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Cabinet / Cabinet Committee Documents

Reference	Date
IT (82) 9	10.3.82
E (TP) (82) 10	11.11.82
E (TP) (82) 3 rd Meeting, Minutes	18.11.82
E (TP) (82) 10 E (TP) (82) 3 rd Meeting, Minutes E (TP) (82) 4 th Meeting, Minutes	23.11.82

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed OWayland Date 6 June 2012

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard, 4 March 1982, columns 414-420 "Satellite Broadcasting"

Signed _____ OMayland Date 6 June 2012

PREM Records Team

QUESTIONS FOR THE PRIME MINISTER, TUESDAY 23 NOVEMBER 1982

Report of the Advisory Panel, under Sir Antony Part, on Technical Transmission Standards for Direct Broadcasting by Satellite (DBS).

Line to take

The Report was published yesterday. It is an important contribution to planning for DBS, for which we are grateful to the Panel. Announcing publication my rt hon Friend the Home Secretary said he would be considering the Report's recommendations urgently. In so doing he will of course take account of the anxieties which the BBC have expressed.

1

Background Note

The Advisory Panel was set up to recommend technical standards for DBS. In effect, it had to choose between the existing Phase Alternation Line (PAL) system which is presently in use, or some evolution of it, as favoured by the BBC, or the Multiplexed Analogue Components (MAC) system favoured by the IBA. Having considered the merits of the two systems from a number of angles, the Panel firmly favours the MAC system. Its findings are summarised in the attached press notice issued by the Panel itself.

The BBC, though accepting that technically MAC is a good system, are worried about the consequences of adopting it for the financial viability of their proposed DBS service, which is to come into operation in 1986. Their anxieties have two inter-locking causes. First, they do not believe that the MAC system will be adopted elsewhere in Europe, with the consequence that there will be less chance of their broadcasts being received (and paid for) in Europe, and less chance for our manufacturers to export receiving equipment. Secondly, the absence of an export market, and the somewhat greater cost of MAC receiving equipment, will they fear push up the price to the consumer to a point where it will not be an attractive prospect to take up DBS.

These anxieties were put to the Panel by the BBC. The Panel, for reasons set out in their Report, do not believe that they have substance. Evidently, from their reaction yesterday, the BBC are not convinced. They are coming to see the Home Secretary to discuss the Report tomorrow, Wednesday 24 November. They are also seeing Mr Kenneth Baker later in the week. The risk is that the BBC's anxieties about the effect of the Part recommendation on their DBS plans, taken with their anxieties about competition from cable services, may persuade them that they cannot make a success of DBS, so that they will withdraw from the project.

DIRECT BROADCASTING BY SATELLITE ADVISORY PANEL ON TECHNICAL TRANSMISSION STANDARDS

Chairman: Sir Antony Part GCB, MBE, CBIM

PRESS NOTICE

(Night Line: 01-213-300) November 22, 1982

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PANEL BACKS I.B.A. SYSTEM

In a report published as a Command Paper* today, the Advisory Panel appointed by the Government to recommend technical standards for direct broadcasting by satellite (DBS) comes down firmly on the side of the MAC vision system developed by the IBA, rather than the BBC's PAL family of vision systems. They also recommend the Type C sound system proposed by the IBA, as opposed to the Type A system recommended by the BBC.

The panel also trge that, in view of the time needed to implement the DBS proposals and to secure the maximum international collaboration, the Government act on the recommendations in the report at the earliest practicable date.

The panel, which was appointed four months ago, was chaired by Sir Antony Part, Chairman of Orion Insurance, and a former Permanent Secretary of the Departments of Trade and Industry. The other members were Professor Alan Day, Professor of Economics at the London School of Economics; and Professor Roy Griffiths, Professor of Electronics at the University of Technology, Loughborough. The technical assessor was Mr. Bernard Rogers.

TECHNICAL FACTORS

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Included in the investigation were demonstrations of the two systems separately and at a comprehensive side-by-side test organised at the panel's request by Mr. Rogers with the help of teams from the BBC and the TBA. The test is described in full in the report.

^{*}Direct Broadcasting By Satellite - Report of the Advisory Panel on Technical Transmission Standards (Cmnd. 8751); H.M.S.O., £5.20.

The report gives detailed reasons for the panel's judgment that technically MAC is clearly superior to PAL and is better by a smaller but definite margin than the Extended version of PAL, (E-PAL), to which the BBC would aim to progress by about 1990.

The panel also conclude that the receiver design and construction for MAC are more compatible with modern technological development and that MAC is likely to prove technically more suitable than Extended PAL for transmission by cable. They also prefer the evolutionary potential of MAC as being well suited to the next generation of consumer recording equipment and to the approaching era of digital studios and wide-screen display.

OTHER FACTORS

The panel's overall assessment has been affected by the interests not only of the broadcasters but of consumers, the United Kingdom manufacturers and the cable companies, as well as by the prospect of European agreement on a common transmission standard.

The market

DBS is due to be started by the BBC in the autumn of 1986 on two of the five channels allotted to the United Kingdom. The panel point out that when all five channels are eventually in use, the amount of British television will be more than doubled, and the sound and data services could be increased to a much greater extent. Estimates of the extent of the expansion likely to be achieved by the mid-1990s (for direct reception only) range from 2,450,000 to 6,150,000 households. No estimates are available of the number of households likely to be receiving DBS by cable by that time, but it is expected to be significant.

The panel say that the British consumer will gain the following benefits:

- (i) better picture and sound quality, including stereophonic sound;
- (ii) a broader and better geographical coverage in the United Kingdom; and
- (iii) the ability to receive, directly or via cable, many TV and sound radio services from the rest of Western Europe.

The initial capital cost to the consumer is estimated at about £400, falling to £300 or less when the volume of demand has grown. These prices are thought likely to apply whichever system of transmission is adopted. The outdoor unit and improved sound arrangements, which dominate the total cost, are common to both systems. Viewers will be able to use existing TV receivers with either system.

United Kingdom manufacturers

The United Kingdom manufacturers, say the panel, are all confident that the equipment required can be provided in time for 1986, provided that a Government uecision is made by about the end of 1982. They all firmly prefer MAC as being more advanced technologically and having a greater development potential, with profitable implications not only in Europe but further afield.

Cable companies

The cable companies wish to see advantage being taken of this "unique opportunity" to improve vision and sound performance. They do not support a continuation of the current from of PAL. They could handle MAC but for the sake of their existing limited capacity systems would prefer a modified version of Extended PAL, which, however, the panel do not believe to be practicable.

Europe

The appropriate association of European manufacturers, EACEM, wish to see a uniform European standard developed. This points towards MAC rather than towards PAL or the French system SECAM.

The European Broadcasting Union as a body has so far not reached an agreed view on vision standards, although the members have expressed a strong desire for a common standard throughout Europe. As regards sound, they recently passed a resolution in favour of a Type A sound system, but they agreed to keep the door open for reconsidering the merits of a Type C system, if it could be shown within the time-scale to be preferable in technical performance and to be in an adequately advanced state of development.

The panel's general conclusion is that a prompt and firm British decision on vision and sound standards would usefully influence European opinion at this juncture.

ENCRYPTION

The panel say that encryption, which is necessary to safeguard subscription services, is only partly within their terms of reference; they recommend that the Home Secretary should arrange for urgent consideration of the problems involved. MAC is, in their view, inherently better suited to encryption that PAL or E-PAL.

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PRIME MINISTER

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Cable Policy (E(TP)(82)10)

BACKGROUND

see Flog A

see Mag B

Last January, the Information Technology Advisory Panel (ITAP) submitted a report to you urging an expansion of wideband cable systems in the United Kingdom. In approving publication of the report (it was published on 22 March) you asked the Cabinet Office to coordinate official examination of the issues it raised. E Committee considered a memorandum on cable systems by the Home Secretary and the Secretary of State for Industry (E(82)14) on 25 February, and approved the terms of reference of an enquiry into the broadcasting policy issues (E(82)6th Meeting, Item 3). This was established under Lord Hunt of Tanworth whose report was submitted on 28 September, and published on 12 October. Officials were asked to take the Hunt findings into account in preparing comprehensive advice for consideration in the autumn.

2. E(TP)(82)10 is the report of the interdepartmental group of officials under Cabinet Office chairmanship. The summary at the front indicates the main issues and includes all the detailed recommendations on which Ministers' decisions are required.

MAIN ISSUES

- 3. The issues for decision by Ministers fall under the following broad headings:
 - i. Technical issues (ie how far should the Government prescribe a particular type of cable system?)



ii. Telecommunications policy issues

(ie how far should cable systems offer switched two-way services in competition with BT and Mercury? How far should BT and Mercury be allowed to become involved in cable systems?)

iii. Broadcasting policy issues

(ie how far should existing rules about broadcasting be applied to cable systems? What measures should be taken to protect existing broadcasting interests? What restrictions should be imposed on the ownership and control of cable systems?)

iv. The machinery for regulation

(ie what kind of regulatory body is required? Should the IBA take on this role? What should be the duration of licence and franchise periods?)

v. Next steps

(ie should there be legislation in the current session? If not, what should be done in advance of legislation? What should be the content, form and timing of a policy statement? What further work is needed and who should do it?)

MAIN ISSUES

Network design and technical standards (Chapter 3 of the report)

4. Those who provide cable systems will require licences from the Secretary of State since they come within the scope of telecommunications legislation. Conditions attached to these licences could require systems to utilise certain network design principles in order to encourage the use of optical fibres and other advanced technology. The main choice is between "tree-and-branch" systems (standard American technology) which, although cheaper, would limit two-way service capabilities and cannot use optical fibres, and "switched-star", (unproven but the UK is up with the leaders in development) which could have greater two-way potential, and could use optical fibres. But technological development is so rapid that there would be a high risk of an inappropriate and costly choice. The sub-Committee will probably wish to agree with the report that the Government should remain agnostic on this point, subject to:



- a. a requirement that any new ducting should be suitable for the eventual installation of a switched-star network (the extra cost is small - of the order of 10-15 per cent);
- b. the imposition of some minimum service standards (details to be decided later, following receipt of draft standards from a Technical Working Group), to ensure that systems can accommodate reasonable future demands and can be interlinked.

The report suggests that the broad service capabilities included in the Technical Working Group's terms of reference should be included in any early policy statement.

Telecommunications policy (Chapter 4)

- At present, only Mercury is allowed to offer switched two-way telecommunications services in competition with BT. If this policy is strictly applied to cable systems, either they would not be able to offer any advanced services (contrary to all the predictions about their significance for the future development of such services) or BT and/or Mercury would need to have effective control of the systems (which would deter most private investors). The report recommends relaxation of current policy so that cable systems could compete in some areas with BT and Mercury. You have already considered some of the implications for the national interest with the Ministers most closely concerned. The conclusion reached was that, so far as protection of the national interest is concerned, the policy might be relaxed so as to enable cable systems to offer switched two-way services within a local area, subject to one important limitation, ie that these services should not include voice telephony. This additional competition will not be welcome to BT and Mercury but the sub-Committee will wish to consider whether it should be permitted, despite their possible opposition.
- 6. The next issue is what role BT and Mercury should play in cable. The paper recommends that they should be allowed to compete with other bodies for the role of sub-contractor, cable provider, or (with others) cable operator. Some members of the sub-Committee may feel that this goes too far, in that it extends BT's range of activities. Against this must be weighed the risks



of increasing opposition to the Government's proposals, and possibly of prejudicing the market value of BT plc.

Broadcasting implications (Chapter 5)

- 7. For economic reasons, cable operators will, at least in the early stages, have to be given a monopoly in the area which they serve. It is therefore necessary to consider what conditions should be attached to that monopoly the terms of their franchise and how franchises should be allocated. The issues also involve consideration of the relationship between cable systems and existing broadcasting organisations.
- 8. Cable systems, if successful, would affect broadcasting and particularly ITV since they would draw viewers from the broadcast services, thereby reducing advertising income. In time, they would also create pressure for an end to the BBC licence fee. In approving the development of systems with relative freedom of programming, Ministers would thus probably in the long run be signalling the end of public braodcasting as we know it (although not before the expiry of the BBC Charter and the IBA statute in 1995). The broadcasters have therefore expressed great concern over the introduction of cable systems and have suggested that Hunt's proposals will not give proper protection to the 50 per cent or more of viewers not connected to cable systems. The issues are, therefore:
 - a. to what extent do the sub-Committee wish to restrict competition to the IBA and BBC services?
 - b. what specific restraints do they wish to apply to programmes, advertising and the financing of cable systems to meet such concerns?
- 9. Hunt proposed protecting broadcasting interests by:
 - i. insisting on the same requirements on "taste and decency" as now apply to the BBC and IBA and prohibiting films not passed by the British Board of Film Censors;
 - ii. requiring that all non-subscription BBC and ITV programmes serving a cabled area should be carried (the "must carry" rule);

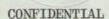


- iii. preventing "pay-per-view", ie special charges for individual programmes, (strongly urged by the BBC);
- iv. maintaining a list of "national" events that must be accessible to broadcasting interests.
- 10. The report advises acceptance of these, except for (iii) where it suggests that some events (eg sporting events specially arranged by cable interests) could be financed by pay-per-view. The sub-Committee will need to take a view on whether these proposals are sufficient. It will also need to consider the impact of the other Hunt recommendations, with which the report in general concurs, in particular:
 - v. unlimited advertising on cable systems;
 - vi. no requirement (except in the reporting of news) for balance of comment;
 - vii. no requirement for a broad range or balance in programming;
 - viii. no limit on the use of overseas material;
 - ix. no limit on programming for political or religious interests.

In considering these, the sub-Committee will need to bear in mind that cable services will compete with many other sources of entertainment and information and so proposals that might be considered unacceptable when applied to a few broadcast channels may be more tolerable when viewers have greater choice and can select what they consider to be attractive and acceptable.

