by which funds could be obtained to justify the retention of broadcasting at a time of acute financial stringency....While it is fully realised that this high rate of duty is undesirable, it has nevertheless served its immediate purpose and the large increase in revenue obtained in this way has made

\textsuperscript{125} BBC, WAC, n.122, p.2
\textsuperscript{126} Progress of Broadcasting in India, n.110, p.4
\textsuperscript{127} Luthra, n.123, p.65
\textsuperscript{128} BBC, WAC, n.122, p.14
possible provision for a certain amount of development of broadcasting during 1934-
35."\(^{129}\) A BBC memo on the total number of receiving sets imported into India in
1933 gives the following figures. British firms made a total of 1.25 million sets that
year.\(^{130}\)

<table>
<thead>
<tr>
<th>Table 6.8 – Receiver Imports into India 1933</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total value of all sets and components imported during 1933 (include duty)</td>
</tr>
<tr>
<td>Total no of British sets imported</td>
</tr>
<tr>
<td>Total no of American sets imported</td>
</tr>
<tr>
<td>Other sets</td>
</tr>
</tbody>
</table>

Source: BBC Written Archives Centre

<table>
<thead>
<tr>
<th>Table 6.9 – ABSTRACT OF COMMERCIAL ACCOUNT OF THE INDIAN STATE BROADCASTING SERVICE(^{131})</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
</tr>
<tr>
<td>Direct</td>
</tr>
<tr>
<td>Indirect</td>
</tr>
<tr>
<td>Interest</td>
</tr>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td>Miscellaneous (Audit Fees etc)</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Receipts</td>
</tr>
<tr>
<td>Customs</td>
</tr>
<tr>
<td>Licences*</td>
</tr>
<tr>
<td>Miscellaneous**</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Profit/Loss</td>
</tr>
</tbody>
</table>

* Total licence fees less payment for expenses to the P&T Department. This was 20 percent up to July 1932 when it was decreased to 10 percent
** Included profits on wireless publications and revenue from advertisements over the microphone

\(^{129}\) Ibid.

\(^{130}\) BBC, WAC, E1/896/2, “BBC memo on Receiving Sets 1933”, in Indian Broadcasting September 1934-Nov. 1935.

\(^{131}\) Ibid., p.4
The next step undertaken was to improve on the statutory provisions regarding licence fee collection; the existing legislation, The Indian Telegraph Act, 1885, gave control only of the establishment, maintenance and working of wireless apparatus. The lacunae lay in the fact that there was no restriction on the possession\textsuperscript{132} of wireless apparatus and it was thus impossible to obtain a conviction without proof that the apparatus had been used for reception or transmission. The Indian Wireless Telegraphy Act 1933, which came into force from 1 January 1934, was promulgated to shut this loophole. Under the new law, all dealers in wireless equipment were required to maintain registers of all wireless apparatus in their possession and the names and addresses of persons purchasing it. Dealers were also required to demand the production of a licence by all persons acquiring a set.\textsuperscript{133} Ironically enough, many of these measures had been asked for by the IBC on the plea that it would rescue it from bankruptcy and had been refused by the government.

An analysis of the various episodes culminating in the government taking over broadcasting shows the existence of three actors including the government, the traders lobby and the legislature. While the government was insistent at first that it would not take over broadcasting following the failure of the IBC, the traders lobby managed to work up enough pressure through the media, and its friends in the legislature to get the government to reconsider this decision. However, the government wrested a \textit{quid pro quo} from the legislature in the form of sky-high

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\textsuperscript{132} BBC, WAC, n.122, p.5. italics by Lionel Fielden
\textsuperscript{133} Ibid., p.3
customs duties on broadcast receivers. Licences and receipts for June and July 1936 showed great increase over the corresponding period in 1935.134

Table 6.10 – Licences and Receipts 1935-36

<table>
<thead>
<tr>
<th></th>
<th>1936</th>
<th></th>
<th>1935</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June</td>
<td>July</td>
<td>June</td>
<td>July</td>
</tr>
<tr>
<td>Licences</td>
<td>2264</td>
<td>3137</td>
<td>1675</td>
<td>1992</td>
</tr>
<tr>
<td>Customs Revenue</td>
<td>65,000</td>
<td>85,000</td>
<td>55,000</td>
<td>61,000</td>
</tr>
</tbody>
</table>

Source: BBC Written Archives Centre

Table 6.11 – Licences and Receipts 1937-38

<table>
<thead>
<tr>
<th></th>
<th>1937 July to September</th>
<th>1938 July to September</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs revenue</td>
<td>Rs. 2,08,000</td>
<td>Rs. 2,93,000</td>
</tr>
<tr>
<td>Licence Fees</td>
<td>Rs. 78,364</td>
<td>Rs. 1,01558</td>
</tr>
</tbody>
</table>

