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- 1) Mr. Turnbull
 - 2) Prime Minister (2)

pa. Sub 2/1
 MD

9/1/85

To note. This may come up at the BT dinner tomorrow night.

W.053

21 January 1985

PRIME MINISTER

Sub
 2/1

CABLE

The Information Technology Advisory Panel's report on "Cable Systems" played the major role in stimulating the Government's initiative on Cable.

2. The Panel is therefore concerned at the flagging interest in Cable and has decided to re-assess the situation and report to you by the end of February.

3. In a preliminary discussion, the Panel has reaffirmed its view that 're-cabling Britain' is an exciting and important development with substantial potential benefits for the consumer, industry, exports and jobs.

4. The Panel has identified the following causes of the slow-down:

- (a) the loss of momentum from the delay in legislation arising from the June 1983 election - the Director-General of the Cable Authority was only appointed last week and no Telecommunication licences have yet been issued by DTI;
- (b) the loss of capital allowances in the 1984 Budget which has increased the payback period by 3 years;
- (c) the loss of enthusiasm in the City as a result of (a) and (b) above; hence difficulty in raising finance;

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- (d) the loss of incentive to manufacturers to invest because of the apparently shrinking market potential - eg cable itself is having to be imported.

5. Some of the solutions which the Panel are investigating are as follows:

(a) Cost reduction eg through reducing the high cost of installing the cable itself by using existing water authority or BT ducts.

(b) Fiscal measures eg the temporary restoration of the tax position to the pre-1984 Budget level to get Cable moving.

(c) Revenue enhancement through the development of the cable system beyond entertainment distribution towards interactive services and an advanced communications network competing with BT's communications system.

(d) Restoration of confidence in financing institutions through a combination of (a) and (c) above and a strong Government statement reaffirming its commitment to Cable.

6. It is highly likely that BT's best interests and the Government's interests in promoting cable are in conflict, possibly in severe conflict, and now that the BT flotation is out of the way, the Panel will probably be advising the Government that DTI should draw back from its perceived favoured treatment of BT in the Cable scene.

PBN.

ROBIN NICHOLSON
Chief Scientific Adviser

Cabinet Office
21 January 1985

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