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CABINET

CABLE POLICY

Memorandum by the Secretary of the Cabinet

1. The Sub-Committee on Telecommunications Policy of the Ministerial Committee on Economic Strategy (E(TP)) considered on 18 and 23 November a report on cable policy by the Official Group on Cable Systems. This made recommendations on the report on cable systems by the Information Technology Advisory Panel published on 22 March, and on the report on the broadcasting aspects of cable by the inquiry under Lord Hunt of Tanworth which was published on 12 October.
2. E(TP) reached a number of conclusions subject to consideration by the Cabinet. The Annex contains a summary of these conclusions and of those decisions that remain to be taken.
3. The Sub-Committee agreed that, in order to give potential investors as early an indication as possible of the Government's intentions, it would be desirable for the main decisions taken to be announced in the debate on cable systems in the House of Commons on 2 December. These announcements might then be reflected and reinforced in the Prime Minister's speech at the Barbican Information Technology Year Conference on 8 December. Full details would be set out in a White Paper to be published in the early months of next year. This would take into account the recommendations of the Technical Working Group on Cable standards established by the Department of Industry. In the course of the debate there would be an opportunity to test Parliamentary reaction to the proposal that, in advance of legislation to provide for a statutory cable authority, an Advisory Committee might be set up as a shadow authority. If the reaction was favourable, a proposal to this effect might be included in the White Paper for subsequent endorsement by Parliament.
4. E(TP) therefore agree, subject to the views of the Cabinet, that the Home Secretary might, in opening the debate on 2 December, announce the following broad policy decisions -
 - a. that the Government for the most part accept the Hunt recommendations, including certain safeguards for public service broadcasting, although some aspects will need further consideration;
 - b. that a new statutory cable authority, other than the Independent Broadcasting Authority, will need to be established to award franchises and exercise oversight over programmes and other services, with a light regulatory hand;

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- c. that although legislation will not be feasible within the current Session, a White Paper will be issued in the early part of next year setting out the proposals for legislation;
 - d. that the Government will welcome the views of Parliament on the steps which might be taken in advance of legislation, including the setting up of an Advisory Committee as a shadow cable authority.
5. An opportunity might also be taken at an appropriate stage in the debate to make known some other main decisions notably -
- e. that the choice of cable network, design, etc should be left primarily to the market; but ducts for new systems should be suitable for eventual installation of "switched-star" systems; and some incentives (eg longer licence periods) should be granted for more advanced systems;
 - f. that cable systems should be allowed to offer locally all services (except voice telephony) in competition with British Telecom (BT) and Mercury; but BT and Mercury should be free to compete for the roles of sub-contractor, cable provider or, in association with others, cable operator.

ROBERT ARMSTRONG

Cabinet Office

29 November 1982

A. ISSUES PROVISIONALLY DECIDED BY E(TP) SUBJECT TO CONSIDERATION BY THE CABINET

ISSUE	DECISION	COMMENT
1. <u>Technology</u> (design and type of cable system)	leave technology choice to market, subject to <ul style="list-style-type: none"> - connexion/performance standards; - ducts to be suitable for 'switched star' systems; - longer licence periods for switched-star systems. 	Technology developing rapidly. No industrial consensus. Therefore best to leave basic choice to market, with some incentives for more advanced systems.
2. <u>Telecommunications Policy</u>	(a) Allow cable systems to offer switched 2-way services (except voice telephony) locally in competition with BT;	More likely to attract private investment than if association with BT/Mercury compulsory.
	(b) allow BT and Mercury to compete as sub-contractor, cable provider or (in association with others) cable operator.	Will enable BT/Mercury to benefit cable through existing experience, investment etc without giving them mandatory or monopoly role.
3. <u>Regulatory Structure</u>	Set up <u>new</u> national statutory authority (separate from IBA) responsible for awarding franchises and subsequent oversight - latter to be as light handed as possible.	Independent body necessary to distance Government from decisions on franchising, programme content etc. But minimum regulation desirable if cable development to be encouraged.
4. <u>Ownership of Cable Systems</u>	(a) No mandatory separation of cable operation and provision functions;	As recommended by Hunt. Possibility of unified ownership will allow cable provider (who incurs bulk of expenditure) to control source of revenue. Ownership restrictions designed to prevent foreign control and reduce risk of political/ideological bias.
	(b) allow foreign companies to participate in ownership of cable systems but debar them from majority shareholding;	
	(c) debar central/local	

government and political/
religious bodies from direct
stake in ownership.

5. Subscription,
Advertising and
Sponsorship

Permit subject to
further consideration of:

- how to apply IBA
advertising rules;
- whether there should be
any limit on amount of
advertising.

Advertising will be
important source of
marginal income. But
without some form of pre-
vetting compliance with
the IBA rules could not be
assumed.