Ownership of cable operations (Chapter 5)

11. A decision is required on whether the same person should be allowed both to own the cable and to provide services over it. The argument in favour of allowing this is that those who incur the cost of providing the cable should be entitled to control their source of income; if not, private investment



will not be forthcoming. The argument against (deployed by BT and the POEU) is that the owner of the cable should be a "common carrier", thus avoiding the difficulty which might arise when a cable operator loses his franchise. The report proposes ways of getting round this difficulty and recommends (like ITAP and Hunt) that the same person can be allowed both to own and operate cable systems.

12. The other aspects of ownership (exclusion of central and local government and political and religious bodies, foreign interests, and preventing dominance by other media interests) are comparatively non-controversial, but the sub-Committee may wish to give particular attention to the recommendations by Hunt that political and religious bodies should not be allowed to operate complete channels and that there should be no minimum requirement for programme material of British (or EC) origin. The report rejects the former, since no control is suggested over the amount of material supplied by such bodies to other programme providers; and is divided on the latter - the Home Office alone recommending some control over imported materials, although it would be difficult to impose in practice.

Regulation, who does it? (Chapter 6)

- 13. Day to day control of broadcasting by Ministers has never been thought appropriate. The same considerations apply to cable; and there are strong arguments for the regulation of programmes and advertising to be carried out by a national body with a statutory remit. This body should award the franchises to operators. The report suggests that it should also award telecommunications licences to cable system providers in the name of the Secretary of State. You will, however, wish to ask the Secretary of State for Industry whether he has reservations about this. The regulatory body might also play some part in the regulation of non-programme services although this needs further consideration once the main policy decisions have been made.
- 14. When the sub-Committee has satisfied itself about the need for a regulatory body and its scope, the next issue is whether the IBA should have the job. It has the right experience and it would be administratively more economical than a new body. It has not however been sympathetic towards cable



systems; and the choice would depress the enthusiasm of many prospective cable interests. A new "cable authority" may therefore be needed. Whether or not the IBA has the task, legislation will be required.

Other regulatory matters (Chapter 7)

- 15. The report deals with various other regulatory points whether to take powers for an ITV-type levy, modification to local authority powers etc. The most important of these points concerns the duration of licences for the cable providers and franchises for the cable operators. Hunt recommended an initial 10 years followed by 8-year franchises for the latter, but made no recommendation for the former. Cable interests have argued strongly for long periods (20 years or more). This would enable them to amortise the initial costs at a rate which kept down the charges to subscribers. But a shorter period would help to keep operators up to the mark. Because of the desirability of keeping franchise and licence periods in step (there would otherwise be unfortunate overlaps), the report proposes a slight modification to the Hunt recommendation on franchises for operators and suggests giving both franchise and licence holders 12 years initially, with 20-year licences available for those cable providers who use advanced technology. This would provide an additional incentive for the installation of switched-star systems.
- 16. The sub-Committee will need to consider carefully whether a 12-year period provides sufficient security for investors, and how to overcome the problems associated with long franchises for cable operators if this period is considered inadequate.

Legislation and interim steps (Chapter 8)

17. Assuming a statutory body is required to regulate cable systems, can the legislation be enacted in the current session? To do a proper job requires a good deal more work - on the implementation of the Hunt conclusions, the precise boundaries to the cable authority's role (which will have to be reflected in the legislation), quite apart from other pressures on the Parliamentary timetable. If the sub-Committee rule out legislation in the current session, they will wish to consider what could be done under present powers to encourage the development of cable systems.



18. There are two main options in advance of legislation: to permit some extension of the services available on existing cable systems or to go further and grant franchises also to some new systems. The main constraint is the Government's reluctance to be drawn directly into decisions about programme matters and the risk of preempting the subsequent legislation. It could be argued that, in the absence of a new regulatory body, it would not be too onerous for the Home Secretary to take decisions about extending services on existing systems; the franchising of new systems on this basis would however be a more onerous and invidious task. Whichever option is adopted, an Advisory Committee might take some of the strain from Ministers. Such a Committee could in due course be turned into a "shadow authority" after the Second Reading of the necessary Bill. Department of Industry Ministers will be pressing for at least some interim action in advance of legislation; the Home Secretary will be less certain about the desirability of taking potentially controversial decisions over programming and advertising etc in advance of legislation.

Policy statement

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2 December

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19. There is to be a Commons debate on 2 December; and you are to address the major IT conference at the Barbican on Wednesday 8 December. Since the purpose of the former is primarily to provide an opportunity for the House to express its own views, it would not seem appropriate for the Government to have announce any policy decisions then. Provided Parliamentary proprieties can be observed, the Barbican speech would be a suitable opportunity to give a very broad indication of the Government's thinking, with a detailed oral statement by the Home Secretary or a written Parliamentary Question by yourself that afternoon or on the following day. In order to give potential investors a worthwhile indication of the Government's intentions, and so allow preliminary planning to take place, the package of announcements will need to include decisions on the main issues listed in paragraph 3 of this brief. Since however a number of more detailed issues require further study (eg the precise technical standards and the exact division of regulatory responsibilities between any new body and existing bodies) the statement might look forward to the issue of a more comprehensive document (perhaps a White Paper) in the Spring, which might set out in some detail the Government's proposals for the ensuing legislation.



Responsibilities for future work

20. Now that the main task of interdepartmental coordination has been completed, you will probably wish to put the follow-up action as far as possible in the hands of the lead Ministers. Although the Department of Industry has a major interest in pushing for rapid development of cable, the implementation of the sub-Committee's policy decisions and especially the setting-up of a new regulatory regime, will fall mainly to the Home Office. You may therefore wish to consider whether the responsibility for preparing any White Paper to follow up the December package of announcements should be assigned to the Home Secretary, in consultation with the Secretary of State for Industry and other Ministers as appropriate.

HANDLING

- 21. As agreed earlier you will wish to begin by asking Mr Unwin, who chaired the Official Group, to give a presentation to the sub-Committee of the main issues involved; this will take some 20 minutes. You may find it helpful to ask members of the sub-Committee for any general reactions to the Group's conclusions. This will probably take up the time available at the first meeting. The detailed issues can then be worked through at the subsequent meeting or meetings, using the summary of the report as an annotated agenda.
- 22. You will wish the <u>Secretary of State for Industry</u> or, in his absence, <u>Mr Baker</u> to take the lead on the industrial and telecommunication issues, and the <u>Home Secretary or Mr Raison</u> on the broadcasting and regulatory issues. The <u>Secretary of State for Trade</u> may wish to comment on aspects of competition policy.

CONCLUSIONS

- 23. You will wish to reach conclusions on all the points indicated in the summary, and in particular on:
 - i. whether the Government should refrain from imposing any particular design of cable system but should require ducting to be suitable for eventual installation of a switched-star system;

- ii. whether cable systems should offer switched two-way services in competition with BT and Mercury and, if so, to what extent;
- iii. whether BT and Mercury should be allowed to compete with other bodies for the roles of sub-contractor, cable provider or, in association with others, cable operator;
- iv. whether the broad approach on broadcasting issues should be as recommended in the Hunt Report subject to:
 - a. leaving open the possibility of some form of "pay-per-view";
 - b. allowing religious and political bodies to provide whole channels;
 - c. having a limit (if the sub-Committee so decide) on non-EC programme material;
 - d. having some limit (if the sub-Committee so decide) on advertising;
- v. whether in particular there should be no mandatory separation of the roles of cable provider and cable operator;
- vi. whether there should be a statutory regulatory body responsible for awarding not only franchises to cable operators but also licences to cable providers;
- vii. whether this body should draw up and publish a broad indicative framework for franchise areas before inviting applications;
- viii. whether this body should be the IBA or a new body;
- ix. whether the duration of franchises and licences should be as proposed in the officials' report;
- x. whether there should be legislation in the current session and, if not, what interim measures should be taken;

- xi. what should be the content, form and timing of a policy statement;
- xii. who should take the lead in the various outstanding tasks.

Rg

P L GREGSON

17 November 1982

PRIME MINISTER

CABLE POLICY

There are many issues, some difficult and interrelated. We commend to you the Cabinet Office brief, which covers them thoroughly, and Chapter 1 (<u>not</u> the "Executive Summary") of the Official Group's report.

The Underlying Issues

E(TP) may not find it easy to see the wood for the trees. It is important to concentrate on those decisions which really are the responsibility of Government: the preservation of competition, and the regulation of monopoly. Nonetheless, these judgments will greatly affect the structure and strength of the new industry, its ability to maintain the existing quality of television broadcasting, and the pace of development of interactive television services.

The rate of cable development cannot be foreseen with any degree of certainty. Forecasts of the jobs directly or indirectly created are worth little; "tens of thousands" is a minimal forecast for a successful cable system. And it is equally impossible to prophesy whether cable will be commercially successful. History is littered with admirable inventions - the steam coach, the airship - which were by-passed for one reason or another, often by inventions which were in some respects inferior. On the other hand, who prophesied the full extent of the video boom? The assumption in 2.14 that "cable systems are unlikely to constitute 'a licence to print money'" is just as unsafe. Nor can we be sure that, as the Official Group believes, the success of cable necessarily involves a decline in the quality of traditional public broadcasting. That was argued before the coming of ITV, but few who remember the flat and timid nature of TV before ITV would maintain with total conviction that the old days really were better. If we believe cable is desirable on the grounds of liberty and diversity, then we do not need to justify it on other grounds of which we cannot be sure.

In the remainder of this note, we follow, for your convenience, the order of the issues addressed in Peter Gregson's brief (which in turn follows the structure of the report), with the addition of a section on Industrial Relations.

Network Design and Technical Standards (Chapter 3)

The Official Group's arguments here seem impeccable. If government attempts to choose and dictate, it will almost certainly choose wrongly, but it should try to minimise the costs of transition to the switched-star system, if that were to turn out to be the winner.

Telecommunications Policy (Chapter 4)

If the cable operators are to offer switched interactive services, then they will not want them to be run by BT, Mercury or Hull, as the existing law requires. Yet one of the attractions of cable is that it offers the possibility of switched interactive services. The Official Group, rather tentatively, suggests further work to seek out some compromise which would not fatally damage the privileged role of BT, Mercury and Hull under existing telecommunications policy.

But we wonder whether this dilemma is real. If plans to provide switched interactive services would "tend to put off investors" in cable, then cable firms won't make such plans. And if BT and Mercury are already fully stretched with their existing plans, then they would not be anxious to involve themselves closely with the risky business of cable. If, on the other hand, the demand for switched interactive services increases far more quickly than is now forecast, then there will be plenty of jam for all.

Either way, there seems little harm in broadening our policy of competition in telecommunications to its logical conclusion:

- (i) that cable operators should be free but not forced to compete in telecommunications services, as well as BT and Mercury (subject to the exclusion of voice telephony for other reasons);
- (ii) that cable systems should be required to have the capability for such services or be capable of suitable upgrading, but should not be required to utilise this capability from the start as the Official Group recommends in 4.29(iii);
- (iii) that the cable authority should take into account the quality of this capability when awarding franchises;

(iv) that BT, Mercury and Hull should, in their turn, be equally free to compete in the provision of cable services, as suggested in 4.35 of the Official Group report.

Broadcasting Implications (Chapter 5)

We agree with the safeguards recommended by Hunt. We see no need to relax them further, eg by allowing a degree of "pay-per-view". If there is a considerable danger that financial pressures will force the new cable operators, and eventually the existing television channels, to buy cheap (largely American) imported programmes in preference to making their own, then it is all the more important that the existing companies are encouraged by competition to operate more efficiently (especially as concerns manning, of which more below).

Regulation (Chapter 6)

It would be helpful, as the Official Group suggests, to make an early statement (in a White Paper next spring) of our intention to follow the Hunt criteria for judging applications for a franchise (6.16 of the Official report). These criteria are the heart of the matter. When we confer a local monopoly, it is our duty to make sure of the most comprehensive range of channels that is consistent with viability.

We sympathise with the officials' suggestion that the IBA should not be ruled out as the authority for cable providers and operators too. There is a lot to be said for not duplicating quangos. And it would surely be possible for the IBA to use its experience to operate the somewhat different set of criteria which would be required for cable.

Legislation and Interim Steps (Chapter 8)

It would be foolish to try and rush the necessarily complex legislation into this Session. The control of monopoly requires careful preparation and properly thought-through criteria. Will the proposed Advisory Committee, which would chrysalise into a "shadow authority", clarify or complicate matters? It might be better to proceed with the proposed timetable without it.

Industrial Relations

Whatever conclusions the Government reaches on all these issues, it is certain that the successful development of the new industry will depend to a large extent on avoiding the union stranglehold which bedevils the existing companies. Unless costs can be held down, the financial prospects of the new companies, and the ability of the present ones to compete, will be weakened. The principal effect of the union monopoly of labour in the industry is, of course, overmanning.

We think these safeguards offer the best protection against union monopoly:

- (i) BT and Mercury must not be allowed to dominate the construction, ownership and maintenance of cable systems. Since these systems will "have to be local monopolies to be viable" (2.15), it ought to be a function of whatever public authority is set up to ensure that those local monopolies are as widely distributed as possible.
- (ii) The existing ITV companies must not be allowed to dominate the production and distribution of programmes.
- (iii) The new authority should be explicitly instructed to be mindful of the closed shop provisions of the 1982 Act. It should also be instructed to encourage innovation and innovatory companies, especially those which offer services and programmes which might not otherwise be available. (In practice, these latter will often be low-cost, non-union firms and institutions.)

The Official Group tamely concedes that: "Experience to date suggests that it is doubtful if companies involved in the distribution and making of programmes could operate without recognising unions". (2.21) But that is because experience to date is of two monolithic bureaucracies.