Above is a similar comparison of July to September 1937 and 1938 which shows a further increase in revenue.135 A break-up of the licenses and licence fee revenue in 1938 was given as follows in a Press Conference: “There are 55,000 licences so the revenue would be Rs. 5,50,000. Bombay has 18,000 licences, Calcutta, 15,000, Punjab and the North West Frontier Provinces, 9,000, United Provinces, 4000 and the rest of India, 4000.”136 However, it must be noted that the customs revenue formed part of the general revenues of the government:

134 BBC, WAC, E1/889, “Precis of report on Development of Broadcasting in India, submitted by the Department of Industries and Labour, Government of India to H.M. Under Secretary of State for India”, in Development of Broadcasting in India 1936-1941, 24 September 1936.
135 BBC, WAC, E1/889, “Precis of report on Development of Broadcasting in India, submitted by the Department of Industries and Labour, Government of India to H.M. Under Secretary of State for India”, in Development of Broadcasting in India 1936-1941, 14 November 1938.
136 British Library, India Office Records, Information Department, File L/1/1/445, Correspondence on Broadcasting in India 1932-45, 2 August 1938. To a question on the monthly rate of increase in licences, the following breakup was given - 1100 per month, 250 in Bombay, 250 in Calcutta, 120 in United Provinces, 150 in Madras, 200 in Punjab and the North West Frontier Provinces, and 150 in the rest of India.
Once the government had overcome the hurdle of adequate funding, it embarked on a number of far-reaching initiatives. They included the decision to purchase a 20 kw medium wave transmitter for a sum of Rs 2.5 lakhs for Delhi from the Marconi Company. The Government of India created the post of Controller of Broadcasting on 1 March 1935, and the BBC nominated Lionel Fielden as its candidate for the post. Fielden took charge on 30 August 1935. Concurrent with this, a further sum of Rs 20 lakhs was allotted for the development of broadcasting in India. However, Fielden had no knowledge of the technical side of broadcasting, and following yet another appeal to the BBC, it agreed to send, free of charge, Kirke, the Head of the BBC’s research department in order to help draw up a plan to utilise the Rs. 20 lakhs
to the extent possible. Kirke arrived in India in January 1936 and immediately said that Rs. 20 lakhs was grossly inadequate for the purpose. The government then decided to add a further Rs. 20 lakhs to the Budget making it a total of Rs. 40 lakhs.\footnote{Progress of Broadcasting in India, n.110, p.8}

Fielden felt that at least a sum of Rs.10 crores was needed to start and run a worthwhile service. As he and Kirke put it in their report, which was a much smaller country, there were nine 50 kw transmitters, one 100 kw transmitter and many more were in the pipeline. However, they felt that the more apt comparison would be with Europe in terms of size and coverage required, as well as other factors like multiplicity of languages. Here, there are over a 100 high and medium power stations which had required over 10 crore rupees to set up and maintain.\footnote{Luthra, n.123, p.82}

Kirke’s plan was to set up seven new medium wave stations in various parts of the country besides upgrading the existing station; his estimate was that this would be sufficient to provide a Grade ‘A’ signal to approximately 14 million people and ‘B’ grade reception to another 35 million.\footnote{Ibid., p.83} The total cost of this would have come to Rs.40, 19,000 on capital equipment with an estimated annual recurring expenditure of Rs 26 lakhs.

Once Kirke returned to England in May 1936, C.W. Goyder from the BBC came over to India and became Chief Engineer of the Indian State Broadcasting service on 19 August 1936. Goyder did not quite agree with Kirke's scheme, and felt that if

\footnote{Progress of Broadcasting in India, n.110, p.8}
\footnote{Luthra, n.123, p.82}
\footnote{Ibid., p.83}
medium-wave transmitters only were to be used, it would not, within the funds made
available, be possible to cover more than a small percentage of the total area of
India. He thought the more pressing objective was to provide a basic short-wave
service to provide at least a second grade service to the whole of India and then to
supplement it with a first grade medium wave service at important centres. He
estimated that 10 kW SW transmitters operating on 60 metres wave length at Delhi,
Bombay, Calcutta and Madras would provide a reasonably satisfactory coverage
with a radius of about 804.67 km. of each of these stations. Thus between them they
would cover almost the whole country at a cost of Rs. 5,40,000 (at Rs.1, 35,000
each) which would be just a little more than half of Rs.10 lakhs of the single large
medium-wave transmitter proposed by Kirke. Revenue collection by way of licence
fees and customs revenue had also been making healthy progress in the mean-time:

