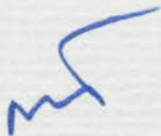


PRIME MINISTER

Attached is a letter from the Home Secretary enclosing a report sent to ~~them~~ by the IBA on the likely impact on employment of cable television. The report (from Coopers & Lybrand) reaches the conclusion that the net effect on employment of the expansion of cable will actually be negative. This seems to be pretty implausible and I suspect that there may be an element in it of giving the IBA (who commissioned the study) the answers they wish to hear. The conclusion is based on two assumptions: first, that expenditure on cable services will simply be diverted from other goods and services, i.e. there will be no new demand; and second, that the large majority of the programmes transmitted over cable will be foreign in origin. Both assumptions are questionable, the second perhaps less than the first, which is contrary to all our experience of expansions in leisure industries.

The Home Secretary advises, on the basis of the report, caution in speculation about the employment opportunities of cable in the forthcoming White Paper.




TIM FLESHER

17 March, 1983



QUEEN ANNE'S GATE LONDON SW1H 9AT

15 March 1983

Dear Patrick

R17/3

CABLE AND EMPLOYMENT PROSPECTS

see folder at back of file

My officials have already been in touch with yours, and those of other Departments concerned, about the enclosed report which the IBA recently commissioned from Coopers & Lybrand on the Employment Impact of Cable Television. But now that I have had time to study the report myself I felt that I ought to bring it to the personal attention of you and other Cabinet colleagues involved.

The broad conclusion of the report is that while the expansion of cable will create new jobs (the figures being not so very different from those suggested in the report by officials which we considered last autumn), the net effect on employment will actually be negative. This conclusion, if soundly based, is of course a disquieting one. I and my Department are not best placed to assess the cogency of the analysis in the report - though I believe that Coopers & Lybrand have an excellent reputation, and anything they produce should not lightly be disregarded. That said it is, of course, the case that the report is specifically confined to cable television and does not look at the implications of interactive services for the telecommunications market. It is also apparent that the methodology is open to challenge. In particular, the assumptions about the amount of programme expenditure which will be spent abroad are questionable. Moreover, the report assumes that expenditure on cable services would merely displace other spending which was more intensive in job support; it does not fully take account of the possibility that consumer expenditure on cable would be new, wholly or in part, and that productivity gains could in the long run enable the economy to adjust to a higher level of output.

If, however, the conclusions of the report are sound, or at least plausible, there are obvious implications for our cable policy and the White Paper, preparation of which is now well advanced. At the least we should make sure, when we scrutinise the White Paper contents, that it does not commit hostages to fortune in what it says about the employment opportunities which cable will present.

Additionally, the report underlines the significance, for the employment impact of cable, of the extent to which programmes are brought in from abroad. This reinforces the arguments for effective curbs on imported (especially US) programme material.

The IBA sent to me the report in confidence, but with the indication that they were happy for me to share it with colleagues. They themselves have no plans for giving it a lot of publicity: I gather they have sent copies on a private basis to the Managing Directors of the ITV companies, but have no

further distribution in mind. Equally, of course, they would not wish to give any impression that the report had been "suppressed". So it is possible, though by no means certain, that in due course its contents will gradually get around and we might in that event be called on publicly to express some view on its validity. It could also intensify controversy about the question of pre-legislative licences.

..... I am sending a copy of this letter, and of the report, to the Prime Minister, the Chief Secretary, the Secretaries of State for Trade and Employment, and Sir Robert Armstrong.

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Broadcasting
Cable



JU420
Secretary of State for Industry

Prime Minister ⁴

A critique of Coopers' gloomy
MUS 14/4

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jobs assessment 8 April 1983
of Cable.

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

PS/KB
PS/HB
PS/Sec
Mr Croft
Mr Macdonald
Mr Solomon
Mr Adundell
(on file)

Dear Willie,

Thank you for your letter of 15 March about the Coopers and Lybrand report on the employment implications of cable. I have also seen Norman Tebbit's letter to you of 25 March.

2 I must say that I do not find the report's analysis at all convincing. As Coopers and Lybrand acknowledge in their introduction, the report was compiled at speed and in some areas - most notably the estimates of the net employment effect of cable - it seeks to reach precise conclusions where the uncertainties are such as to preclude this type of analysis.

3 The conclusions on the gross employment effects - the jobs created by cable - are broadly consistent with the figures which we considered last December and which have been reproduced in Chapter 2 of the draft White Paper. Coopers and Lybrand's optimistic case, which assumes a 36% penetration of the UK, gives long term employment of 21,000, an estimate which is broadly consistent with the conclusions of the draft White Paper. In addition there will be short term jobs in construction which we put at about 5,000 compared with the report's estimate of about 13,000 on the 'optimistic' basis.

