

From: THE PRIVATE SECRETARY

BROADCASTING

See TV

Brian Unwin (Co)



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1 December 1982

MCS to see

Dear David,

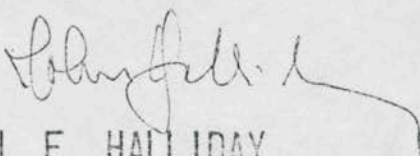
COMMONS DEBATE ON CABLE SYSTEMS: 2 DECEMBER

The Home Secretary has asked me to send you the enclosed copy of the speech which, subject to the discussion to be held in Cabinet, he is planning to make tomorrow when opening the debate on cable systems. The final text on the subject of "pay per view" will be settled after the discussion in Cabinet.

Also enclosed are some speaking notes which Mr. Baker might find useful when winding up the debate.

I am sending copies of this letter and the enclosures to Willie Rickett at No. 10, and to Neil McMillan in Mr. Kenneth Baker's office.

Yours ever,


J. F. HALLIDAY

David Saunders, Esq.
INDUSTRY.

HOME SECRETARY'S SPEECH

The object of this debate is to give the House, as the Government has promised, an opportunity to contribute to the wide-ranging public discussion that is already going on about the future of cable systems: both the broadcasting aspects covered in the Hunt Report, and the various other aspects of the question. It is also the Government's intention to use the debate as the occasion for indicating to the House and the public the broad framework within which we see cable policy developing.

I need not stress the significance of the subject of today's debate. Cable technology is with us. The question is not whether to adopt it, but how to adapt it to best advantage for our economy and way of life; how to gain the future benefits that new technology can bring, and yet avoid damage to valued national traditions and institutions.

As Home Secretary my particular concern with cable systems is where they impinge on broadcasting policy. But there is much more than that to cable policy. There is the whole area of interactive services such as tele-shopping, tele-banking, and burglar alarms. There are technological questions relating, for example, to the rival merits of tree-and-branch and switched-star systems, coaxial cable and optical fibre.

/I shall not

I shall not embark on a detailed account of those matters, but shall leave them to my hon. Friend the Minister for Information Technology, who will be winding up the debate for the Government.

In setting the scene for today's debate, I am struck by the rapidity with which public awareness of cable has developed. A year ago, perhaps few of us had any keen awareness of cable - of its existing function, largely broadcast relay, or its future potential, in the field both of entertainment and of advanced information services. The increase in interest and understanding over the past twelve months is indeed striking. Many conferences, seminars, articles in the press and broadcast programmes, have made a big contribution to a growing public debate.

More specifically, the publication in March of a report on cable systems, by the Information Technology Advisory Panel set up by my rt. hon. Friend the Prime Minister, was an important stimulus. The Panel foresaw welcome opportunities for this country - opportunities for employment, for industrial growth, for technological development and for overseas trade - that could lie in an expansion of the extent and scope of broad-band cable systems. That report, welcomed wholeheartedly in some circles, prompted doubts and reservations in others, chiefly perhaps because it was seen as having profound implications for our system of broadcasting which the Panel - as it freely admitted - had not been able to tackle.

/Accordingly, on the ...

Accordingly, on the day of publication of the Panel's report, I announced the setting up of an Inquiry, under the distinguished chairmanship of Lord Hunt of Tanworth, to consider those broadcasting implications. The Inquiry was asked:

"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."

Concurrently, groups within Whitehall were set up to study other aspects - economic and industrial implications, technological matters, and the interaction with other parts of our telecommunications policy.

Lord Hunt, Sir Maurice Hodgson and Professor Ring deserve our thanks for the speed and diligence with which they worked in order to complete their complex task within the six months allotted to them. Their report was published on 12 October. Barely three weeks later, the Gracious Speech signified the Government's intention that:

/"Proposals will be

"Proposals will be prepared for the development and expansion of cable systems."

In today's debate the Government takes the first steps towards fulfilling that commitment. I say "the first steps" because today's debate has a dual object.

The first object is to indicate to Parliament, and to others concerned, the broad lines of the Government's approach to cable. Secondly, we wish to give the House the opportunity to express its views both on the broad framework of policy and on the many matters of comparative detail, albeit important, that the Hunt Report raises. On a number of these matters my intention today is not to announce a Government preference but simply to identify the issue and focus discussion on it.

Thereafter our aim is to publish, in the early part of next year, a White Paper. This will set out a detailed scheme for cable systems as a basis for legislation as soon as possible, although clearly not in the present Session. As I shall explain a little later, that does not necessarily mean that nothing can happen until a Bill has been enacted - there are possibilities of interim action to which I shall be referring.