<table>
<thead>
<tr>
<th></th>
<th>Licence Fee</th>
<th>Customs Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>June-December 1940</td>
<td>7,30,90</td>
<td>10,95,000</td>
</tr>
<tr>
<td>January-June 1941</td>
<td>6,77,500</td>
<td>9,82,000</td>
</tr>
<tr>
<td>June-December 1941</td>
<td>8,96,690</td>
<td>14,27,000</td>
</tr>
<tr>
<td>January-June 1942</td>
<td>8,03,070</td>
<td>7,41,000</td>
</tr>
<tr>
<td>June-December 1942</td>
<td>8,53,560</td>
<td>22,17,000</td>
</tr>
<tr>
<td>January-June 1943</td>
<td>7,11,020</td>
<td>9,40,000</td>
</tr>
<tr>
<td>June-December 1943</td>
<td>9,15,810</td>
<td>22,90,000</td>
</tr>
<tr>
<td>January-June 1944</td>
<td>6,62,000</td>
<td>9,45,330</td>
</tr>
<tr>
<td>June-December 1944</td>
<td>9,90,730</td>
<td>2,11,000</td>
</tr>
<tr>
<td>January-June 1945</td>
<td>10,10,070</td>
<td>4,47,000</td>
</tr>
</tbody>
</table>

Source: British Library, India and Oriental Records Office

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140 Progress of Broadcasting in India, n.110, p. 14
However, in a pattern that was to be repeated again and again, broadcasting was given its due share of resources very reluctantly. Fielden describes his constant tussle with the government over finances in his autobiography: "The whole business of building up a broadcasting network was generally regarded as wasteful and unnecessary. I had to fight for every penny.... In government budgets I was 'credited' with the very small amount flowing from licence fees (not only were there very few listeners, but most of those did not pay), but now with the much more considerable sums arising from the 50 per cent duty on each imported set...."\textsuperscript{141}

By the end of the War, the first draft of plan for the post-war development of Broadcasting in India was drawn up by the Directorate-General, AIR and submitted to the government, as the staff and resources of AIR were inadequate in view of its functions and responsibilities, especially during the war. The department was re-organised during the period under review and an annual additional expenditure of Rs. 23 lakhs was sanctioned for this purpose. Of this sum, approximately Rs 11 lakhs were to be spent on the improvement of programmes and the rest on improvement in salaries of the existing staff and the creation of new posts.\textsuperscript{142}

**Piracy**

Piracy had earlier been one of the factors contributing to the demise of the Indian Broadcasting Company.\textsuperscript{143} According to a report by Lionel Fielden: "There are now 100,000 licensed receiving sets in India. The result of anti-piracy measures


\textsuperscript{142} British Library, India Office Records, Information Department, File L/I/1/967, *Government of India's Reports on Broadcasting*, 20 February 1945

\textsuperscript{143} BBC, WAC, E1/897/2, "Letter from Eric Dunstan to John Reith", in *Indian Broadcasting Company 1927–January 1928*, 2 December 1927
undertaken by AIR seem to show that the average of unlicensed sets is at least 25%.”144 As the report of broadcasting in India put it, “the detection of cases of evasion of licensing rules is a difficult and baffling task.”145 Though anti-piracy work was done by the Posts and Telegraphs Department up to May 1932 and 1/5th of the Licence Fee was retained by the P&T Department to fund such work, from June 1932, this function was transferred to the Indian State Broadcasting Service, and the P&T Department’s share of the Licence Fee reduced accordingly to 1/10th of the Fees. The ISBS created two temporary posts of Wireless Investigation Inspectors, with one being stationed in Bombay and the other in Calcutta. Obviously, this was an ineffective arrangement and anti-piracy work was re-transferred to the control of the Posts and Telegraph department in May 1936.146 However, it was only in 1939 that, records show, the “first organised Anti-Piracy Drive” was “inaugurated throughout India.”147 According to a note on the results of the anti-piracy campaign, “An improvement is shown in the income of AIR for period Jan-March 1939. Customs Revenue came to Rs. 5,13,000 and licence fees to Rs 2,21,449 compared to Rs. 5,09,000 and Rs 1,37,748 respectively in the corresponding period of 1938 .... Of the defaulters apprehended, 67 were convicted up to the end of Feb 1939. Licenses issued increased by 3,000 over the previous year.”148

144 Progress of Broadcasting in India, n.110, p.152
145 Ibid.
146 Ibid.
147 Ibid., p.xiv
148 British Library, India and Oriental Records, IOR, File L/1/1/445, “Notes and results of Anti-piracy Campaign”, in Correspondence on Broadcasting in India 1932-45, p.10

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Licence fee evasion was a problem that was going to crop up again and again, given the problems of collecting the fees and catching evaders in a vast country like India. Periodic drives to catch evaders or spot amnesties were not the solution. An amnesty in June 1952 resulted in 27,000 new licences being issued.\textsuperscript{149} The Verghese Committee calculated that though an estimated 3 million radio sets were produced annually, the annual licence fee figures only showed an increase of approximately 1 million sets per annum. A general amnesty in 1977 resulted in 5 million licences being issued, bringing in about Rs. 80 million by way of revenue.\textsuperscript{150}