(iv) As already proposed, the authority should not be asked to specify directly which channels a cable operator should carry (apart from the "must-carry" protection for the four

existing public-service channels); but it would award franchises to operators according to how wide a variety of channels they proposed to carry, and it would fail to renew those franchises to providers who did not keep their word.

FERDINAND MOUNT

2000 C. CO.

THE PRIME MINISTER

10 November 1982

Than Th. Read

Thank you very much for your letter of 29 October, with further comments from the Information Technology Advisory Panel on certain technological and telecommunications policy aspects of cable systems. I am most grateful to you and to your colleagues for letting me have this further advice. These are important points and I shall ensure that they receive very careful consideration before the Government's policy decisions on cable, in the light of your own report and that of the Hunt Committee, are taken.

Jayant Lelle

Charles Read, Esq.

Ru

Ref. A082/0042

MR FLESHER

Pue Muster:

as proposed. It so, a drove is atrached for your seprature

Cable Systems

Your minute of 1st November asked for a draft reply to Mr Charles Read, who wrote to the Prime Minister on 29th October with some further comments on cable in the light of the Hunt Report and subsequent discussion of it.

- 2. Mr Read's letter makes two main points:-
 - (i) That the Government should not yield to the pressure by cable interests to be allowed to install systems employing conventional (so-called "tree and branch") technology which is currently dominated by the Americans. In his view this would be damaging to British industrial interests and delay the introduction on cable systems of more sophisticated interactive services;
 - (ii) that current telecommunications policy should be relaxed in order to allow other operators than British Telecom and Mercury to provide switched interactive services (ie services which, like a telephone, permit one subscriber to call up another subscriber of his choice, and vice versa).
- 3. These are important points which will both be covered in some detail in the report shortly to be presented to Ministers by the Official Group on cable systems (MISC 73) for consideration in the Economic Strategy Sub-Committee on Telecommunications Policy (E(TP)). On the first point, officials are considering ways in which a stimulus can be given to the development of more advanced technology while leaving the basic choices to the market and encouraging maximum innovation. On the second point, a number of basic policy issues are involved; these are being addressed in formulating the Government's response to the Hunt Report.

4. A brief reply to Mr Read would be appropriate confirming that his points will be considered very carefully before policy decisions are taken. I attach a draft letter for the Prime Minister's signature accordingly.

R P HATFIELD

125+1

9th November 1982

DRAFT LETTER FROM THE PRIME MINISTER TO MR CHARLES READ Inter Bank Research Organisation 32 City Road LONDON ECIY 1AA Thank you very much for your /etter of 29th October, with further comments from the Information Technology Advisory Panel on certain technological and telecommunications policy aspects of cable systems. I am most grateful to you and to your colleagues for /letting me have this further advice. These are important points and I shall ensure that they receive very careful consideration before the Government's policy decisions on cable, in the light of your own report and that of the Hunt/Committee, are taken.



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84

10 DOWNING STREET

From the Private Secretary
MR. HATFIELD
CABINET OFFICE

CABLE SYSTEMS

I attach a copy of a letter the Prime Minister has received from Mr. Charles Read, who is a member of the Information Technology Advisory Panel and chaired the Panel's Working Group on Cable Systems. I should be grateful if you could arrange for a draft reply to be provided for the Prime Minister's signature and for the letter to be considered during the forthcoming discussions on the Hunt Report and the Panel's original report.

I am sending a copy of this to Mr. Walters, Mr. Kerr and Mr. Spencer.

(TIMOTHY FLESHER)

Charles N Read

Director

Inter-Bank Research Organisation

32 City Road London ECIY IAA

tel 01-628 3070 telex 887440

Pour Muster.

We will let you have a doubt reply. I am awaying Who to to

29 October 1982 formanny discionais

recent events, we would like to offer some further advice.

The Rt Hon Margaret Thatcher MP a cable

Dear Prime Minister, Co

Prime Minister 10 Downing Street London SW1

You may recall that I was the member of your IT Advisory Panel who chaired the Panel's Working Group on Cable Systems. I am writing to you again on that subject on behalf of all of my Panel colleagues for, in the light of

In our report to you on this subject we strongly urged that the Government should take rapid policy decisions in order to secure for the UK the very real benefits which could be obtained. We were delighted by the remarkable speed with which you put in train the various enquiries necessary for the formulation of your policy and we are very pleased that Lord Hunt has been able to complete his task within the tight timetable. We are pleased, too, with his recommendations for a very pragmatic approach to the future regulation of broadcasting and of cable systems themselves.

Lord Hunt rightly points out in the opening pages of his report that broadcasting and entertainment are not the whole of cable systems for there is also the provision of interactive services. Lord Hunt was not asked to concern himself with such services, nor with the technology to be used for cabling. It is all the more noteworthy that he should write:

"It seems to be generally agreed that investment in cable television for entertainment purposes will be the necessary base to which the interactive services of economic benefit to business and the individual will be added. It is therefore very important that decisions about cable television should be taken with this fact in mind and that, for example, the award of franchises should positively encourage the development of the interactive services."

We endorse Lord Hunt's advice and we wish to put certain other matters before you which we believe strongly reinforce it.

Given the go-ahead by Government and given the regulatory regime proposed by Lord Hunt, there is no doubt in our minds about the kinds of cable systems which business criteria would bring into existence if they were allowed to provide solely entertainment facilities. They would use current American technology employing tree and branch systems delivered on coaxial cables. They would do so because that would be cheaper and quickest and thereby provide the best route to short-term profitability. We are aware of interested parties who advocate such a course of action and we wish to advise you not to yield to pressure for such a policy for the following reasons:

1 This would lead to a flood of imported American equipment which would have a most serious effect upon our technology balance of payments.

- This would provide very little opportunity for British industry to reap benefits and would frustrate our hope that cable developments might create substantial UK employment. It would affect the UK optical fibre industry which is well placed to develop into markets given a stimulus by a lively home market. It would also affect the UK equipment industry which is well placed to develop a cable technology based on switching technology rather than tree and branch and which would undoubtedly be superior to American technology and could develop in international markets given a lively home market.
- This would deny the UK any of the longer term benefits of interactive services on cable for at least 8 years the amortisation life of the limited technology prior to which the re-engineering of the system is most unlikely. It should be noted that American cable companies would then be able to move on to an improved technology before us since they have already had the more limited technology installed for some while.
- This would similarly delay the adoption by the UK of high definition television and other advanced uses of cable which we have advocated which require fibre optic technology and which cannot be developed on coaxial cables.

We urge the Government, as we did in our original report, to secure for the UK the important longer term benefits of cable and not to be swayed by those who seek a quick reward at the expense of the nation as a whole.

There is one other aspect of recent developments which concerns us for it may assist in deflecting the Government from the long-term benefits course.

A superior cable technology involves a form of telecommunication switching. Many interactive services on cables, especially those of value to business will require forms of telecommunication switching. It is imperative to the successful development of superior cable systems that cable operators should be permitted to carry out such switching within their own local systems. It would appear that this may not be permitted if the situation

now emerging from the deregulation of telecommunications persists. Prior to the Government's actions to deregulate telecommunications, only British Telecom could carry out such switching. Now British Telecom and Project Mercury can do so - but no-one else. It seems that both of those organisations may well be allowed to involve themselves with cable systems (and there is no argument against that) but others who may be allowed to operate cable systems will be disadvantaged in regard to switching. It also seems that the two member switching oligopoly will have highly undesirable effects upon both the technical design and the commercial opportunities of cable systems. In summary, the benefits of deregulation of broadcasting and of pursuing an enlightened regulatory policy for cable systems will be frustrated by inadequate deregulation of telecommunications.

We would advise you to insist upon a more liberal interpretation of the Government's excellent legislative measures to deregulate telecommunications in this country and thus to ensure compatibility between your policies on broadcasting, on cable and on telecommunications.

If we can be of assistance in helping to bring about such a coherent strategy we would be very pleased to do so.

Shalen NRead.

Information Technology Advisory Panel Copy to:

Mr J B Unwin, Cabinet Office

Broadcooting, Owest Broadcouting,

Warning on Vredeling directive BY A SPECIAL CORRESPONDENT IN STRASBOURG LEADERS OF the centre-right national companies,

majority in the European Parliament have warned they might launch an ambitious bid to sack the 14 members of the European Commission if their wide-ranging amendments to a controversial employee consultation directive are accepted.

Pre Mustegiven a month to decide whether to incorporate the Parliament's views in a new draft of the so-called Vredeling directive aimed at forcing con-sultation obligations on multi-

The parliamentary ments go a long way towards meeting the objections vociferously expressed by U.S. and European companies of the past two years. By the same token, they have bitterly disappointed the European union movement which believes the movement which believes the The Commission has been potential effectiveness of the iven a month to decide directive will be savagely hether to incorporate the reduced by the Parliament's amendments.

The main amendments passed by the Parliament on Tuesday

A clause enabling companies to withhold information from employees which, in the company's view, amounted to "a company or business secret."

BROADCASTING.

@ The employment threshold above which companies must comply with the directive was raised from 50 employees to 100 in companies employing more than 1,000 people in the EEC.

Workers rights to appeal to a multinational's headquarters was severely curtailed and limited only to representations

be interested seem to be more est Germany prepares to plug into cable TV te thank commute

THE CHANGE of Government in Bonn means that the pace at which cable television spreads through West Germany may accelerate a little. But a crash programme to bring in the range of television alternatives offered in the U.S., for example, is out of the ques-

Test runs for private cable programmes are not expected begin before January 1, That is the starting date for a link in Ludwigshafen—the first of four pilot schemes to be tried in the Federal Republic.

Christian Schwarz-Schilling, the new Post Minister, cautiously announced plans to increase the Bundespost's expenditure on broadband cable capable of carrying TV programmes from DM 400m (£95.2m) to DM 1bn next year.

Part of this will certainly be used to supplement the existing programme aimed at improving the quality of reception in certain areas.

Although the Post Office has ambitious plans for laying optical fibres later in the decade. Herr Schwarz-Schilling takes the view that in terms of costs, laying more copper cable is the most attractive alterna-

Even if, as the new Post Minister has hinted, private companies start to take on some of the traditional role of the Bundespost in laying cable, an explosion in the private cable TV industry in the Federal Republic cannot be expected. The West Germans take their television far too seriously for that.

socio-political issues raised by cable television will ensure that there is no free-forall, but that cable television is introduced under the supervi-sion of the public sector.

Schwarz - Schilling

In a week which has seen the publication of the Hunt report on British cable television, Stewart Fleming in Frankfurt looks at prospects for the wiring 'of West Germany

favours a broadening of the available programmes from the two national and one regional channel and from other coun-

The fact is, however, that the Federal Post Office does not have the decisive voice. The individual state dividual state government's make radio and television policy and that helps to account for the way cable TV is developing.

In 1978, the heads of the individual states agreed to give the go-ahead to the four pilot pro-grammes which are getting underway.

The following year, however, Chancellor Helmut Schmidt, by blocking the Bundespost's plans to press ahead with laying cable in 11 cities effectively slowed down the development of cable

The decision reflected his party's concern about the role of private industry in the sensitive area of radio and television.

West Germany does not have a television channel with continuous advertising-never mind one which is under private control. Advertising spots are available only in the early evening up to 8 pm.

Of the four pilot projects in

Ludwigshafen. Munich, Dortmund and Berlin, the one in Ludwigshafen is the most advanced.

supervisory modelled in part on the British Independent Independent Television Authority, the Ludwigshafen Anstalt für Kabelkommunika-tion has been founded, which includes representatives of local authorities as well as the regional television authority and the German Trades Union Federation. The project is ex-pected to include il television channels as well as facilities for local radio stations.

The first programme licences are not expected to be issued until early next year. It is anticipated that. around 30,000 homes will link into the pilot project, although with the change in Bonn there are hopes that the Bundespost will be willing to expand its plans for laying cable.

In Rhineland-Pfalz and in other areas, companies are being founded, often involving local newspaper and publishing interests, which plan to offer programmes when the first licences come on offer.

Foreign cable companies, in-cluding the U.S. company Warner Communications, are also said to be showing interest in West German developments as partners. As one official put it, it would not be politically clever for a foreign concern to

try to ome in on its own.
The Ludwigshafen project involves the expenditure of around DM 10m on a new television building and the same again on equipment. It is this sort of expenditure, as well as the jobs which will be created, that is the biggest selling point for the private cable TV industry.

Pone Muniter

13 October 1982 Policy Unit

PRIME MINISTER

17

THE HUNT REPORT ON CABLE TELEVISION

MS

1. I think this is an admirable, liberal-minded document which is sensible without being timid. The report rightly points out that television does intrude more into the sitting-room than books do, and some form of control is necessary.

The proposed cable authority would surely be no less effective than the IBA in controlling undesirable material, without inhibiting the growth and diversity of cable services.

2. In meeting the objections of the BBC and the IBA, the report makes, but only in passing, an important point: the BBC and IBA claim above all to be anxious to protect the right of the public to see major sporting events such as the Cup Final. With the advent of cable, they fear they would be outbid by the new companies and non-subscribers would be denied the "right" they have traditionally enjoyed (paragraphs 68-70).

On the other hand, the report mentions that it has "some sympathy with those who suggested to us that television at present secures sporting coverage on the cheap".

There are, indeed, those who think that television is killing football, racing and no doubt other sports too. It may be that the true market value of the television rights to many sporting events is far higher than either network is at present prepared to pay. If so, there is no moral compulsion on the FA to offer the Cup Final to television as a subsidised social service. The same goes for the LTA and Wimbledon - and other events where the television revenue is the major source of income for the future of the game. Contrary to the argument usually put, the competition from cable in bidding for rights to sporting events is to be welcomed.