Starting then with the general aspects of cable policy, I begin by declaring the Government's belief that opportunities

should be created for the development of cable systems, and its intention to provide those opportunities. By providing opportunities we mean: removing unnecessary obstacles and restrictions; creating an appropriate statutory framework which encourages and does not constrict development; and laying down such minimum technical and other standards as are necessary for orderly growth in the general interest. We want cable to be free to provide a wide range of programmes of entertainment, information and education, and a wide range of interactive services. But we do not mean to prescribe a detailed plan, or to create a new field of public investment. Here as elsewhere we believe that in many respects private investment and market forces should determine the pace at which, and the directions in which, there is development.

But, secondly, we do not believe in totally random development. There is a public interest to be asserted: the interest of consumers - both those who will use cable services and those who will continue to rely on conventional broadcast services; and the interest of cable providers and operators themselves. With the Hunt Report, we believe that a statutory cable authority is needed, to consider applications to cable, to award franchises, and to exercise sufficient but not excessive supervision over the services - programme services in particular - which cable operators will provide. Again, with Hunt, we take the view that what is required is a new authority. We do not favour adding the function to

/those already

those already exercised by the IBA. In reaching that conclusion we are far from ignoring the willingness of the IBA to undertake this new function, or the pointers in favour of its doing so. Nevertheless, we are persuaded that the regulation of cable will be a new task, requiring a new approach; and we believe that this newness is best achieved and marked by setting up a new authority.

Next, the framework in which the authority will operate, the tasks that will fall to it, and the style it should seek to establish. The Government is broadly in accord with the general approach and particular recommendations of the Hunt Report. On the authority's style and approach, we endorse the Hunt view that cable should be seen, and we hope will develop, not as another form of public service broadcasting but as something different from but complementary to it. This will require a different approach to regulation from the form which the IBA exercises in relation to ITV. But it would be a mistake to suppose, as some seem to have done, that Hunt, or the Government, envisage a "toothless" authority. Through its franchising and re-franchising function, its monitoring of cable output, and its reserve powers of intervention if it became worried about an operator's performance, it would be able to exercise very considerable influence.

As I indicated earlier in my speech, it is not the Government's intention in this debate to take the Hunt recommendations in detail and give a decision or even a view on each. That stage

/will come later

will come later, when there has been time to reflect on the views of the House, and of the many bodies which are now making their reactions known. We shall then promulgate our detailed proposals in a White Paper. But I believe it will be helpful to the House if I briefly comment on certain Hunt recommendations that have attracted particular interest, and on which the Government would welcome the view of hon. Members.

The specific task of the Hunt Inquiry was to consider "the safeguarding of public service broadcasting". A number of its recommendations contribute to that object - for example the whole framework of a franchising and supervising authority which the Government believes is right. At a more specific level, we think it right that cable systems should be required to carry the public service broadcasting programmes transmitted by the BBC and IBA.

Another important safeguard for public service broadcasting is that cable operators, like broadcasters, should not be able to obtain "exclusive rights" for national sporting events. The mechanism of such a restriction, and the list of events to which it should apply, will need careful working out. But the importance of the principle is clear.

The Hunt Report recommended a ban "for the time being" on "pay-per-view". That is, a system under which the subscriber can be offered for payment particular individual programmes - for example, sporting events outside the ban on "exclusive rights". The public service broadcasters, who have to

finance channels as a whole, see a particular threat in this kind of programme finance. They say they would find it hard to compete, so that either general programme budgets would be starved, or the general viewing public would be deprived of particular key events or pieces of entertainment. Conversely, cable interests see "pay-per-view" as an important source of finance. They suggest it could be confined to programmes which otherwise would not be seen on the television screen at all. These are difficult matters requiring further thought, on which we shall welcome the views of the House. It may be that some way can be found of giving cable operators and subscribers the benefits of some limited form of "per-per-view". But I stress that any such solution would need to add to what is available through public service broadcasting and not subtract from it.7

OR

The Government's approach is that we accept the purpose of the Hunt recommendation against "per-per-view" - the need to safeguard the interests of the viewing public as a whole. Any modification of the recommendation would need to be consistent with that underlying purpose.7

"Pay-per-view" apart, Hunt recommended that cable should be able to finance itself by rental payments, subscription, advertising and (with safeguards) sponsorship. The main point of controversy here is whether (as Hunt proposed) cable should, at least for the present, be unrestricted to the amount of advertising shown. That would be in contrast to

ITV and ILR, where the number of minutes in an hour allotted to advertising is regulated by the IBA. Clearly, on some cable channels - for example, one dedicated to "classified advertising" - a time limitation would be out of place. But other channels may be of a more general entertainment type comparable with ITV. Hence the ITV companies argue that they should not be placed at a disadvantage. We shall have to consider whether restrictions should be imposed on that sort of cable channel; whether the present restrictions on ITV should be modified or removed altogether; or whether different regimes can be justified.