In the case of Britain, a fine for licence fee evasion was imposed only in 1967 once licence fees rose to the point where evasion meant a considerable loss of revenue. According to the White Paper on Broadcasting that came out in 1966, on a yearly revenue of £80 million, £10 million was lost through evasion.\textsuperscript{151} Legislation was also introduced requiring dealers to report all sales, resales and rentals to the postal authorities. However, there still were over 1.4 million unlicensed sets costing the Corporation over £7.5 million a year.\textsuperscript{152} The deployment of detector vans in areas of high evasion, which measured radiation to pinpoint the location of receivers, led to a considerable drop in the number of evaders. But this was possible only because Britain was a small country and its relative wealth enabled high-technology solutions to be deployed cost-effectively.

\textsuperscript{149} Luthra, n.123, p.479
\textsuperscript{150} India, Ministry of Information and Broadcasting, Akash Bharati (National Broadcasting Trust) vol.1 (Verghese Committee) (New Delhi: Ministry of Information and Broadcasting, 1978), p.91
\textsuperscript{152} Paulu, n.20, p.102
Financing Broadcasting in Independent India

As early as 1938, the National Planning Committee headed by Sir Rahamtullah Chinoy had formulated the outlines of a policy for broadcasting. In their resolution on communication, the committee said

Communication and broadcasting are public utility services affecting the well-being of the community and are at present under state control. They should be public monopolies and should be run on commercial lines and developed intensively, subject to the paramount consideration that they are social services and as such powerful agents in the task of national development.153

Planned development on the lines of the Soviet model became the operational philosophy of the Indian state. As per this model, the scarce resources available to the state were to be allocated to infrastructure building as per a five year plan which took into account all the various factors and prioritised the development of various sectors accordingly. The First Five Year Plan, put into operation in 1951, allocated Rs. 3.52 crores to the development of broadcasting. According to K. S Mullick, the First Five-Year Plan treated broadcasting as a small and insignificant activity in the general area of transport and communications. “The funds it provided were, in terms of actual value, even less than the development grant which Fielden had been able to secure from a foreign government fifteen years earlier. The same attitude was reflected in the Second and Third Five Year Plans…. In the Third Plan, for instance, the allocation of broadcasting was even lower than that for tourism.”154

153 Quoted in K.M. Shrivastava, “The Autonomy Controversy”, Communicator (Delhi), vol xxv, No.1, March 1990, p.36


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Table 6.13 – Plan Allocations

<table>
<thead>
<tr>
<th>Plan Period</th>
<th>Allocation</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Plan (1948-510)</td>
<td>3.64 crores</td>
<td></td>
</tr>
<tr>
<td>1951-56</td>
<td>4.94 crores</td>
<td>2.19 crores</td>
</tr>
<tr>
<td>1956-61</td>
<td>8.00 crores</td>
<td>5.67 crores</td>
</tr>
<tr>
<td>1961-66</td>
<td>14.00 crores</td>
<td>7.64 crores</td>
</tr>
<tr>
<td>Annual Plans 1.4.66-31.3.69</td>
<td>14.67 crores</td>
<td>10.08 crores</td>
</tr>
<tr>
<td>1969-74</td>
<td>68.01 crores (45.10 crores for sound, 22.90 crores for TV)</td>
<td>27.12 crores</td>
</tr>
<tr>
<td>1974-79</td>
<td>89.83 crores (38.40 crores for sound and 50.98 crores for TV)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Verghese Committee Report, Appendix Q, p.A107

As per the Verghese Committees’ calculations, “The sum total of the investment in Akashvani since Independence until the end of 1977 was of the order of no more than Rs. 80 crores spread over 84 stations and 155 transmitters broadcasting 1045 hours per day in 35 languages and 137 dialects to listeners at home and abroad.135

Since Information and Broadcasting did not command high priority in the scheme of things, this was reflected also in the step-motherly treatment meted out to it by the Finance Ministry. K.S. Duggal says of his experiences with the Finance Ministry: “I should know with my long experience of the Ministry of Information and Broadcasting how difficult it is to convince the Ministry of Finance of the need for any enhancement in expenditure on programmes. For them, there is no difference between Railways and Radio.”136 It didn’t help that successive ministers of Information and Broadcasting were relatively junior in the hierarchy, with the

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135 Verghese Committee Report, n.150, p.11
136 Mainstream (New Delhi), 26 January 1981
exception of Indira Gandhi. Her biographer, Uma Vasudev, details how she was able to cut through the red tape using her stature to resolve a particular problem of finances that had been bedevilling All India Radio since its inception. “The demand had indeed been made to the finance ministry by I&B but it had been rejected as a matter of course each time. Even when a previous Minister, B.V. Keskar, showed personal interest in the matter, he did not have the power or prestige to get it through Finance. Indira had no such problem. She could go to Krishnamachari (the then Finance Minister) direct, and have it done.”