3. The BBC's argument that only a national public-service network can afford to make high-quality programmes depends on accepting the BBC's ludicrously high costs. These are now beginning to mean that the BBC itself can make major series only in collaboration with

overseas television companies, usually American ones (who, incidentally, often attempt to vulgarise the production in order to make it more saleable in the US).

Non-union, independent, small cable companies might well be able to make programmes as good, if not better, at half the cost. We must not let the ruinous practices of the television trade unions get a grip on this new area of employment.

EM

FERDINAND MOUNT

PRIME MINISTER

The Hunt Report on Cable

The Home Secretary has sent the attached copy of the Hunt Report on cable expansion and broadcasting policy. He has not yet had a chance to study it but proposes to publish on 12 October. The conclusions and recommendations of the Report can be found in Chapter 8 which is flagged.

Broadly the Report proposes that a rapid expansion of cable services is compatible with the maintenance of the standards of public broadcasting and that provided it is subject to safeguards there need be no inhibition on such an expansion. Particular points worth noting in the Report are:

(i) Control

Since local cable systems will be local monopolies the Report proposes that they be subject to franchise e.g. there would be a cable operator for say Leeds who would hold the franchise to provide programme services over that cable system for a set period of years. Franchises would be awarded by a new cable television authority (the Report rejected the proposal that the IBA should fulfil this function because of the possible conflict of interests). The authority would however not regulate the cable services as the BBC and IBA do but exercise a retrospective oversight. ?

(ii) Finance

The Committee recommend that cable services should be financed by rental, subscription for particular additional channels and, because the first two would be an insufficient financial base, by advertising.

(iii) Broadcasting services

Cable operators should, say the Committee, be allowed to provide as many programme channels as the market will bear. They

COVERING



QUEEN ANNE'S GATE LONDON SWIH 9AT

My dear Prim Mowster

REPORT OF THE INQUIRY INTO CABLE EXPANSION AND BROADCASTING POLICY

I have now received the Report of Lord Hunt's Inquiry into Cable Expansion and Broadcasting Policy. I have not yet had time to study it myself, but I thought that you and our colleagues on E Committee would like to see the report at the earliest opportunity. I propose to publish the Report at 2.30 p.m. on Tuesday, 12 October.

Lord Hunt has drawn our attention to the fact that commercial interest in the Inquiry's report is such that any leakage could have Stock Market implications. It is in any event desirable that a report which is to be published as a Command Paper should be confidential until publication, but the City dimension makes it all the more important that it should remain so until 12 October.

I am copying this letter to our colleagues on E Committee and to Sir Robert Armstrong.

Mark

The Rt. Hon. Margaret Thatcher, M.P.

PRIME MINISTER

Aly Market

You will recall seeing the Home Secretary's proposal for a three-man advisory body on transmission standards for direct broadcasting by satellite (copy attached). The Home Office have since let us know that Sir Antony Part has agreed to chair the panel but has suggested: first, that a Report by 30 September imposes too tight a timetable; and second, that the panel should include someone with commercial experience. The Home Secretary is minded to accept both these suggestions and to:

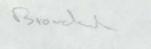
- (i) grant an extension until early November if absolutely necessary; and
- (ii) appoint Professor Alan Day of the LSE instead of Mr. Tom Kilvington.

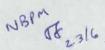
This seems unexceptionable. Agree to the Home Secretary's proposals?

Alan dogs July Clark pp Tenvilly Flerken

Ves me

7 July 1982







Secretary of State for Industry

DEPARTMENT OF INDUSTRY

ASHDOWN HOUSE

123 VICTORIA STREET

LONDON SWIE 6RB

TELEPHONE DIRECT LINE 01-212 3301

SWITCHBOARD 01-212 7676

22 June 1982

The Rt Hon William Whitelaw CH MC MP Secretary of State for the Home Department Home Office 50 Queen Anne's Gate London SW1H 9AT

Dear Willie,

TRANSMISSION STANDARDS FOR DIRECT BROADCASTING BY SATELLITE

Thank you for your letter of 12 June.

- 2 I am content with the proposals you have set out and hope you will press ahead quickly.
- 3 I particularly welcome your wish that the panel should pay close attention to the market opportunities for UK manufacturers.
- I am sending a copy of this letter to the Prime Minister and also to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Sir Robert Armstrong.

Yan en

The Prime Minister has asked me to thank you for your letter of 17 June enclosing the TUC's preliminary statement on cable systems which I am passing to the Information Technology Advisory Panel. She will be interested to see a further statement of the General Council's views which you mention.

The Rt. Hon. Lionel Murray, O.B.E.

Jus -

TRADES UNION CONGRESS Parel) CONGRESS HOUSE · GREAT RUSSELL STREET · LONDON WC1B 3LS Telephone 01-636 4030 Telegrams TRADUNIC LONDON WC1 YOUR REFERENCE Rt Hon Margaret Thatcher MP LM/AC/PB/AB OUR REFERENCE Prime Minister 10 Downing Street DEPARTMENT Economic London SW1 June 17 1982 Dear Prime Minister Cable Systems I understand that you are responsible for the Information Technology Advisory Panel. I am therefore enclosing for their information a copy of the TUC's preliminary statement on cable systems which we have now submitted to the Hunt Inquiry on Cable Expansion and Broadcasting Policy. As we say in the statement, the timescale allowed for submissions to Hunt is inadequate given the importance of the subject and the need for thorough consideration of the issues. Nor do we consider the Hunt Inquiry's terms of reference to be broad enough to take in the range of issues involved in an expansion of cable. For these reasons the TUC will in the near future be consulting unions concerned with the extension of cable systems, and the General Council may wish to let you have a further statement of their views in due course. Yours sincerely General Secretary. Enc: GENERAL SECRETARY: RT. HON. LIONEL MURRAY OBE DEPUTY GENERAL SECRETARY: NORMAN WILLIS ASSISTANT GENERAL SECRETARIES: KENNETH GRAHAM OBE AND DAVID LEA OBE

TRADES UNION CONGRESS THE DEVELOPMENT OF CABLE SYSTEMS A Memorandum of the TUC General Council to the Hunt Inquiry In this document the TUC is responding to the report, 'Cable Systems', by the Government's Information Technology Advisory Panel (ITAP) and to the request for evidence from the Inquiry into Cable Expansion and Broadcasting Policy chaired by Lord Hunt of Tanworth. The Hunt Inquiry, however, is not the only official agency now investigating the future of cable systems in the light of the ITAP report. The Department of Industry is looking into specific questions of cable technology, such as design and standards. The Home Office, the Cabinet Office and ITAP itself will be continuing to pursue aspects of the subject. Moreover, the Hunt Inquiry's terms of reference are heavily weighted towards one of the issues arising from an extension of cable systems - the future of broadcasting - but virtually ignore other important questions on which the TUC will also wish to express a view. For these reasons it would make no sense for the TUC to confine its comments to the questions implicit in the Hunt Inquiry's terms of reference, or, for that matter, to address itself solely to the Hunt Inquiry. This proliminary statement therefore concentrates on the broadcasting issues with which the Hunt Inquiry is primarily concerned. The further issues which are raised by expansion of cable systems, and which are largely ignored in Hunt's terms of reference, will be the subject of further work by the TUC. This will be communicated not only to the Hunt Inquiry, but to the other official agencies with responsibility for the development of Government policy on cable. It is in fact one of the TUC's initial criticisms of the Government's response to the ITAP report that the investigative follow-up is deficient in this way. It is not at all clear why the Government has chosen to single out broadcasting policy as the focus of the only independent, public scrutiny of the implications of an expansion of cable systems. Why were equally vital questions - such as employment, financing, the role of the public sector, social implications and so on - not included in Hunt's terms of reference? Broadcasting is certainly an issue intimately linked to the way cable systems develop - but not to the exclusion of everything else. The lack of thought that has gone into the framing of the Hunt Inquiry's terms of reference would also appear to have extended to its membership. A matter that the Minister of State for Industry and Information Technology describes as "the biggest industrial opportunity and the biggest industrial investment programme before our country in the next 15 to 20 years" deserves a Committee of Inquiry with a substantially greater breadth of knowledge and experience

The report's treatment of the relationship between cable systems and direct satellite broadcasting (DBS) is inadequate. It is perfectly true, as ITAP say, that the two systems are potentially complementary. One option is for DBS signals to be received by large local dish aerials and then transmitted via cable to individual homes. That option avoids customers having to buy their own dish aerials, which may, as ITAP say, be expensive. However, ITAP's case for such an option is sketchy in the extreme. There has been no market research to assess what potential customers would prefer. There has been no detailed costing exercise to analyse the real comparative price to consumers of cable connection as against dish aerial connection. Nor have ITAP gone into the important economic and industrial questions of which option most favours existing and potential UK manufacturing capacity: in terms of DBS receiver equipment, TV decoders and so on. British Aerospace (BAe) already has established its expertise in developing and building satellites and, in partnership with British Telecom, it is well advanced in discussions with the BBC on the provision of the satellites for the UK's DBS service beginning in 1986. It is important that British industry, through BAe, should obtain the maximum possible share of the potentially vast international market for satellites. The Government's decision on the provision of DBS transmission by cable will obviously affect the UK's ability to win the maximum share of this market. The future of Britain's colour television industry could well hinge on what decision is taken over the combination of cable and DBS systems to be used. Thousands of jobs, not just in TV manufacture but in other parts of the consumer electronics industry, will also depend on the strategy adopted. It is thus imperative that the groundwork is carried out thoroughly now in a way that ITAP have singularly failed to do.

Broadcasting Policy Implications

- Historically, successive Governments have regarded broadcasting as a form of public service and have established public authorities, such as the BBC and the IBA, to run broadcasting. Obligations have been placed on these authorities to maintain the technical quality and content of the programmes provided and to maintain a proper balance and a wide range of subject matter. On programme standards in particular the authorities are obliged to ensure that impartiality is preserved in the treatment of news and controversial matters.
- 17 The argument for this type of regulation of broadcasting has been twofold:
 - (i) that the frequencies available to a single country for broadcasting are strictly limited and are allocated by negotiations between national governments;
 - (ii) that as it reaches directly into the home broadcasting is a more powerful influence that should serve the public interest rather than private interests. To ensure this, programme quality and standards must be subject to regulation.

- The TUC would also be opposed to the suggestion of the ITAP report that the cable broadcasting industry should be self regulating. The TUC has strongly criticised the inadequacy of self-regulation in the written media and in the financial community. Successive Governments have also recognised the likelihood of inherent conflicts of interests involved in self regulation and accordingly have tended to extend public regulation.
- The TUC hopes that early in its proceedings the Hunt Committee will have established its support of the general case for public regulation of cable broadcasting. The above paragraphs have outlined the TUC's support for that general case. The following paragraphs deal with the more specific questions on regulation posed by the Committee.
- The TUC's overall view is that, as far as practicable, the regulations currently applying to the public service channels should also apply to cable and satellite broadcasting. Particular difficulties arising from cable systems may require additional regulations.
- The TUC would view with grave concern any major concentration of ownership of cable operators. Close control of ownership will be required. The extent of the ownership of programme providers by foreign interests, by the press and by existing broadcasting organisations are correctly identified by the Committee as causes for concern. The TUC would suggest that similar controls on ownership by foreign interests, the press and existing broadcasting organisations as are currently applied by the IBA should be adopted.

7

The development of broadcasting by cable poses severe problems for the film industry since films are likely to represent a major proportion of the programmes carried by cable, at least in the early years. The TUC would support the imposition on cable systems of the regulation imposed on existing television channels that feature films should only be transmitted when three years have elapsed since their registration. As the earlier paragraphs have made clear the TUC strongly supports public regulation and rejects self-regulation or deregulation of cable systems. The TUC believes that the arguments over whether a new and separate authority should be created to regulate satellite and cable broadcasting or the extension of the powers of an existing regulatory authority, such as the IBA, to cover these areas are finely balanced. On the one hand, the responsibilities of existing authorities have and are increasing rapidly as developments, such as Channel Four and breakfast television, are introduced and an additional responsibility, such as for cable, might be unsustainable. On the other hand, existing authorities have developed expertise in regulation and extending their powers might consume fewer very scarce resources. The introduction of a system of franchises for the provision of programmes by cable might be considered to tip the balance in favour of the IBA becoming the regulatory authority for the new services since it has long experience in dealing with a franchise system. In any event, whether a new or existing authority is given responsibility that authority will require powers at least equivalent to the IBA's present powers. Conclusion This document forms a preliminary TUC response to the report from the Information Technology Advisory Panel on 'Cable Systems' and to the invitation from Lord Hunt's Committee of Inquiry into Cable Expansion and Broadcasting Policy to the TUC to submit evidence to it. The TUC's comments are preliminary given the inadequate and greatly compressed timetable for the submission of comments on these important issues therefore directed to the Hunt Committee, and will be followed by a further statement on the issues referred to in the first part of this paper, which will be submitted to the relevant Government Departments and to ITAP itself. KB/AB May 18 1982

Broadcasty

10 DOWNING STREET

From the Private Secretary

15 June, 1982

Transmission Standards for Direct Broadcasting by Satellite

The Prime Minister has seen the Home Secretary's letter to the Secretary of State for Industry of 12 June and has agreed to the establishment of the advisory panel proposed by the Home Secretary and to its proposed terms of reference and membership.

I am copying this letter to Brian Fall (Foreign and Commonwealth Office), John Kerr (Treasury), John Rhodes (Department of Trade) and David Wright (Cabinet Office).