We shall also have to consider how to give effect to what seems the sound Hunt recommendation that the IBA advertising standards and code should apply to cable advertisements. The IBA code is operated through pre-vetting of advertisements, in some cases by the programme company but more usually by the Independent Television Companies Association, who take much of the load off the IBA. It is difficult to see how it could work retrospectively as Hunt suggests.

An issue on which a sharp divergence of view has already developed is whether there should be specific requirements regarding the amount of British (and other European Community) material to be shown on cable. The BBC and ITV are obliged to show a "proper proportion" of British (and European Community) material - interpreted in practice as 86 per cent. Hunt considered that such a requirement would seriously inhibit cable operators and was inappropriate: however, the

cable authority should encourage the production and use of British material on cable. Certainly, the current BBC and IBA requirements could not, as they stand, be applied to cable. But if cable were placed under no restriction, it would be necessary to consider whether the present restrictions on the BBC and ITV - which undoubtedly add to their programming costs - could be maintained.

In the area of programme content, attention has concentrated - perhaps excessively - on the risk of pornography being carried on cable. The main Hunt recommendation here is that cable operators should be subject to the same requirements as the BBC and IBA to ensure that their programmes do not offend against good taste and decency, encourage crime, lead to disorder or offend public feeling. The BBC and IBA are required to take special care as regards programmes broadcast when children are likely to be watching. Certainly there are considerable arguments about the success of the BBC and IBA in maintaining these standards at the present time. Be that as it may, it seems clearly right that no less a requirement should attach to cable programmes. It is an aspect of cable operation in which, no doubt, the cable authority will find itself taking a close interest.

The BBC and IBA interpret the taste and decency requirement, and their obligation to have special regard to programmes shown when young people are watching, as allowing the showing, late at night, of programmes which are unsuitable for children, including some - but not all - X certificate films. Hunt recommended that this restriction as regards

time need not be applied on a cable subscription channel which had an electronic lock, embodying a personal code, such as to enable the adult subscriber to control the programmes that children could watch, even in his absence. Furthermore, said Hunt, it was arguable that on such a channel the ordinary taste and decency requirements need not apply at all, provided that films could be shown only if they had been approved for public exhibition through the film censorship system. This particular proposal, while like the rest of the scheme it can be seen as enlarging individual choice, has understandably caused anxiety - not to say scepticism - in some quarters, and will require further consideration. It is not integral to the scheme as a whole.

There are other specific recommendations to which I could devote time, but I think it will probably be more helpful to the House if I devote my closing minutes to looking ahead towards implementation of a programme of cable expansion. I have spoken already of a White Paper in the spring; of legislation, though not in this Session; and of the establishment under statute of a new cable authority with franchising and supervisory functions.

That is an orderly way ahead; but it will take time. I recognise that there are those who will argue that we cannot afford to wait. There are consortia already working up plans. And there are existing cable operators anxious to be relieved of their requirement to carry BBC and IBA programmes on their

cable (they would provide off-air reception instead) so that they can offer revenue-earning services on their existing, obsolescent systems. The question is asked, can we now go ahead on an interim basis?

Technically, the answer is yes, we could. There are licensing powers - those under which existing cable operators are licensed to relay BBC and IBA services, and to provide the existing subscription pilot schemes, and powers of my rt. hon. Friend the Secretary of State for Industry. However, those powers have been devised and used in a context very different from the one that now confronts us. We now face the prospect of large and - it must be hoped - profitable investment; competition for franchises; and wide-ranging programming. The Hunt Report is surely right to see it as the task of a cable authority to shoulder the responsibilities for franchising and programme supervision: thus distancing Government from these decisions in much the same way as the IBA has successfully done with regard to ITV. If the cable authority approach is the right and necessary one, I see great difficulty, even for a limited interim period, in managing without an authority and doing it all through Ministerial licensing powers.