Since All India Radio and Doordarshan were departments of the Ministry of Information and Broadcasting, they were financed in a way similar to other departments of the ministry. The budget for the two departments was presented as part of the expenditure of the Ministry of Information and Broadcasting and was divided into two main parts. There was the annual budget which took care of recurring expenditure and was described as non-plan expenditure. Then there was the “Plan” expenditure which was drawn up in consultation with the Planning Commission which provided for expansion and other such developmental activities based on a five-year plan. This was despite the fact that a system of licence fees was also in operation.

Licence Fees were increased from Rs.10 to Rs.15 in 1960 (but only half that amount for sets priced at less than Rs.150) while Television Licence fees were introduced once television broadcasts began. TV Licences were set at Rs.30 but increased to

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Rs.50 in 1977. There were varying rates for licences for televisions used for community, commercial, and demonstration purposes.

Figure 6.4

Licences 1946-80

This system of financing of broadcasting had been subject to criticism by many experts. The fact that the two departments were treated as two among the many in the ministry meant that they had to fight for their share from the ministry’s budget. Mehra Masani has pointed out that the five-year plans invariably provided much less funds than requested and in any case five years was too short a span of time for long-term policy planning as required in broadcasting. In many cases, there are no long-

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term policy planning worth the name as the ministers kept changing and expansion took place based more on political considerations rather than any rational plan. The political need to cover all areas equitably led to an overemphasis on hardware as against providing quality programming. P.C. Chatterji also points out the basic defects in following the system of planning and broadcasting as follows; the rigidity of such plans makes it difficult to modify them if they are found to be defective and quite a few schemes approved in one plan end up being carried over to the next due to delays of one kind or another. This rigidity also leaves little scope for taking cognisance of changes in technology. Secondly, political compulsions led to the creation of more and more new schemes, with little being done to consolidate and improve schemes already in existence. Therefore, the planning system was not suitable for expanding broadcasting.¹⁵⁹

According to the Verghese Committee, just considering the licence fees alone presented an "incomplete picture of the true earnings from the broadcasting system."¹⁶⁰ The Committee felt that the revenue from customs and excise duties on sets should also accrue to the broadcaster; "There could be a case for treating the excise collected on radio and television sets as part of the income of the broadcasting system, government only being a collection agency."¹⁶¹ The Committee attempted an exercise to show how the revenues would be affected if the customs revenue were also to be added to the revenue from the licence fees.

¹⁵⁹ P.C. Chatterji, Broadcasting in India (Delhi: Sage, 1991), p.70
¹⁶⁰ Varghese Committee Report, n.150, p.70
¹⁶¹ Ibid., p.70
This seemed to have been the case earlier during the colonial period, as seen from the breakup of income quoted from various reports earlier in the chapter, but this practice seem to have been discontinued after Independence and with the advent of the Five Year Plans.

**Table 6.13 – Income & Expenditure 1972-76**

<table>
<thead>
<tr>
<th>Year</th>
<th>Income</th>
<th>Customs Revenue</th>
<th>Revised Income</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>72-73</td>
<td>20.37</td>
<td>5.80</td>
<td>26.17</td>
<td>21.90</td>
</tr>
<tr>
<td>73-74</td>
<td>21.75</td>
<td>6.65</td>
<td>28.40</td>
<td>20.75</td>
</tr>
<tr>
<td>74-75</td>
<td>23.93</td>
<td>10</td>
<td>33.93</td>
<td>23.76</td>
</tr>
<tr>
<td>75-76</td>
<td>29.24</td>
<td>8.87</td>
<td>38.11</td>
<td>30.03</td>
</tr>
<tr>
<td>76-77</td>
<td>31.75</td>
<td>9.93</td>
<td>41.68</td>
<td>45.02</td>
</tr>
</tbody>
</table>

Source: Verghese Committee Report, vol.1, p.70

**Commercial Broadcasting**

This was not the first time that the government service had experimented with commercials. In a letter to Findlater Stewart, Under-Secretary of State for India, Economic and Overseas Department, India Office, London in 1934, Noyce, Secretary in the Industries and Labour Department, referred to a “small experiment in Bombay whereby firms (in practice chiefly gramophone and motor firms) pay for part of an evening’s programme in return for a mild announcement at the beginning and at the end to the effect “The programme you have heard (or are about to hear) is by the courtesy of Meess. AB, the agents for ___ of ___ Street.” However, Noyce informed Stewart: “The press is objecting seeing in it possible invasion of their territory, but no-one else has objected. The experiment will last till the end of the financial year, and judging from the paucity of offers, is not likely to be
continued.”162 Lionel Fielden also referred to the continued use of sponsored programmes even though they were “few and far between.”163 Though Fielden was not personally in favour of advertising, he was not “altogether happy about the Broadcasting Service being entirely dependent on budgetary fluctuation” and found the income brought in by the sponsored programmes of “immense value.”164