TIM FLESHER

Colin Walters, Esq., Home Office

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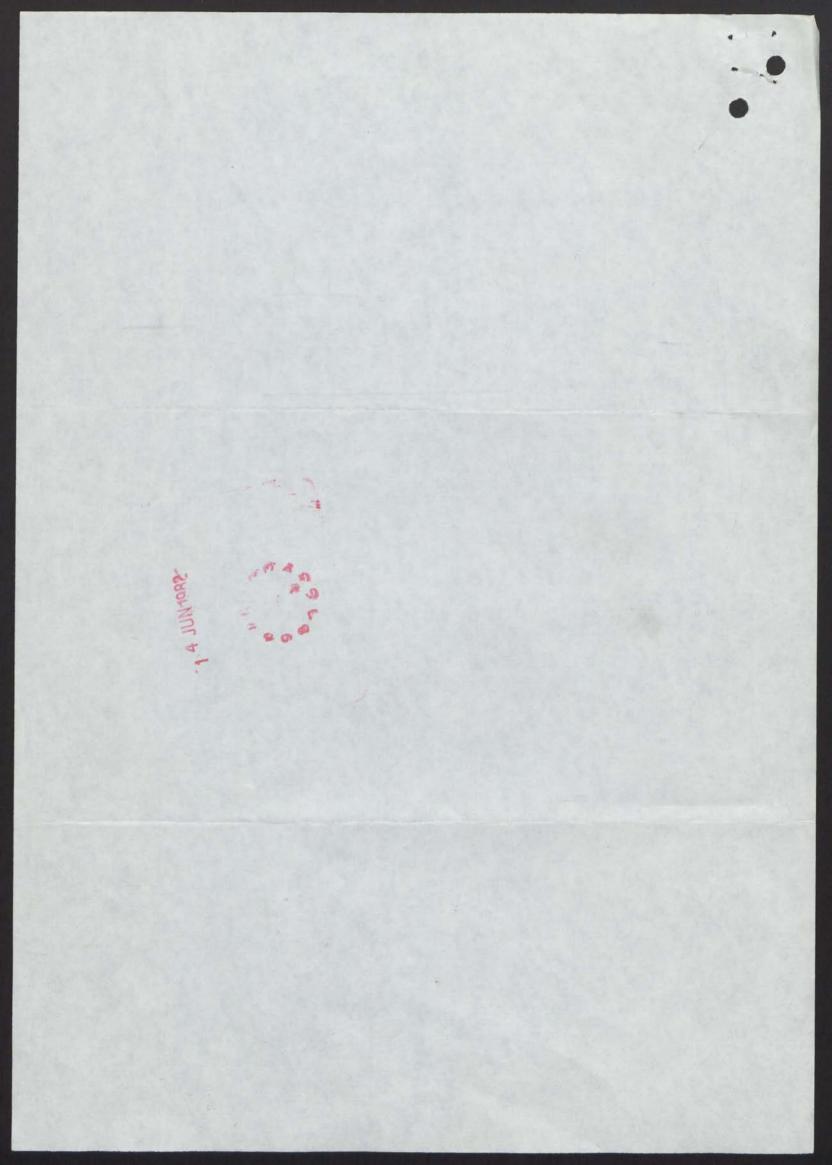
Prime minister 1 Content for the Home Servetary to set up toon advisory body with the terms of refrerence at A aim the members hip at B? QUEEN ANNE'S GATE LONDON SWIH OFF. [7 June 1982 TRANSMISSION STANDARDS FOR DIRECT BROADCASTING BY SATELLITE As you know, we face quite a difficult decision, which needs to be taken before the end of the year, on the transmission standards to be adopted for our DBS services when these start in 1986. The difficulty arises in part because the BBC and the IBA have different ideas on this subject. It is clearly vital that we should get the decision right in industrial and consumer terms and you may recall that during the debate on satellites and cable on 20 April I indicated that before reaching a decision we should want to have the benefit of independent expert advice. Our officials have been discussing how this advice should be obtained and the proposals they have put forward to both of us seem to me to be right. Specifically, they recommend a three-man advisory body with the following terms of reference: "To consider what transmission standards should be adopted for United Kingdom services of direct broadcasting by

satellite; and to submit advice by 30 September 1982."

The matters which we would expect the panel to take into account would be:

- the technical parameters set out in the plan drawn up in Geneva in 1977 by the World Satellite Broadcasting Administrative Radio Conference;
- the technical merits of the various options in terms of
 - improved vision and sound quality for the UK's DBS services;
 - compatibility with existing television receiving equipment and possible technological developments in the longer term;
- c) the economic merits of various options in terms of
 - i) the cost of receiving equipment for the consumer;
 - ii) market opportunities available to UK manufacturers;
 - iii) satellite transponder requirements;

the prospects of European agreement on DBS transmission standards; and the implications of the various options for the timing of the start of UK DBS services in 1986. So far as membership of the inquiry is concerned, I am attracted to the idea of asking Sir Antony Part to be chairman: he will bring knowledge and experience of the industrial and consumer aspects. If he should be unable to take this on Sir Clifford Cornford (recently Chief of Defence Procurement at MOD and B currently on the Board of the Post Office) might be suitable, but there would, I gather, be difficulties because of his involvement with a <u>US-owned</u> electronics concern. Nevertheless we might keep his name up our sleeve. The inquiry will have to appraise the various options from the technical point of view, and I am sure that the other two members of the inquiry will need technical expertise. The names I have in mind are Professor J W R Griffiths of Loughborough and Mr Tom Kilvington, formerly Director of Radio Technology in the Home Office. Subject to your agreement, and that of the Prime Minister, to the establishment of the advisory panel and to its proposed terms of reference and membership, I should like to approach the above-mentioned people. Once the membership has been settled, I would envisage an announcement by means of an arranged Parliamentary Question. I am sending a copy of this letter to the Prime Minister and also to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Sir Robert Armstrong.



SECRET

Whil;

Ref. A08510

MR. RICKETT

Cable Systems

Your letter of 18th May to David Wright reported that the Prime Minister questioned whether paragraph 6 of the note on the legislative implications of cable systems submitted to her with my minute of 13th May was correct in saying that the creation of additional switched telephone networks would be contrary to the Government's policy in the long term.

- 2. As the Prime Minister may recall from the discussions on the Mercury licence, Ministers decided that the potential threat to our security interests ruled out the licensing of any further alternative telephone networks in the foreseeable future. Accordingly, the Government have stated publicly that they have no present intention of issuing any further such licences. There are in any case commercial arguments for seeing how Mercury develops before licensing any further competitors.
- 3. The security implications are in fact under further consideration in the light of the recent proposals from the Department of Industry on privatisation of BT and liberalisation, and papers will be submitted to the Prime Minister in due course. The relevant considerations will also be taken into account when recommendations are submitted to Ministers in the autumn on cable systems. I am sure that it would be wrong to rule out changes in the long term; but I suspect that for the foreseeable future Ministers will wish to adhere to the present policy as referred to in paragraph 6 of the paper on which the Prime Minister commented.

ROBERT ARMSTRONG

24th May, 1982

SECRET

CABLE SYSTEMS

The Prime Minister has seen Sir Robert Asmstrong's minute of 13 May, reference A08412.

She has noted this with only one comment. She questions whether paragraph 6 is entirely correct in saying that the creation of additional switched telephone networks would be contrary to the Government's policy in the long term.

WFS RICKETT

David Wright, Esq., Cabinet Office

CONFIDENTIAL Prime minister 2 Ref. A08412 PRIME MINISTER Cable Systems At their meeting on 25th February (E(82)6th Meeting) the Ministerial Committee on Economic Strategy approved the publication of the report on Cable Systems by the Information Technology Advisory Panel (ITAP) and instructed

officials, under Cabinet Office chairmanship, to examine the issues raised prior to substantive consideration by Ministers later in the year.

- 2. The necessary work is in hand in the Official Group on Cable Systems (MISC 73), in parallel with the enquiry under Lord Hunt into the broadcasting aspects. As part of their initial work the Official Group have produced for information the attached preliminary note on the legislative implications of the ITAP report which I thought it would be helpful for you and the other members of E Committee to see.
- The essence of the note is that practically all the necessary powers for the establishment and control of cable systems are provided under existing regulation; but that a number of factors could make new legislation desirable at some stage, though not necessarily extensive in content or scope.
- The paper does not call for any decisions now. But it will form a necessary background to the policy decisions which Ministers will wish to take later in the year.
- 5. I am copying this minute and the note on the legislative implications of cable systems to the other members of E Committee.

ROBERT ARMSTRONG

13th May 1982

LEGISLATIVE IMPLICATIONS OF CABLE SYSTEMS

Note by the Chairman of the Official Group on Cable Systems

- 1. At its meeting on 25 February the Ministerial Committee on Economic Strategy considered a memorandum by the Home Secretary and the Secretary of State for Industry (E(82) 14) on the potential benefits for the United Kingdom of an expansion of broadband cable systems and the questions that have to be considered.
- 2. The Committee supported the Home Secretary's proposal for a small inquiry into the broadcasting aspects of cable systems. This has now been established under the Chairmanship of Lord Hunt of Tanworth who has been asked to report by 30 September. The Cabinet Office were asked to co-ordinate the preparation of advice on cable systems, taking into account the conclusions of Lord Hunt's enquiry, with a view to a policy statement being made by the Government by the end of the year. The appropriate work is in hand in the Official Group on Cable Systems, MISC 73.
- 3. The Official Group have made an initial examination of the potential legislative implications of a decision to encourage the installation of cable systems. Although judgements must still be tentative at this stage, they thought it might be helpful to Ministers to outline, for information, their preliminary findings.

Existing Legislative Powers

4. The Group's first main conclusion is that existing legislation probably gives Ministers all the statutory powers necessary for the establishment and regulation of new cable systems. Legally cable systems are telecommunications systems and the British Telecommunications Act 1981 (the BT Act) not only empowers BT to run any kind of telecommunications system but also authorises the Secretary of State to grant licences to others to run similar systems. BT Act licences can be granted subject to conditions and for specified periods. They can be irrevocable (or subject to revocation as specified in the licence) and there is no power to vary licences once granted. BT Act licences must specify the details of the systems to be run and this provision would make it possible for the Secretary of

- State either to licence different people to run different aspects (eg one person could be licensed to run only the cables, another (or several) to be responsible for the programmes provided over the cables).
- However, any cable system that relays broadcast programmes at present requires a licence from the Home Secretary under the Wireless Telegraphy Act 1949; and the distribution by cable of programmes other than broadcast programmes is governed by Part IV of the Post Office Act 1969, which gives the Home Secretary wide powers to license such operations. These latter powers have been used to license the current pilot schemes of subscription television by cable. (Since Parliament has established this separate licensing system under the Post Office Acts for the distribution of programme services (other than broadcast programmes), there would be difficulties in using for this purpose the powers under the BT Act discussed above). Existing legislation therefore provides the powers necessary, through licensing, to impose conditions relating to programme content and advertising standards. It would also be possible by administrative means to establish some non-statutory body to advise the Secretary of State on the enforcement of such conditions; care would be needed, however, to ensure that the Secretary of State did not unreasonably fetter his discretion.
- 6. It should also be noted that because cable systems are telecommunications systems, the existing licensing powers could be used to enable those running cable systems to run 'switched interactive telecommunications systems', eg telephone systems, enabling any subscriber to a system to establish two-way communications with which his system is interconnected. This possibility raises difficulties because it would allow the creation of additional switched telephone networks in competition with BT and Mercury, contrary to the Covernment's policy. The licensing powers could be used, however, to prevent those running cable systems from offering switched interactive services and to require that BT and/or Mercury should run any such services on cable systems, thus preventing any breach of current telecommunications policy.
 - 7. Existing legislation appears, therefore, to provide Ministers with adequate powers to establish and regulate new cable systems. However, wider considerations may make Ministers wish to consider whether new legislation would be desirable.

- The granting of licences under existing legislation would mean that the Home Secretary and Secretary of State for Industry would still bear some direct responsibility to Parliament for the programme and other services provided and for ensuring that conditions of the licences were observed. These conditions might, for example, relate to matters such as impartiality and good taste and decency which it has been thought inappropriate for a Government Department to have to police. Moreover, the resources are not at present available within Departments to undertake this task. A non-statutory advisory body could in practice be used to ensure that conditions in licences were observed and thereby provide some shield for Ministers (eg against PQs or other criticisms), but ultimate responsibility would still rest with Ministers and some of the above difficulties would still apply. If it were decided to establish a new independent body (or to invest an existing body, such as the Independent Broadcasting Authority (IBA), with such powers) new legislation would be required.
- (ii) Although, as indicated above, new legislation does not appear necessary, some potential investors in cable systems may regard new legislation expressly devoted to the promotion of cable systems as desirable, if only as a demonstration of the Government's (or Parliament's) firm commitment to the policy.
- (iii) Parliament, through its approval of broadcasting legislation, has been accustomed to having a significant voice in the setting of broadcasting policy and standards. Although cable systems are not broadcasting systems in the traditional sense, and there are major differences between the two, there are important similarities. The issue of licences under existing legislation for programme services distributed by cable might therefore be regarded by some as by-passing Parliament on an important policy issue which it would expect directly to influence, although this point might to some degree be met by the issue and debate of a suitable White Paper.
- (iv) In the absence of new legislation to reform the Telegraph Acts (at present under consideration separately), there will also be a case for changes in the existing legislation governing wayleaves.

8. The Official Group's second main conclusion, therefore, is that, while no new legislation appears to be needed specifically to establish and regulate cable systems, and there may also be advantage in delaying any legislation since cable systems are in their infancy and the course of their future technological and other development is uncertain, there could also be advantages in new legislation for the considerations summarised above.