6. Regulation of
Programme content
(taste, decency,
impartiality etc)

(a) Systems as whole to be
free of political bias and
objective in news reporting.
But no need for impartiality
in comment;

(b) Religious and political
bodies must not provide
whole channels;

(c) Systems to observe same
taste and decency rules as
BBC/ITV; to be subject to
sanctions proposed by Hunt,
including more intense
supervision; and to be
brought within criminal law
on obscenity, racial hatred
etc.

Minimum safeguards
recommended by Hunt to
preserve balance between
maintaining acceptable
public standards and
encouraging diversity of
programme material.

7. Distribution of
BBC & ITV
programmes
("must-carry"
rule)

Accept Hunt recommendation
that cable systems must
distribute BBC & ITV
programmes (other than DBS
subscription services).

Most cable systems will
wish to provide anyway.
But formal requirement
will guarantee continu-
ation of national networks
to persons renting cable.
Important politically with
BBC/ITV.

8. Exclusive Rights
for major
national events

Agree with Hunt that there
should be no exclusive
rights for such events.

Will safeguard (majority
of) viewers to whom cable
will not be available.
Regarded as crucial
concession by BBC/ITV.

9. Pay-per-View
(special charges
for individual
programmes)

Leave possibility open - eg
for special events,
exhibition performances etc
not likely to be available
to national networks.

Hunt recommends against
pay-per-view. BBC and ITV
attach importance to the
recommendation. But it
could be important means
of attracting extra
subscriber income.

10. Local authorities Local authorities not to issue franchises; and General Development Order to be amended (with environmental safeguards) to prevent local authorities blocking cable development.
- Must ensure that local authorities cannot impede cable development by use of existing planning etc powers.

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B. ISSUES STILL TO BE DECIDED

ISSUE	COMMENT
1. <u>Arrangements for awarding franchises (to operators) and licences (to providers).</u>	Issue is whether cable authority should have sole responsibility for awarding franchises to operators and, in the name of the Secretary of State [for Industry], licences to providers. This would simplify procedures for the applicant and provide better means of adjudicating competing applications.
2. <u>Duration of franchise periods (for cable operators)</u>	Hunt recommends 10 years initially and 8 years subsequently. But 12 years initially (and 8 years subsequently) would better fit recommendation on licences at 3 below.
3. <u>Duration of licence periods (for cable providers)</u>	Hunt makes no proposal. Official Group recommend 20 years for switched systems and 12 years for tree and branch systems. This would provide reasonable period for latter and positive incentive for former.
4. <u>Relationship of cable authority to other regulatory bodies</u>	Other bodies (eg OFT, OFTEL) will have locus in some aspects of cable regulation. Further consideration will need to be given to the precise division of responsibilities.
5. <u>Franchise areas</u>	Hunt recommends that some initiative on bidding for franchises for particular areas should be taken by applicants. But there may be case for requiring cable authority to draw up and publish a broad indicative map for franchise area as initial guide to prospective investors.
6. <u>Ownership by press, radio or TV companies</u>	Hunt recommends that, in order to avoid undesirable monopoly power, no individual company should have controlling interest. But, if this principle is accepted, there is a case for debarring control by media consortia as well as individual companies, and confining restriction to areas where companies operate.
7. <u>Range and quality of programmes</u>	Hunt recommends against requirement for a "full range and balance" of programmes either within a channel or across a system as a whole, although cable authority should take range of programmes into account in awarding franchises. Is this acceptable? To impose such a requirement would make programmes less profitable and reduce the chance of development of new systems financed by entertainment programmes.
8. <u>Showing of X Films</u>	Hunt recommends that ordinary broadcasting taste and decency standards should apply to cable, except in relation to subscription

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channels capable of parental locking, on which adult material now shown late at night could be shown at any time; and cable operators could show any X films, some of which BBC and ITV do not at present choose to show.

Issues for decision are:

- should X films be shown at all?
- should the present time restriction be waived for lockable cable channels?
- should cable channels be permitted, even with locks, to relay films which would not meet present taste and decency requirements applying to broadcasting?

9. Use of Foreign (non-EC) programme material

Hunt recommends no limitation. This will reduce costs and may help to break restrictive union practices. It would lead to strong pressure for similar relaxation for BBC/ITV, requiring controversial legislation and allegations that British screens were dominated by US material.

10. Local Interests

Should local interests, as Hunt recommended, be consulted in selection and subsequent oversight of cable operators?

11. Excess Profits

Should early powers be taken to recover any excess monopoly profits (eg on the lines of ITV levy)? This would add to uncertainty for potential investors.

12. Legislation/Interim Arrangements

Legislation in current Session does not seem feasible. Should a start be made before the legislation, under existing powers and with the help of an Advisory Committee, on:

(a) permitting extension of services of existing systems;

or (b) in addition, awarding some franchises to new systems?

Both options would place direct responsibility for decisions on franchise areas, programme standards etc on Ministers and could preempt Parliamentary discussion on them.