In the years following Independence, the first perceived threats to AIR’s monopoly came from the Portugese colony of Goa and from Radio Ceylon. A BBC memo noted on 5 January 1950 that AIR was concerned about the fact that “...Goan radio is preparing to run sponsored programming”, with the purpose of advertising “over the air on their two shortwave transmitters ... AIR are naturally concerned about this, as it may create a precedent, if and when they take over Goa Radio.”165 The memo continued: “They of course wish to follow the example of the BBC by not advertising, and they are actually having pressure put on them by some big concerns to advertise, so they are a little apprehensive for the future. What they would like to know is a) whether the BBC took any stand and protested to Radio Luxembourg about advertising and; b) Do British firms advertise over Radio Luxembourg?”166

AIR’s apprehensions regarding Goan Radio seem to have been pre-emptive in nature since even though Goan Radio had began to function on an experimental basis from 25 July 1946, the station was not give “a formal official status till 1959 when

163 BBC, WAC, E1/877/1 “Letter from Lionel Fielden to J.Nixon of the Statesman newspaper”, in Countries – India All India Radio, 15 July 1937, p.3.
164 Ibid.
166 Ibid.
its potential as ... a source of revenue from commercial advertising was realised.”¹⁶⁷

Scarcely two years later, 9 January 1962, it became part of the AIR network following the Indian government’s liberation action in Goa.

The commercial service of Radio Ceylon also started broadcasting on 30 September 1950 and it proved to be a much bigger threat to All India Radio than Goan Radio, primarily because the commercial service was being beamed over its very powerful 100kw shortwave transmitter which had been installed by the British government during wartime. After the war, an agreement was signed with the British government which allowed it to continue using the transmitter for 8.5 hours a day until a new transmitter was erected in Singapore. The remaining time was at the disposal of the Ceylon government though according to the agreement, it would not initiate commercial broadcasts over this transmitter without consulting the British government.¹⁶⁸ When AIR got wind of Radio Ceylon’s plans, it enquired from the BBC’s Representative in Delhi whether the BBC was aware of these plans and what the British government could do about it. The BBC’s interpretation of the British government’s suzerainty over the transmitter was as follows: “AIR must have misunderstood the position as regards Radio Ceylon. The transmitters now belong to the Ceylon government and it is most unlikely that our PMG would have been asked if he had any objection to their use for sponsored programs”.¹⁶⁹ The note to the BBC

¹⁶⁷ Luthra, n.123, p.208. According to Luthra, the commercial service was not run by the colonial government’s broadcasting service but by Paul Fontes, a journalist and Gabriel Martins, a businessman through annual licences given to the by the colonial government.


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Representative in Delhi continued: “For your private information, the policy of the U.K. government is to discourage sponsored programmes from Radio Ceylon but it is not for them either to give or withhold permission to do so.”

The Ceylon government employed Clifford Dodd, who had experience in commercial radio in Australia, to set up the service. Dodd liaised with the Radio Advertising Service (RAS), an agency that had been set up in India in 1949 by Dan Molina, an American, to obtain advertising from Indian companies. The film music based radio programmes broadcast by Radio Ceylon became so popular in India and Pakistan that the hours of transmission were soon increased from 2 to 11 hours. “All the advertisers in India turned to Ceylon for their advertising.... 75% of Binaca toothpaste’s advertising budget went to Radio Ceylon.”

To make things easier, fifteen of the most popular programmes were produced in Bombay and the tapes flown to Colombo on a regular basis. The response was such that an average of 15,000 people wrote in every week to just one contest carried on the station. As Derek Holroyde, BBC Representative in Delhi noted in his report to the BBC in 1957, the success of the commercial service of Radio Ceylon was largely because, relative to AIR, it had a “less puritanical programme policy, brighter material and

170 BBC, WAC, E1882, “Letter from Overseas Liaison Officer to BBC Representative in Delhi”, in Broadcasting in India A-Z 1934-50, 27 January 1950. The British had in fact been somewhat miffed when the Sri Lankans announced that they would be using this transmitter for commercial broadcasting; it had initially suggested that the transmitter should remain in the hands of the BBC - one that was outrightly rejected by the Sri Lankans. David Page & William Crawley, (eds.), Satellites over South Asia: Broadcasting, Culture and the Public Interest (Delhi: Sage, 2001), p.49

171 Karumagahu, n.168, p.132
popular music, [which] gives it a position in India not unlike that which Radio Luxembourg enjoyed in Britain during the War."\textsuperscript{172}