Scope of possible regulation

- 9. The regulatory regime for programme services distributed by cable will need to cover some or all the following subjects:
 - (i) Programme content rules relating to good taste and decency; avoidance of incitement to crime and disorder; the manner of portrayal of violence and programme content when children and young people are likely to be viewing; the showing of certain categories of feature film, accuracy in news programmes; due impartiality in the treatment of, and exclusion of the views of the cable operator/programme provider on, current affairs; party political programmes; religious propaganda; charitable appeals; programme prizes; subliminal techniques; and exclusive arrangements for the televising of events of national important;
 - (ii) Advertising rules relating to the amount, content and placing of advertisements (if permitted);
 - (iii) Powers of Government for example, powers to veto programmes or classes of programme; to require the distribution of certain announcements and to regulate the hours of programme distribution;
 - (iv) Criminal law the application/disapplication of certain criminal law provisions to cable (eg the law on incitement to racial hatred, obscene publications and elections);
 - (v) Complaints the extension of the jurisdiction of the Broadcasting Complaints Commission to cable.

- 10. The regulatory regime for cable might also need to deal with:
 - (vii) Franchising the arrangements for selecting companies to be licensed to install cable systems and/or provide programme services;
 - (viii)Composition of cable companies the question of the participation of non-UK/EC companies, the ITV and independent local radio (ILR) companies and the press in cable operations; and
 - (ix) Public share in cable profits the question of some form of levy (or royalties) on local monopoly profits (cf the ITV and ILR levy).
- 11. Though further detailed examination will be needed, all the above items, except (iv) and (v) seem capable of being dealt with through licensing arrangements under existing legislation. Items (iv) and (v) would require primary legislation. (In relation to independent broadcasting most of the above items are the subject of provisions in the Broadcasting Act 1981).
- 12. If it were decided to establish a new <u>statutory</u> authority responsible for the regulation of cable systems, the legislation would also need to define its functions and powers. This might imply a modification of the remit of the existing IBA or the creation of a new body with somewhat similar powers. But since cable systems have a strong local element, there may be a need also to establish some more local regulatory machinery.
- 13. Concern has also been expressed that the creation of new cable systems operating in a much freer regulatory regime than that which applies to independent television and local radio could damage the quality of the public services provided by the IBA. It is thus for consideration whether there would need to be some relaxation of the regulatory arrangements governing independent television and local radio to enable them to compete with cable on an equal footing. This would involve legislation; and legislation with this object would, of course, weaken the public service nature of ITV and ILR.
- 14. The eventual legislative needs may be much less than outlined above, particularly if the IBA played a major role in the regulation of cable systems. Ministers might wish to rely on the existing licensing provisions, introducing

new legislation only to deal with matters which can be dealt with in no other way (see paragraph 11 above). A number of intermediate options could be conceived. Ministers are also considering separately the prospect of a Telecommunications Bill next session which would change British Telecom into a Companies Act company and amend outdated legislation on wayleaves, and it is possible that new regulatory arrangements for cable systems could be added to this. However, if Ministers decided to introduce detailed and extensive calbe legislation, this would not be a suitable vehicle. Moreover, it is arguable that a more appropriate vehicle might be the legislation that will be needed to authorise commercial direct broadcasting by satellite (DBS) services, which is unlikely to be ready for introduction next session.

Conclusions

- 15. In summary, therefore, our provisional assessment of the legislative position on cable systems is that:-
 - (i) Existing legislation could provide Ministers with practically all the necessary powers for the establishment and control of cable systems;
 - (ii) Some considerations, however, point to the desirability of new legislation. Depending on policy decisions, such legislation might need to be extensive, but options involving minimal changes are possible;
 - (iii) It will not be possible, however, to make firm judgements until Lord Hunt's Committee has completed its work and the Official Group have reported on the whole range of issues involved, taking account of the Hunt Committee's recommendations.

Cabinet Office 10 May 1982

Brosslearing RM. APPOINTMENTS IN CONFIDENCE 10 DOWNING STREET 26 March, 1982 From the Private Secretary INDEPENDENT INQUIRY INTO BROADCASTING POLICY IMPLICATIONS OF CABLE SYSTEMS You told me that Sir David Steel had declined to serve on this inquiry. You sought the Prime Minister's approval for the Home Secretary to approach Sir Maurice Hodgson, or failing that Sir John Greenborough and Sir Alastair Pilkington. I have consulted the Prime Minister, and she is content for the Home Secretary to approcah Sir Maurice Hodgson. She would prefer Sir Alastair Pilkington to be your second choice, and Sir John Greenborough to be your third choice. I am copying this letter to Richard Riley (Department of Industry) and David Wright (Cabinet Office).

A Jackson, Esq Home Office



Broadcashy To Broadcashy The Prime Minister has seen the Home

The Prime Minister has seen the Home Secretary's minute of 23 March. As I told you this morning, she is content for him to approach Sir David Steel and Professor James Ring for appointment to this Inquiry.

I am copying this to Jonathan Spencer (Department of Industry) and to David Wright (Cabinet Office).

W.F. S. HOKETT,

A.P. Jackson, Esq., Home Office.

Prime Minister.

Content for the Home Sec to

approach Sit David Steel and

Professor James Ring?

PRIME MINISTER

INQUIRY INTO BROADCASTING POLICY ASPECTS OF DEVELOPMENT OF CABLE SYSTEMS

In my Private Secretary's letter of 18 March to your Private Secretary about the announcement of the Inquiry, he said that I would be making proposals very shortly about the two members who are to serve with Lord Hunt.

My approach to these two appointments is that ideally they should bring to the Inquiry experience of three kinds: industrial, technological, and some knowledge of the broadcasting background. I need at the same time people who are not too closely or currently identified with any particular interest, and who can find the substantial amount of time that will be required of them.

Weighing these considerations, I propose to approach, first, Sir David Steel, who recently retired as Chairman of British Petroleum. His name was one of those suggested by D.O.I. as suitable for this Inquiry, to which I am sure he would make a distinguished contribution.

Secondly, I propose to approach Professor James Ring, who has a Chair in Physics at Imperial College. He was on the I.B.A. (as the "technical" member) from 1974 until last year; he was well thought of in that capacity, and took some interest in the potential of cable television: he would thus combine the technological and broadcasting backgrounds. His name has been mentioned to D.O.I. Ministers, who I understand would be happy to see him, as well as Sir David Steel, on the Inquiry. Lord Hunt would also be content.

I am, as you know, anxious to press ahead rapidly with setting up the Inquiry, and would be glad to know as soon as possible that you are content for me to approach these two.

I am sending a copy of this minute to our 'E' Committee colleagues, the Minister of State for Information Technology and to Sir Robert Armstrong (who has helped in considering names for the Inquiry and knows of my present proposal).

23rd March, 1982

CONFIDENTIAL Broadcasta 10 DOWNING STREET From the Private Secretary 22 March 1982 CABLE SYSTEMS AND BROADCASTING POLICY Thank you for your letter of 18 March. As I told Andrew Jackson on the telephone, the Prime Minister is content with the draft PQ and answer attached to your letter, and I understand that this announcement will be made this afternoon. I am copying this letter to Richard Riley (Department of Industry) and David Wright (Cabinet Office). .W. F. S. RICKETT John Halliday, Esq., Home Office.



Ref. A07845 Willy

Report on Cable Systems by the IT Advisory Panel

The text of the Information Technology Panel's report on cable systems was circulated to E Committee under E(82) 16 and the Committee considered the handling of the report at its meeting on 25 February.

I attach a copy of the final printed version of the report which the Prime Minister may wish to see and which, as you know, is to be published on Monday 22 March.

2. I am copying this minute, with the report, to the Private Secretaries to members of E Committee and to the Private Secretary to the Minister for Information Technology.

T WRIGHT

19 March 1982

ge Mrtyliam From: THE PRIVATE SECRETARY

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Prime Minister I

HOME OFFICE

Given the importance of making QUEEN ANNE'S GATE LONDON SWIH 9AT

an early statement on calle, and the accountages

of making it the same day as the ITAP report is 18 March 182 published, I have told be thome Office to table their PCQ today for answer on monday. The secretary Astate for Industry is not going To argue with the Home Secretary's draft, or with the changes to the terms of reference for Low Hourt's inquiry, which were suggested by Dear Willie, Low Hourt himself. Do you have any comments in the

draft which you would like me to pass to my whiteland office

CABLE SYSTEMS AND BROADCASTING POLICY

Thank you for your letter of 18th March recording the Prime Minister's comments on the Home Secretary's minute of 7th March and the Industry Secretary's minute of 11th March about the timetable for the independent inquiry into the broadcasting policy aspects of the expansion of cable.

As you know, the Home Secretary has seen Lord Hunt of Tanworth, who has indicated that he will be prepared to chair the independent inquiry. The Home Secretary will be making proposals for the other two members very shortly.

In accepting this appointment, Lord Hunt has expressed severe misgivings about the detailed list of "aspects" at (a) to (g) of the draft terms of reference which were before E Committee. He considers that they would tie the inquiry too closely, and too publicly, to specific issues which, when it gets down to work, it may conclude are not the most significant. He would therefore prefer terms of reference that were shorter and in more general terms. The Home Secretary considers, and hopes his colleagues will agree, that the views of Lord Hunt as chairman-designate of the inquiry must carry great weight, and that the inclusion of the list of specific aspects in the terms of reference is not essential. He would, however, wish to include in his statement (see below) an illustrative passage indicating the sort of issues which will be relevant.

Accordingly the Home Secretary seeks the approval of his E Committee colleagues to the revised terms of reference at Annex A, which he understands would be acceptable to Lord Hunt. He asks me to draw attention to the change to the opening words of the draft terms of reference. Having seen the proposed wording of the Prime Minister's Written Answer announcing the publication of the I.T.A.P. Report, the Home Secretary considers that it would be better for the terms of reference to follow it and refer to the Government's "wish to secure the benefits for the United Kingdom which cable technology can offer", rather than (as in the E Committee draft) its "intention in principle to facilitate the expansion of cable systems".

/The

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The Home Secretary promised in his statement of 4th March about direct broadcasting by satellite a further statement on the future of cable. The main purpose of this statement will be to announce the establishment and terms of reference of the independent inquiry, and he would be grateful to know if the Prime Minister is content with the attached draft arranged Parliamentary Question and Answer. He sees advantage in the announcement being made on Monday 22nd March, the day on which the I.T.A.P. Report is published: this will require a Question to be tabled tomorrow (Friday).

I should be grateful if any comment on the revised terms of reference, and draft Answer, could reach me by close of play on Friday 19th March. I am sending a copy of this letter to the Private Secretaries to the Members of E Committee, and to David Wright.

'lours ever,

J. F. HALLIDAY

INQUIRY INTO BROADCASTING POLICY ISSUES
INVOLVED IN AN EXPANSION OF CABLE SYSTEMS

Revised draft terms of reference

To take as its frame of reference the Government's wish to secure the benefits for the United Kingdom which cable technology can offer and its willingness to consider an expansion of cable systems which would permit cable to carry a wider range of entertainment and other services (including when available services of direct broadcasting by satellite), but in a way consistent with the wider public interest, in particular the safeguarding of public service broadcasting; to consider the questions affecting broadcasting policy which would arise from such an expansion, including in particular the supervisory framework; and to make recommendations by 30 September 1982.

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ANNEX B

DRAFT ARRANGED PARLIAMENTARY QUESTION FOR WRITTEN ANSWER ON MONDAY 22 MARCH

DRAFT REPLY

In my statement to the House on 4 March about direct broadcasting by satellite (DBS) I promised a further statement on the future role of cable systems in transmitting these and other services (Vol). In addition to the Government's decisions regarding DBS, a number of other developments indicate the need for urgent decisions about the future role of cable - sooner than the timescale implicit in the subscription television pilot schemes would permit. Some of these developments are brought out in the report of the Information Technology Advisory Panel (ITAP) on cable systems which is published /today/.

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CONFIDENTIAL should be permitted; and the appropriate supervisory framework. with relevant experience members, whose names I shall announce as soon as possible. The terms of reference of the inquiry will be as follows: /text as agreed/.

Panel's Report as requiring further consideration. They include such matters as: whether cable operators should both control cable systems and provide programme services; programme standards, and range and balance of programme content; the obligation on cable systems to relay UK broadcasting services; whether advertising

I am glad to be able to announce that the noble Lord, Lord Hunt of Tanworth has agreed to serve as the chairman of the inquiry. I plan to appoint two other

TC HO 10 DOWNING STREET GCC Mike Patteson From the Private Secretary

MR. WRIGHT

Publication of IT Advisory Panel Report on Cable Systems

The Prime Minister has seen Sir Robert Armstrong's minute to me of 12 March (Ref. A07786).

The Prime Minister is content for the ITAP Report to be published by means of a Written Answer to an arranged PQ. You have now agreed with Mike Pattison here that the Question should be put down on Thursday 18 March, and answered on Friday 19 March. This will announce that the Report will be published on Monday 22 March, and our Press Office will brief the press with this in mind. You agreed to let Mike Pattison know whether the last sentence of the draft Answer, at present in square brackets, should be included in the final version.

On the wider question of the timetable for the inquiry into the broadcasting policy implications of cable systems, I have written to the Home Secretary's Private Secretary as suggested in Sir Robert Armstrong's minute.

I am copying this minute to Mr. Halliday (Home Office), Mr. Riley (Department of Industry) and Mr. Jarmany (MPO Press Office).

J.W. F. S. RICKETT

16 March 1982



10 DOWNING STREET

M Rickett I have agreed with M Wright that the Answer will le gwen an Friday, directed towards publicity on Manday. I have made the one consequential amendment to the draft. You will need to brief Bernard to 'advance' the answer in this context with Friday Colly. Il let me know when you are ready for us to nocess the

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10 DOWNING STREET

From the Private Secretary

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15 March, 1982

Cable Systems and Broadcasting Policy

The Prime Minister has considered the Home Secretary's minute to her of 7 March on this subject, together with the Secretary of State for Industry's minute of 11 March.

