



PRIME MINISTER

CABLE SYSTEMS AND BROADCASTING POLICY

As you know, a good deal of thought is being given to the question of the future expansion of cable systems. The Report of the Information Technology Advisory Panel which has just been completed argues the case, placing it in the broader context of development of information technology. My particular concern is with the implications that such expansion carries for broadcasting policy. I had last week a useful discussion with Patrick Jenkin and Kenneth Baker about the best way of ensuring that the broadcasting aspects are properly and speedily considered, so that we as a Government are able by the end of the year to announce decisions about the future of cable that can be commended to the industry, the broadcasting interests and as wide a range of public opinion as possible - the need for politically durable solutions is vital in this field when the industry needs grounds for long-term confidence. Our conclusion is that the way ahead lies in establishing a small-scale independent inquiry with a limited remit and a commitment to produce a report within about six months. The case for proceeding in this way is set out in the attached paper which, with your agreement, we propose to circulate jointly to E Committee (and a few additional colleagues whose interests it concerns).

As the paper recognises, there are important links between cable and Direct Broadcasting by satellite issues. Work is well advanced on the latter and I hope to circulate some proposals to you and other colleagues shortly.

I am sending a copy of this minute to Patrick Jenkin, Kenneth Baker and Sir Robert Armstrong.

hw

9th February, 1982




CABLE SYSTEMS AND BROADCASTING POLICY

DRAFT MEMORANDUM BY THE SECRETARIES OF STATE FOR THE HOME DEPARTMENT AND
FOR INDUSTRY

In this paper we describe developments in the field of cable systems and the important implications which they have for the future of broadcasting, and seek approval for proposals for carrying matters forward.

2. The background [set out in more detail in Annex B] is as follows. The traditional function of cable in the broadcasting field has been to relay BBC and IBA radio and television programmes. This function has become less and less needed, and decreasingly profitable to the cable companies; and much of the cable is obsolescent. The companies have long had the ambition, given greater freedom, to supply through cable a wider and more profitable range of entertainment services, and to modernise and extend their systems. Recently they have pressed the case for liberalisation with greater urgency, both publicly and in their approaches to Ministers. A number of interests in the private sector have also put forward a broader-based and more ambitious case for expanding cable, not in existing systems which offer 4-6 channels but in new wide-band cable technology. Because of its greater information-carrying capacity (typically 20-30 channels) this could provide not only extra entertainment channels but, more importantly, the potential for home and business information services such as banking, view data, security and alarm systems, shopping, remote meter reading etc. The case for this new form of cable system is elaborated in the report which the Prime Minister's Information Technology Advisory Panel (ITAP) has recently completed.

3. One important new facet is the expected development in the next few years of direct broadcasting by satellite (DBS) [on which the Home Secretary will



shortly be circulating a separate paper]. DBS transmissions can be received by the individual, using an aerial 'dish'; but for reasons of cost and convenience community reception - eg by a cable operator - for transmission via cable will, for those with access to it, be the best and most readily available means of reception, and DBS transmissions will be a natural application of cable systems.

4. We have recognised the pressure for liberalisation, in principle, and in part, in the current pilot subscription television schemes which have begun, with the Home Secretary's authorisation, in recent months. There are strong economic, industrial and technological reasons for going further and faster than that. Greater freedom would enable the cable companies to arrest the present declining use of cable systems and to extend them, using British technology and creating jobs and export markets. Private capital to support such ventures is said to be readily available. Failure to take the opportunities or delay in doing so, will mean losing out to imported technology when the inevitable development of cable comes.

5. It is clear to us that the industrial and commercial opportunities which the expansion of cable offers should be taken. But in reaching decisions on how to move forward we must lay firm foundations for the long-term future and provide a framework which takes proper account of our valued tradition of public service broadcasting. Moreover if the cable industry is to have confidence and if private finance is to be forthcoming it is essential that the policies we decide on should enjoy a wide measure of political support and durability.

6. The economic, industrial and technological aspects of cable development raise many issues, a number of which were identified in the ITAP Report. They include: the potential demand on national resources; the longer-term shape of this country's communications systems - whether we should work towards a national wide-band cable network, using fibre optics; and the place of



British Telecom in such developments. These and other related matters will need to be studied further, as a matter of urgency, in the light of the ITAP Report.

Broadcasting Implications

7. A large-scale expansion of cable would have a major impact on our traditional broadcasting arrangements. These have rested on two foundations: the limited supply of frequencies for broadcasting, and the power and intimacy of the broadcasting medium - especially television - in the home. As a consequence, the available frequencies have been entrusted to public agencies - the BBC and IBA. And these agencies have responsibility for providing programmes of wide range and proper balance to as much of the population as possible, and for ensuring the maintenance of standards such as decency, good taste and political impartiality. Cable could in due course replace scarcity of channels with abundance - for those with access to cable. But it is necessary to ensure that abundance for some does not impoverish the service available to those - the majority, for some years at least - who will continue to rely on off-air reception. This could happen if cable companies went in for buying up popular programmes, or aimed simply at maximising audiences. Competition for audience ratings would first affect the quality of ITV programmes; but indirectly BBC programmes could also be impaired. To some extent these consequences could be mitigated by some form of supervisory machinery; and this would also meet the need, given the "intimacy" of television, to maintain some external supervision of certain programme standards as instanced above. Other important broadcasting issues include: whether, and if so under what conditions, advertising should be seen as a source of revenue for cable services, thus ending the local monopolies of the ITV companies; what should become of the cable companies' current obligation to relay BBC and IBA services; whether there should be any special rules about the participation of companies Press, broadcasting and overseas (ie non-EEC) interest and whether the cable/



[REDACTED]

should be permitted, in addition to owning and operating the cable, to provide all the programmes transmitted through it.

8. These are difficult and complex issues. They cannot be settled by Government alone - in particular if politically enduring solutions are to be found. Some means is needed of stimulating public debate and independently assessing the result. But the urgency of the need for decisions on the future of cable does not leave time for the establishment of a traditional review body. We therefore propose the setting up by the Home Secretary of a small (probably three-man), urgent inquiry, charged with considering within about six months the broadcasting policy issues involved in expanding cable, and proposing appropriate supervisory arrangements. Outline terms of reference are suggested in Annex A.

9. We propose that this inquiry and the further studies of other aspects of cable proposed in paragraph 6 should proceed in parallel, and in concert, with each other. The aim should be to place the Government in a position to reach detailed decisions on the future development of cable by the end of the year - a time-table which we believe would meet the aspirations of the cable interests. We invite our colleagues to approve this proposed course of action.