Like in Britain, the Indian government responded with all the resources at its command to crush the threat from Radio Ceylon. The Indian authorities placed severe restrictions on the amount of remittances that could be transferred out of the country through the Radio Advertising Services. Even when it was stipulated that Rs.500,000 could be remitted in a year, the amount that finally made its way out of India amounted to just Rs. 350,000.\textsuperscript{173} AIR also started the \textit{Vividh Bharati} service in 1957; its programme content was very similar to what was broadcast over Radio Ceylon in an effort to wean back listeners. However surveys conducted at that time revealed that 54% of listeners still tuned into Radio Ceylon.\textsuperscript{174}

The \textit{Vividh Bharati} service was commercialised in 1967 as per the recommendations of the Chanda Committee with the specific objective of augmenting the financial resources of broadcasting. However, the aims and objectives of this new service as laid out were cloaked in loftier objectives as follows:

a) To provide a channel for additional revenue
b) To help increase production, both agricultural and industrial, particularly of commodities meant for mass consumption
c) To inform consumers of the availability of their requirements
d) To encourage healthy competition among producers.\textsuperscript{175}

\textsuperscript{172} BBC, WAC, E1/2064/1 "Report from Derek Holroyde to C.O.S", in \textit{India (4) 1955-57 New Delhi Office}, 15 November 1957
\textsuperscript{173} Karumagahu, n.168, p.132
\textsuperscript{174} Mehra Masani, \textit{Broadcasting and the People} (New Delhi: National Book Trust, 1985), p.54
\textsuperscript{175} Verghese Committee Report, n.150, p.80
As *The Statesman* of 19 January 1967 pointed out in an editorial, it would be a pity if the sole result of this decision “turned out to be to add more money to the General Exchequer”\(^{176}\). In fact, the cabinet order which approved the commercial service expressly stated that all income derived by the service should be ploughed back into broadcasting for improvement of the service through “experiments in programming and technology”. However, the Ministry of Finance which was reluctant to reduce its grip on the other ministries did not implement this order for several years. It was only after the matter was taken up by the Minister with the cabinet in 1974 that an AIR and Doordarshan (commercial services revenue) non-lapsable fund (NLF) was set up in 1977. Following this, the Ministry of Finance and the Planning Commission proceeded to reduce the allocations to broadcasting from the annual budgets and the plan funds on the grounds that the two organisations were earning sufficient funds from their commercial activities. In addition, the rules governing the usage of the non-lapsable fund were modified over a period of time, resulting in more money being used for the day-to-day recurring expenditure and less on developmental/expansion activities. As P.C. Chatterjee put it, “What the government has given with one hand it has taken back with the other”.

The commercial service was inaugurated in Bombay on 1 November 1967. That this move faced opposition both within All India Radio and outside is apparent from two memos Mark Tully, Acting Representative in Delhi, wrote to his superior in London. In the first, dated 14 July 1967, he noted: “Opposition to commercial broadcasting still continues mainly from the smaller newspapers but I gather from

\(^{176}\) *The Statesman* (New Delhi), 19 January 1967, p.1
Narayana Menon (Director General, All India Radio) that the Minister who is himself a business man, regards this as his number one priority. In a second memo, dated 7 November 1967, he began by saying

...after all the doubts and hesitation AIR’s commercial broadcasting got on the air on November 1st. At present AIR have more requests for space than they can include and so at this stage commercially the venture seems successful, although of course it is still early days. The DG, Narayana Menon, and the Deputy DG (Commercial), Hans Luthra, however are very unenthusiastic about the experiment which they regard as a dangerous precedent. They would much prefer to see AIR kept right out of the commercial field.

On this limited experiment depends the spread of commercial broadcasting, and so no definite plans for expansion have yet been made. Certainly the present Minister of Information and Broadcasting is very keen to see it spread and will not be dissuaded by the attitudes of the senior staff of AIR. As the advertisers are all behind the scheme it should continue to be commercially successful I would say that there are still two factors, however, which might just upset this forecast:

1) The Newspapers continue to be violently against the scheme and if they do suffer a loss of advertising revenue in Bombay they might be able to frighten the Government into dropping the scheme.

2) The bureaucracy of AIR might make booking space and checking commercials so laborious and time wasting a performance that the advertisers will be discouraged from using the service.

Despite these misgivings, advertiser embraced the medium with open arms, with Arvind Mafatlal, Chairman of the Indian Society of Advertisers, noting that the Society had “been fighting for this medium for the past 15 years.”