The Prime Minister is very anxious that the studies of the broadcasting and other aspects of cable systems should be completed as quickly as possible and the present momentum maintained. She is anxious also that any necessary legislation should be prepared in time for introduction during the next Session, although she agrees that a first important step so far as the UK cable industry is concerned is to make a clear statement of the Government's policy intentions before the end of this year.

The Prime Minister accepts, however, that it would be wrong to rush the broadcasting inquiry, given the sensitive and controversial issues that are likely to be involved; and she has commented that Ministers will also, of course, need to have an opportunity to consider collectively the Secretary of State for Industry's proposals on telecommunications before decisions can be reached on their relationship to the broadcasting and other aspects of cable systems (e.g. the role of British Telecommunications in the ownership or operation of cable networks).

Subject, therefore, to any further comments that the Lord President may have, the Prime Minister suggests that the Home Secretary should proceed in accordance with the earlier timetable that he and the Secretary of State for Industry proposed for the broadcasting enquiry, on the strict understanding that it will be completed without fail by the end of September. This will allow Ministers to consider soon thereafter comprehensive recommendations on cable systems in the light of the work done by officials in MISC 73, which will take into account the conclusions of the broadcasting enquiry, and permit any necessary legislation arising from them to be prepared before the end of the year for introduction as early as possible in the next Session.

/The

Committee

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2 The Prime Minister is content with the Home Secretary's endorsement of Lord Hunt of Tenworth as a suitable chairman of the broadcasting inquiry, and would be grateful if the Home Secretary would now approach him as soon as possible. I am copying this letter to Jonathan Spencer (Department of Industry), to the Private Secretaries to the other members of E Committee and to David Wright (Cabinet Office). W. F. S. RICKETT J F Halliday, Esq Home Office Ceren Milit

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Agric Meanangements at A' torthe induction of the itap copelt, including the diast Pa and

Ref. A07786

MR RICKETT

2 Agree that I should invite the Home office as suggested at B'ldreft attacked? The minutes from the Home secretary and my section are

Publication of IT Advisory Panel Report on Cable Systems attacked, w.

Your minute of 18 February to Mr Halliday gave the Prime Minister's approval to the publication of the above report, which I submitted to the Prime Minister under cover of my minute of 9 February.

- 2. I suggested that publication of the report might be by means of a written answer from the Prime Minister to an arranged Parliamentary Question. I confirm my view that this would be appropriate. There is considerable Parliamentary interest in cable systems, as shown by the questions to the Home Secretary following his statement on satellite broadcasting on 4 March. There has also been extensive Press speculation about the report. I therefore attach a draft question and answer which have been agreed with officials in the Home Office and Department of Industry.
- 3. Because of the speculation about its contents, and so that early consultation with outside interests can take place, publication of the report should take place as soon as possible. Arrangements have accordingly been made with HMSO for publication on Monday 22 March. The IT Advisory Panel propose to hold a Press conference to introduce it. Since, however, the relevant members of the Advisory Panel can only convene at 11.00 am on the day of publication (which would be too early for a written answer to a question tabled on that day), I suggest that the question should be put down on Thursday 18 March for answer on Friday 19 March, but actually answered early on the Monday morning (22 March). This is a procedure which the Lord President has agreed may be used in exceptional circumstances.
- 4. It may also prove possible to synchronise with the publication of the report a statement by the Home Secretary on the proposed inquiry into the broadcasting implications of cable systems. If so, the final sentence of the answer will need to be adjusted accordingly. This will, however, depend on the Prime Minister's response to the Home Secretary's minute to her of 7 March on the broadcasting enquiry. On that I think that the Home Secretary argues cogently for sticking to

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the original six-month timetable; the Secretary of State for Industry seems (his minute of 11 March) to accept this. I recommend that the Prime Minister should agree, subject to the completion of as much as possible of the preparatory work for legislation during the period while the inquiry is at work. I attach a draft letter to the Home Secretary's Private Secretary accordingly.

5. I should be grateful if you would seek the Prime Minister's approval to the proposed question and answer attached, and if you would also keep the MPO Press Office (Mr Jarmany) informed of progress.

ROBERT ARMSTRONG

approved by Si. R Ams Mang 2 signed on his behalf

12 March 1982

DRAFT PARLIAMENTARY QUESTION AND ANSWER ON ADVISERS' CABLE REPORT

Question

'To ask the Prime Minister whether the report on cable systems prepared by the Information Technology Advisory

Panel will be published, and if she will make a statement.'

Answer

cable systems will be published on 22 March and copies have
been placed in the library of the House. The report concludes
that the installation of modern cable systems in the
United Kingdom could bring significant industrial and commercial
benefits. The Government recognise the importance of the
Panel's arguments and wish to secure the benefits of this
new technology for the United Kingdom. There are, however,
important issues of telecommunications and broadcasting
policy raised in the report which require detailed and
urgent examination, in consultation with the interests
concerned, and arrangements for this are now being made.

_My Right Honourable Friend, the Home Secretary, will be
making a further statement on this shortly._7

GR/Pl tyre. (I will need onese papers back) CONFIDENTIAL DRAFT MINUTE FOR THE PRIVATE SECRETARY TO THE PRIME MINISTER TO SEND TO THE PRIVATE SECRETARY TO THE HOME SECRETARY cc PS/Secretary of State for Industry PS/Members of E Committee Sir Robert Armstrong CABLE SYSTEMS AND BROADCASTING POLICY The Prime Minister has considered the Home Secretary's minute to her of 7 March on this subject, together with the Secretary of State for Industry's minute of 11 March. The Prime Minister is very anxious that the studies of the broadcasting and other aspects of cable systems should be completed as quickly as possible and the present momentum maintained. She is anxious also that any necessary legislation should be prepared in time for introduction during the next Session, although she agrees that a first important step so far as the UK cable industry is concerned is to make a clear statement of the Government's policy intentions before the end of this year. The Prime Minister accepts, however, that it would be wrong to rush the broadcasting enquiry, given the sensitive and controversial issues that are likely to be involved; and she has commented that Ministers will also, of course / need to have an opportunity to consider collectively the Secretary of State for Industry's proposals on telecommunications before decisions can be reached on their relationship to the broadcasting and other aspects of cable systems (eg the role of British/Telecommunications in the ownership or operation of cable networks). 4. Subject, therefore, to any further comments that the Lord President may have, the Prime Minister suggests that the Home Secretary should proceed in accordance with the earlier timetable that he and the Secretary of State for Industry proposed for the broadcasting enquiry, on the strict understanding that it will be completed without fail by the end of September. This will allow Ministers to consider soon thereafter comprehensive recommendations 1

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on cable systems in the light of the work done by officials in MISC 73, which will take into account the conclusions of the broadcasting enquiry, and permit any necessary legislation arising from them to be prepared before the end of the year for introduction as early as possible in the next Session.

- 4. The Prime Minister is content with the Home Secretary's endorsement of Lord Hunt of Tanworth as a suitable chairman of the broadcasting enquiry, and would be grateful if the Home Secretary would now approach him as soon as possible.
- 5. I am copying this letter to the Private Secretary to the Secretary of State for Industry, to the Private Secretaries to the other members of E Committee, and to Sir Robert Armstrong.



PRIME MINISTER

CABLE SYSTEMS AND BROADCASTING POLICY

I have seen the Home Secretary's minute to you of 7 March in which he refers to the difficulty of a worthwhile enquiry into the broadcasting policy issues raised by this complex subject being completed within the timescale agreed by E Committee. As he says our joint proposal anticipated that this enquiry would be carried out within six months.

- 2 In paragraph 8 of his minute the Home Secretary recognises the strength of the case for legislation on BT next Session for which I am grateful but (assuming a decision to go ahead with cable) suggests that its broadcasting aspects need not be dealt with in legislation next Session. Use of his own powers under the Wireless Telegraphy Acts would of course allow considerable expansion of cable systems and I am glad to see that he has indicated his intention to use these powers to their fullest extent. My own powers under the British Telecommunications Act 1981 may also help us forward.
- 3 However, I do not believe that use of existing legislation coupled with public statements will alone convince the private sector to commit the enormous sums of capital which will be



required - particularly with an election pending in 1984 - and I am certain that to gain the industry's whole-hearted and early commitment we must have specific cable legislation on the Statute Book before the end of the next Session. We should also make provision to enable BT to participate in local cable networks; its ducts and wayleaves may be important if we are to get cable systems into operation quickly.

One possibility would be to omit any provisions relating to cable from my proposed Telecoms Bill and have a separate Bill on cable, to be introduced as soon as possible after the Christmas Recess. But I can appreciate that the Leader of the House may see objections to this course. The alternative would be to instruct officials to do as much preparatory work as possible for the cable legislation in the next few months, while the independent enquiry is in progress. The aim might be to legislate only to establish the broad principles of the cable regime, leaving more detailed arrangements to be set out in subordinate legislation subsequently. So long as the independent enquiry were completed without fail by the end of September and collective Ministerial decisions taken by mid-October, there should still be time for the final stages of drafting the legislation to be completed in time for introduction before Christmas, so long as all concerned recognised the need to give absolutely overriding priority to the work required.



5 I am copying this to the Home Secretary, the Lord President, the other members of E Committee and Sir Robert Armstrong.

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P J
// March 1982

Department of Industry

Committee and Sir nobert Armstron . In committee .

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DEAFT MINUTE FROM SIR ROBERT ARMSTRONG TO MR RICKETT, NO 10

A07786.

PUBLICATION OF IT ADVISORY PANEL REPORT ON CABLE SYSTEMS

Your minute of 18 February to Mr Halliday gave the Prime Minister's approval to the publication of the above report, which I submitted to the Prime Minister under cover of my minute of 9 February.

- 2. I suggested that publication of the report might be by means of a written answer from the Prime Minister to an arranged Parliamentary Question. I confirm my view that this would be appropriate. There is considerable Parliamentary interest in cable systems, as shown by the questions to the Home Secretary following his statement on satellite broadcasting on 4 May. There has also been extensive Press specualtion about the report. I therefore attach a draft question and answer which have been agreed with officials in the Home Office and Department of Industry.
- 3. Because of the speculation about its contents, and so that early consultation with outside interests can take place, publication of the report should take place as soon as possible. Arrangements have accordingly been made with HMSO for publication on Monday 22 March. The IT Advisory Panel propose to hold a Press Conference to introduce it. Since, however, the relevant members of the Advisory Panel can only convene at 11 am on the day of publication (which would be too early for a written answer to a question tabled on that day), I suggest that the question should be put down for answer on Friday 19 March, but actually answered early on the Monday morning (22 March). This is a procedure which the Lord President has agreed may be used in exceptional circumstances.
- 4. It may also prove possible to synchronise with the publication of the report a statement by the Home Secretary on the proposed inquiry into the broadcasting implications of cable systems. If so, the final sentence of the answer will need to be adjusted accordingly. This will, however, depend on the Prime Minister's response to the

Prime Minister.

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Home Secretary's minute to her of 7 March on the broadcasting enquiry.

on which I shall be submitting advice separately when we have

received the Secretary of State for Industry's reactions, A.

5. I should be grateful if you would seek the Prime Minister's approval to the proposed question and answer attached, and if you would also keep the MPO Press Office (Mr Jarmany) informed of progress.

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11 March) to except his. I knowle of examined

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Convert-but I think. Prime Minister The Home Secretary wants to go back to me idea of a 6 month inquiry into he broadcashing implications of cable systems, rather han the 3 months decided by E. He also proposes that lood Home of Taminot show chair he ingning. I know that mw Jenkin will CABLE SYSTEMS AND BROADCASTING POLICY suggested time table. I Suggest you await his comments My statement last Thursday on Satellite broadcasting (DBS) went generally well, but the questioning showed clearly the strong, conflicting pressures in the House, including within our own Party, which will beset the details of the arrangements to be made for cable broadcasting. I am more than ever convinced that we shall need very careful consultations before announcing our substantive proposals on cable. The proposal which the Industry Secretary and I brought to E. Committee was that, in parallel with studies by officials of other important aspects of cable policy (in the light of the I.T.A.P. Report) there should be a small (probably 3-man), urgent inquiry into the broadcasting policy issues. This inquiry could,

- we hoped, be carried out within about six months, making it possible for the Government to reach and announce decisions by the end of the year - in line with the sort of timetable envisaged by the I.T.A.P. Report.
- It was argued at E. Committee that this was too slow a timetable. If there was to be legislation next Session, it must be ready at the beginning of the Session. Therefore policy decisions were needed before the summer break, and in consequence no more than three months could be allowed for an inquiry.
- In the light of the statement on satellites I do not believe any worthwhile inquiry into this complex subject could be carried out in so short a time. The inquiry needs to afford an opportunity for interested opinion (including opinion in the political world

and the broadcasting community) to form and to be assessed. That would involve the inquiry in: preparing and issuing a considered consultative document; allowing a reasonable time for opinion to focus on it; receiving and digesting comments; and compiling a report. I doubt very much if those consecutive tasks could be accomplished within three months, even when we have found people of eminence who were able and willing at short notice to make available the considerable amount of their time that would be needed. We might well not be able to persuade people to undertake such a rushed job. 5. But even if we could, it would in my view be unwise, and in the long run self-defeating, to seek to compress the process of inquiry so tightly. The broadcasting questions raised by the expansion of cable - those identified in the draft terms of reference - are highly controversial. In the Parliamentary reaction to last Thursday's statement on DBS, it was clear that

- the long run self-defeating, to seek to compress the process of inquiry so tightly. The broadcasting questions raised by the expansion of cable those identified in the draft terms of reference are highly controversial. In the Parliamentary reaction to last Thursday's statement on DBS, it was clear that the detailed points made, and the markers put down, illustrated the wide divergence of view on issues which arise just as much on cable as on DBS. These issues include the role of commercial companies; the relative position of the existing I.T.V. companies and others; the place of advertising revenue; and the nature of a supervisory authority and of the powers it should exercise. We also need to watch the reactions of the I.B.A. and I.T.V. companies whose interests are most closely affected by a proposed expansion of cable.
- 6. Even if we did not set up a cable inquiry with time to do a proper job, there would be demand for the key issues to be fully aired and debated. The forthcoming publication of the I.T.A.P. Report will itself stimulate this demand: the Report lists a number of "important and complex" issues, recognises the need for "some form of regulatory structure" and calls for further urgent consideration of these matters.