There is a halfway house, hinted at in the Hunt Report. Once a detailed scheme for cable had been published in a White Paper, and given Parliamentary authority, a future cable authority could be appointed in the form - technically - of an

Advisory Committee. This Advisory Committee, with its staff, could begin work on some initial franchising of new systems and of new services for existing systems. Formal effect could be given to the advice of the Advisory Committee through the granting of Ministerial licences.

While this approach would hasten work on cable franchises, it has obvious disadvantages. In particular, it would leave Ministers with formal responsibility for matters - both franchising decisions and programme content - which we, like Hunt, believe are properly entrusted to an independent authority. The Government will be interested to hear the reactions of hon. Members and others to it.

To conclude then, our task today, as I said at the outset, is not to debate the pros and cons of whether cable systems should exist, but to accept the fact of the technology and to determine how to use it positively and to best advantage. The Government is for its part keen to develop plans for the expansion of cable that will enjoy widespread support and inspire investment confidence. The broad framework I hope I have made clear. Much of the detail requires further thought but, backed I hope by support in the House today, we shall press ahead, and bring a White Paper before the House in the early months of 1983.

SPEAKING NOTES

WHAT ABOUT EXISTING CABLE OPERATORS?

For the moment the present rules remain in force. The White Paper will deal with the question of how and when the 'must carry' requirement might be lifted from existing limited capacity systems in the way recommended by Hunt. The pilot schemes of subscription TV will of course be continuing. Their present licences run up to the end of 1983.

WHAT LESSONS CAN BE LEARNED FROM SUBSCRIPTION PILOT SCHEMES?

They show, as indeed does the spread of video cassette recorders, that there is a market for extra entertainment services at the right price. The latest figures we have show that of the 100,000 or so households connected to the cable systems in the pilot scheme areas about 18,000 are taking the pay channel. Subscribers pay between £6.50 and £10 a month depending on the area in which they live. Feature films account for almost all of the output.

HAS RECENT MARKET RESEARCH BEEN RATHER DISCOURAGING?

Cable investment will not be for those who simply want to 'get rich quick'. Recent market research confirms the American experience in this respect. What the study by Communications and Information Technology Research Ltd. did show was that this country was one of those which had the greatest potential for cable development in Western Europe. At the same time consumers will demand good value for money before being prepared to pay the sort of sums which cable operators will need to charge just to break even.

WILL CABLE HARM THE BBC'S DBS PROPOSALS?

Obviously DBS and cable could compete for the same slice of disposable consumer expenditure. But for many ^{viewers} cable will provide a cheaper and more convenient means of receiving DBS services than having to invest in an individual dish. There will also be many people who are unlikely to be reached by cable for some years and for them DBS will be an attractive proposition.

WHAT ABOUT THE OTHER 3 UK DBS CHANNELS?

We have already made it clear that we see a role for commercial broadcasters on these channels. No decision has been taken yet on how and when the channels will be allocated but the IBA have already registered their interest and there have been preliminary discussions at official level.

WAS THE GOVERNMENT WISE TO ADOPT MAC RATHER THAN PAL?

Sir Antony Part's Advisory Panel considered the question of DBS transmission standards very carefully. They concluded that MAC was technically superior to PAL based systems, would create better opportunities for UK manufacturers and could form the basis for a common European standard. Their view had the unanimous support of British industry. I believe the Government are right therefore to accept the Panel's report. We have moved quickly both because we want our manufacturers to be able to get ahead with their plans and because we want to have the best chance of promoting MAC in Europe. I welcome the BBC's assurance that they will now work hard to see that the UK standard becomes the European standard.

WILL CABLE HAVE TO RELAY DBS SERVICES?

Hunt recommended that operators should be obliged to relay all non-subscription DBS services. The Government accepts that recommendation. Whether cable operators should also be required to make subscription DBS channels available to their customers on the basis of a financial arrangement with the channel provider is a matter which needs further thought.

ARE WE BEHIND THE FRENCH AND GERMAN?

Both countries have recently announced cable development programmes. As with DBS however, they are at an early stage in their thinking on what sort of services their systems might eventually deliver. Some of the estimates for the rate of growth for cable in those countries ought to be treated with some caution therefore. By addressing ourselves from the outset to the broadcasting issues and not just the industrial opportunities I believe that we have in many ways put ourselves somewhat ahead of our neighbours and laid a solid base for the future.

WILL OFTEL HAVE A ROLE IN REGULATING CABLE?

The precise division of responsibilities between the new cable authority and OFTEL requires further study.

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