178 Ibid, “Memo from Mark Tully, Acting Representative in Delhi to C.O.F.R”, 7 November 1967

179 The Statesman, 19 January 1967, p.1
When the figures for the year came in, gross revenue earned in what was left of that financial year amounted to Rs. 19 lakhs. This went up to Rs. 82 lakhs the next year and almost trebled to Rs. 230 lakhs in 1969-70, thus coming close to AIR’s initial estimate of Rs. 3 crores a year.\(^{180}\) With the commercial service extended to 10 more new centres, the revenue went up to Rs. 4.69 crores in 1972-73 and Rs. 6.25 crores in 1975-76.\(^{181}\) This was despite the fact that there was only one Central Sales Unit responsible for selling commercial time and it was based in Bombay. Thus, according to P.C. Chatterji, if, for example, an advertiser in Cuttack at one end of the country wanted to book a spot on the local commercial channel, the only way he could do so was by dealing with the Central Sales Unit in Bombay which approved and finalised the sale.\(^{182}\)

A major decision taken during the Emergency\(^{183}\) was to bifurcate television and radio in April 1976. The new television service, known as Doordarshan, had its own Director-General in the person of P.V. Krishnamoorthy, who was earlier in charge of the experimental television service when it was set up in 1959. While the engineering and programming staff continued to be shared with AIR, otherwise, the two organisations were now separate entities with their own separate budgets.\(^{184}\) Other far-reaching decisions taken at the time included allowing Doordarshan to earn revenues by selling commercial time. In 1977-78, Doordarshan earned Rs. 219

\(^{180}\) Luthra, n.123, p.371  
\(^{181}\) Verghese Committee Report, n.150, p.83  
\(^{182}\) P.C. Chatterji, *Broadcasting in India* (Delhi, Sage 1991), p.147  
\(^{183}\) June 1975-March 1977.  
\(^{184}\) Luthra, n.123, p 416
lakhs from advertising.\textsuperscript{185} The decision to reduce excise duties on cheaper sets led to an increase in the number of television manufacturers, with forty companies having an installed production capacity of over 250,000 sets a year.\textsuperscript{186}

Commercials were introduced on Doordarshan in 1976, and in its first year of operation itself, it had raked in Rs. 7.7 million. By 1996, this figure had reached Rs. 809 million, but, this also meant that Doordarshan had turned itself into no more than an agency for commissioning programmes since many of the sponsored programmes occupying prime time were largely produced by private programme agencies. The many years of lopsided development with less emphasis on programme quality meant that the good programmes were all made by outside agencies. There was also an excessive dependence on Hindi films and film-based programmes; with up to twenty seven programmes being telecast in a month on one channel alone.

Conclusion

However, the dynamics of the economic environment coupled with improvements in technology as well as the use of old technologies in new innovative ways meant that there were always forces at work to overcome the “brute force of the monopoly.” Advertisers were always looking for outlets to popularise their products. However once having granted the public broadcaster sole authority to broadcast to the public over the airwaves, the government at once became the main conspirator in keeping all other claimants off it. However, the BBC perforce had to make changes in its

\textsuperscript{185} Ibid., p. 420
\textsuperscript{186} Prem Kumar, quoted in David Page, n.186, p.56
programming output in return for the government crushing these challenges to its monopoly as, in the cases of the relay exchanges, longwave radio and the pirate stations. Over the years, the BBC had become so powerful an institution and the monopoly so deeply entrenched in broadcast policy that it took a coup engineered through Parliament backed by several months of careful planning to break that monopoly. Essentially, the goalposts were again shifted a bit so that it was no longer the monopoly that justified the licence fee, but the need to retain high standards in broadcasting.

In the case of Indian broadcasting, the financing aspect was used as a justification for broadcasting continuing to be a department under the control of the government, the argument being that since broadcasting depended on a variety of sources for its funding, including licence fees, allocations from the Planning Commission and from government allocations, the co-ordination of all this funding could only be carried out if it was a government organisation. The alternative of funding broadcasting through just the licence fee was not deemed to be viable since licence revenues alone would not be enough to fund broadcasting. In fact this haphazard funding was one of the reasons why broadcasting was in such a sorry state, since it was subject to pulls and pushes in various directions; the Planning Commission, for instance doled out money over a five-year period, while broadcasting required much longer time frames for carrying out this expansion and other objectives. As far as the other major source of funding, the Ministry of Finance, was concerned, broadcasting was just one among many other departments, all clamouring for their share of the pie, and such funding was granted without reference to the actual needs of the Department.
It was a lot easier for commercial broadcasting to make its way into India since unlike Britain, there was very little ideological baggage attached to the monopoly in broadcasting and was simply a legacy of the colonial government. However, as in the United Kingdom, when a perceived threat arose to that monopoly, the government came down like a ton of bricks on the interloper. In fact, the addition of commercial revenues to the kitty of the public broadcaster had weakened the economic arguments against why broadcasting should remain a department of the government, but, since even this revenue was for quite some time credited directly into the coffers of the government, it was clear that these arguments were simply excuses for keeping direct control over broadcasting, and some other arguments would be conjured up to take the place of the old ones.