2.

The conclusion I draw is that an inquiry which did not, and was seen not to, allow proper time for these processes would be dangerous. It would feed suspicions - which would come readily enough to our political opponents, and to many in the broadcasting community - that the Government was ready to sacrifice our traditions of public service broadcasting in the interests of the expansion of cable. We should thus lose the chance of securing the broadly-based support for our policies which is vital if we are to achieve enduring arrangements. Without this the cable etc. industries will not have the confidence in the future which will promote the investment and developments we seek. 8. I recognise the strength of the case which the Industry Secretary now argues (E(82)23) for legislation on B.T. next Session - always provided that agreed policies can be worked up in time. But I do not believe that the broadcasting aspects of cable need necessarily be dealt with in that or other legislation next Session. I see positive advantage in not loading these issues on to the B.T. legislation. A measured review of the issues, leading to a clear declaration of the Government's intentions before the end of the year, would be sufficient to give the cable companies the 'green light' which they need. That is what the I.T.A.P. Report seems to say. Legislation is not needed to enable the companies to renew and expand their cable systems, nor to relieve them (if that is what we decide) of all or part of their relay obligations. We do need early agreement on the shape of a new statutory framework, and the sooner the subsequent legislation is enacted the better, but such legislation is not a pre-requisite of all advance. Accordingly I strongly recommend that we should return to the idea of an urgent but measured inquiry, to be completed within about 6 months, recognising that the necessary substantial progress could be made in advance of legislation. 3.

10. If this approach can be agreed I should like to press ahead with finding members for an inquiry. I understand that the name of Lord Hunt of Tamworth has been mentioned to you as someone who would be suitable and might well be available to be chairman: I would regard him as an excellent choice and, with your approval, will take an early opportunity of approaching him, on the basis set out in this minute.

11. I am sending a copy of this minute to the Industry Secretary; the other members of 'E' Committee; and Sir Robert Armstrong.

holl.

March 1982

PRIME MINISTER



DIRECT BROADCASTING BY SATELLITE (DBS)

The Home Secretary's Statement was welcomed on all sides of the House, and even by Dennis Skinner, though the Opposition Benches were almost empty.

Shirley Summerskill, who led for the Opposition, tried to inject a note of Socialism by welcoming the announcement that the first two channels would be operated by a public service, using public money. She went on to welcome the fact that no commercial companies were involved, and that the service would not have to be funded by advertising. She said that the Opposition expected a White Paper to be issued on the broadcasting implications of involving the private sector before any legislation was introduced. But she expressed some concern about the risk to public money involved in this new venture, and asked why the Home Secretary had not given any details of the costs and financing arrangements. She did not want to see the standards of the existing public broadcasting service lowered by the need to finance the new venture.

Sir Paul Bryan, Kenneth Warren and Michael Morris all expressed the hope that private companies could soon become involved in DBS. Others on the Government Benches drew attention to the link between DBS and cable systems. But there was in fact very little questioning of the Home Secretary.

Winding up, the Home Secretary said that it was essential to move fast on DBS in order to take advantage of the industrial and employment opportunities. The satellite system would however be provided by the private sector, and commercial companies would have a chance to bid for the two DBS channels that would later become available. There would have to be legislation to provide a regulatory framework, but he did not expect to issue a White Paper. He would make a Statement shortly on the link with cable systems. The forthcoming debate on DBS would provide an opportunity to go into the financial implications for the BBC.

TO BE CHECKED AGAINST DELIVERY

DBS: ORAL STATEIENT BY HOLE SECRETARY, THURSDAY 4 MARCH 1982

With permission, Mr Speaker, I will make a statement about the Government's intentions regarding the future development of direct broadcasting by satellite (DBS).

The House will recall the Report of the Home Office study of DBS published last May. Reaction to that Report has been largely constructive and positive. The Government now sees a need for early decisions if the industrial opportunities which DBS offers this country are to be grasped in good time, in a situation in which there will be keen international competition.

The Government has therefore decided, in principle, that this country should make an early start with DBS, with the aim of having a service in operation in 1986. Because of the importance of making this early start the Government has concluded that the best course would be a start with two channels initially; the number of channels could be increased up to the maximum of five channels permitted by

international allocation, as and when demand justified it.

The services would be transmitted at powers sufficient to permit both individual reception and community reception with cable distribution. I intend to make a further announcement shortly about the future role of cable.

As regards finance, the Government expects the capital cost of providing the satellite system to be found in the private sector.

On the industrial side, various interests in the aerospace and related industries have shown that they are ready to play their part in this challenging new venture and we shall be working closely with them and with the domestic electronics industry to ensure that the economic benefits are effectively realised for the UK.

On the broadcasting side, it is clear that DBS must develop in a way that is consistent with our existing broadcasting arrangements, especially as regards supervision by a broadcasting authority and maintenance of proper programme standards. The BBC has already put forward proposals for two DBS channels. One would be a subscription service including a substantial element of feature films and major sporting, cultural and other events not presently available for transmission on BBC 1 or BBC 2. The other would be a service which would draw on the best television programmes from around the world (and indeed from this country). This would be financed basically by licence fee revenue — which would probably include a supplemental licence fee for DBS.

The IBA and commercial television companies have also shown some interest in providing DBS services, but their plans are less well advanced. Additionally, more time will be needed to devise the right framework, which would be likely to involve legislation.

In these circumstances the Government believes that the right course, if the necessary early agreements are to be reached between satellite providers and users, is to

authorise a go-ahead with the BBC proposals. However the Government attaches importance to the participation of commercial television companies in DBS. What we are now proposing would leave ample future opportunities open to them. The Government intends to press ahead with the necessary preparatory work, and would be ready to introduce legislation for the purpose as necessary.

Meanwhile the immediate requirement is for the BBC and the British space industry to enter into discussions with a view to constructing and agreeing detailed proposals.

I commend these decisions to the House as a sound foundation for a development with major significance for this country's industrial and employment prospects. The House will no doubt wish to have an opportunity of discussing them: my right hon friend the Leader of the House will be finding time for an early debate.



10 DOWNING STREET

From the Private Secretary

3 March 1982

DIRECT BROADCASTING BY SATELLITE

The Prime Minister has seen your letter to Richard Riley of 2 March, which enclosed a copy of the draft statement that the Home Secretary proposes to make in the House tomorrow. She has no comments on the draft statement.

I am sending copies of this letter to Murdo Maclean (Chief Whip's Office), David Wright (Cabinet Office) and Nicholas Huxtable (Lord President's Office).

W. F. S. RICKETT

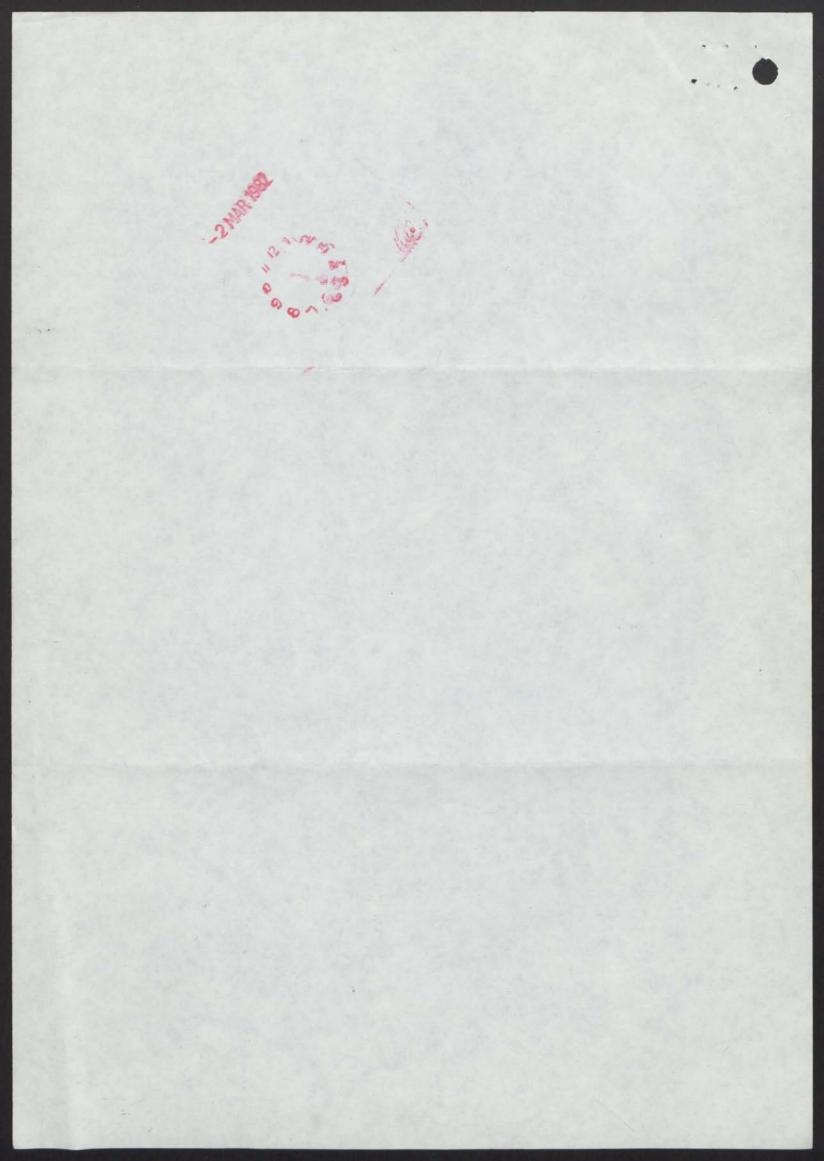
A.P. Jackson, Esq., Home Office.

, no Pathin Com Inghan From: THE PRIVATE SECRETARY 2 Prime minister Contact with his druft? Yes me HOME OFFICE QUEEN ANNE'S GATE LONDON SWIH OAT Der Richard 2 March 1982 DIRECT BROADCASTING BY SATELLITE Following the discussion at E last Thursday I am enclosing a copy of the statement the Home Secretary proposes to make in the House after business questions this Thursday. It differs from the draft which E considered in that it has been recast so as to make it suitable for oral delivery. We expect that the statement will be repeated in the Lords. If there are any comments on it I should be grateful to know by late Wednesday afternoon. I am sending copies of this letter and enclosure to Mike Pattison (No 10) and to the Private Secretaries to other members of E Committee, to the Chief Whip's offices (Lords and Commons) and to Sir Robert Armstrong. Jam eur Her Terker-A P JACKSON Richard Riley, Esq.

DBS: DRAFT ORAL STATEMENT BY HOME SECRETARY, THURSDAY 4 MARCH With permission, Mr Speaker, I will make a statement about the Government's intentions regarding the future development of direct broadcasting by satellite (DBS). The House will recall the Report of the Home Office study of DBS published last May. Reaction to that Report has been largely constructive and positive. The Government now sees a need for early decisions if the industrial opportunities which DBS offers this country are to be grasped in good time, in a situation in which there will be keen international competition. The Government has therefore decided, in principle, that this country should make an early start with DBS, with the aim of having a service in operation in 1986. Because of the importance of making this early start the Government has concluded that the best course would be a start with two channels initially; the number of channels could be increased up to the maximum of five channels permitted by international allocation, as and when demand justified it. The services would be transmitted at powers sufficient to permit both individual reception and community reception with cable distribution. I intend to make a further announcement shortly about the future role of cable. As regards finance, the Government expects the capital cost of providing the satellite system to be found in the private sector. On the industrial side, various interests in the aerospace and related industries have shown that they are ready to play their part in this challenging new venture and we shall be working closely with them and with the domestic electronics industry to ensure that the economic benefits are effectively realised for the UK.

- 6. On the broadcasting side, it is clear that DBS must develop in a way that is consistent with our existing broadcasting arrangements, especially as regards supervision by a broadcasting authority and maintenance of proper programme standards. The BBC has already put forward proposals for two DBS channels. One would be a subscription service including a substantial element of feature films and major sporting, cultural and other events not presently available for transmission on BBC 1 or BBC 2. The other would be a service which would draw on the best television programmes from around the world (and indeed from this country). This would be financed basically by licence fee revenue which would probably include a supplemental licence fee for DBS.
- 7. The IBA and commercial television companies have also shown some interest in providing DBS services, but their plans are less well advanced. Additionally, more time will be needed to devise the right framework, which would be likely to involve legislation.
- 8. In these circumstances the Government believes that the right course, if the necessary early agreements are to be reached between satellite providers and users, is to authorise a go-ahead with the BBC proposals. However the Government attaches importance to the participation of commercial television companies in DBS. What we are now proposing would leave ample future opportunities open to them. The Government intends to press ahead with the necessary preparatory work, and would be ready to introduce legislation for the purpose as necessary.
- 9. Meanwhile the immediate requirement is for the BBC and the British space industry to enter into discussions with a view to constructing and agreeing detailed proposals.

10. I commend these decisions to the House as a sound foundation for a development with major significance for this country's industrial and employment prospects. The House will no doubt wish to have an opportunity of discussing them: my right hon friend the Leader of the House will be finding time for an early debate.



PART ends:-

E(82) 6 th Mkg From 3 25/2/82.

PART 2 begins:-

Home office to Industry of 2/3/82





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