4 It is the report's assessment of the impact of cable on employment elsewhere that is most questionable. The report concludes that the effect of offsetting the newly created jobs against those lost will create a net job loss of 41,000. The assumptions on which this conclusion are based are open to a number of objections. It is assumed that expenditure devoted to cable is a simple diversion from expenditure elsewhere, the net loss occurring because cable is more capital intensive. The report therefore ignores the knock-on effect which the cable industry will have on other parts of the economy. Even if Cooper and Lybrand's figures are accepted, it appears that the net job loss will disappear if 56p were spent elsewhere for every £1 spent on cable. Moreover, the report assumes no real growth in consumers' income and expenditure over the next ten to twenty



years and therefore ignores the contribution which the expansion of cable will make in this respect. Equally no account is taken of the employment benefits that should arise from the development of inter-active services. Apart from producing new jobs, this aspect of cable should lead to increases in productivity and lower unit costs, which will in term improve the competitiveness of UK industry.

5 For these reasons I think that the report paints an unduly pessimistic picture of the employment implications of cable. Whilst it is relatively easy to calculate the direct employment effects in one sector at an assumed level of activity, calculation of the indirect effects requires an assessment of cable's macroeconomic impact, something which the report does not attempt. One can only agree with the report when it says that further work needs to be done before reliable estimates of the net employment effect can be made.

6 Notwithstanding my reservations about the report's analysis, I agree with your view that in considering the draft White Paper we should make sure that nothing is said which leaves us vulnerable to attack. However, if the report does receive a wider circulation, I am confident that we should be able to mount an effective defence on the basis of the report's unduly pessimistic assumptions about the general level of economic activity and its failure to appreciate the stimulus which cable will provide throughout the economy.

7 I am sending a copy of this letter to the Prime Minister, the Chief Secretary, the Secretaries of State for Trade and Employment, and Sir Robert Armstrong.

Yours
Patrice



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Broadbanding
cable



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Prime Minister

Mr Tesbit doesn't

accept the negative

Cooper & Lybrand

employment

25 March 1983

estimates for cable.

MCS 13/4

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

D Willie,

ms

EMPLOYMENT EFFECTS OF CABLE

Thank you for sending me the Coopers and Lybrand report with a copy of your letter to Patrick Jenkin.

As you say, officials have already been in touch about this. My Department has endorsed the Treasury's suggestion that, as the employment estimates are peripheral to the main purpose of the White Paper, the unproductive argument that could result from including figures makes it not worthwhile to do so. Estimates at the moment can be no more highly tentative and inevitably open to challenge.

This seems particularly to be the case with estimates of the net effect on employment. We do not accept Coopers and Lybrand's very negative views of this, but there is little doubt that the growth of the cable industry will result in some jobs being lost elsewhere. It would be too much of a hostage to fortune to suggest the extent of this, and overall, I think we do better to stay out of the numbers game altogether at this stage.

I would like to see the White Paper strike a generally positive tone about the economic effects of cable without giving figures for jobs created. It is too difficult to make sensible estimates for the time being.

[Handwritten signature]

Broadcasting,
Cable. Pt 3



→ Tim Plesher

JP

28/3

Treasury Chambers, Parliament Street, SW1P 3AG

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

25 March 1983

Dear Secretary of State

CABLE AND EMPLOYMENT PROSPECTS

I was interested to see your letter to Patrick Jenkin of 15 March about the Coopers and Lybrand Report on the Employment Impact of Cable Television. Your officials have, of course, already been in touch with mine about it.

Coopers' figures for direct employment are not significantly different from those in the draft White Paper, but as you say, Coopers themselves admit that their figures for the indirect effects are much more unreliable. In fact we do not accept Coopers' conclusion that there could be a net loss of employment in expanding cable. We believe that their approach is methodologically unsound since it assumes too static a view of the economy and pays no heed to the automatic equilibrating mechanisms which exist within it.

Turning to the point raised in the fourth paragraph of your letter, I think that we must draw a distinction between having a "buy British" policy for cultural reasons, and having one for employment reasons. It is clearly open to us to decide that we want to restrict foreign (ie non-EC) programming for "cultural" reasons. But it would not be consistent with our overall approach to economic policy to protect the UK programme-making industry solely on employment grounds. Clearly protection could raise employment in the industry itself but there would be offsetting losses in terms of employment elsewhere in the economy. I think we should avoid imposing such distortions or requiring the new authority to do so, if we can.

I am copying this letter to the recipients of yours.

Yours sincerely

J. Leon Brittan

J. LEON BRITTAN

[Approved by the Chief Secretary]

SECRET DRAFTING
Brett Blomberg
#3