



Prime Minister (4)

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QUEEN ANNE'S GATE LONDON SW1H 9AT

A gloomy report — but there are limits to how far  
the Government should try to create confidence  
where none exists. 30 January 1985

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PROSPECTS FOR THE CABLE INDUSTRY

The Chairman of the Cable Authority, Mr Richard Burton, has been discussing with Giles Shaw the Authority's initial perceptions about the present mood of the cable industry, and I thought that it would be helpful to pass on to interested colleagues some of the main points which emerged.

The low state of morale in the industry has been widely reported over recent months. Mr Burton's view is that some of the gloom has been overdone. For example, the decision of Robert Maxwell to buy into cable could have been perceived more readily as a vote of confidence from someone who would not have invested if he had not thought it worth his while. In addition, the take-up of the new channels which are on offer over the old cable relay systems is now much more encouraging than it was a few months ago. Nevertheless, the overall position is far from promising. One of the pilot projects, Windsor Television, has suspended operations for six months and there seems little chance that they will decide to resume at the end of that period. It is still possible that others may decide that they cannot proceed for lack of funds. Of the eleven only Swindon, where an old, upgradable system was already in place, is actually offering services to the public.

The Cable Authority have written to a number of companies to discover their present intentions and in the light of their reactions hope to be able to advertise a further five franchises by the end of February. The Authority are understandably anxious that everything possible should be done to remove any unnecessary reservations which potential investors have about cable and are keen for the Government to play its part in reaffirming its wish to see cable succeed. There are three particular points which came out of the recent discussion.

First, the Authority regard it as essential for confidence that all the telecommunications licensing issues, including those relating to the participation of BT, are resolved before the next round of franchising starts. They appreciate, I think, that the delays have been caused by the difficulty of coping with this exercise at the same time as the BT floatation and the putting into place of a new regulatory scheme for telecommunications rather than by any lack of political interest in cable. But they believe that further uncertainties could be very damaging. I understand that good progress has now been made and that there is every prospect of licences being available during the course of February. It would, I am sure, be very discouraging to the Authority if there were to be any further delays.

Second, complaints about the withdrawal of capital allowances are still to be heard in the cable industry, which believes that it was particularly hard hit by the change. I think that the Authority appreciate the reason for that



decision and do not anticipate its reversal. But they hanker for some action which might ease the financial problems of such a highly capital-intensive new industry. I rather doubt whether there is anything that we can in fact do but it may be that the ITAP, which I understand is working on a review of the position of cable, will address this possibility in their report which is due by the end of February, and if so we shall have time to decide how to react to what they say.

Third, the ITAP report will give us an opportunity of reaffirming publicly the Government's hopes for cable. The Cable Authority attach importance to this. It is evident that the industry takes very careful note of all Ministerial utterances about cable and while words are not going to alter the underlying economics, I am sure that we ought to do all we can to dispel any mistaken ideas about a cooling of the Government's interest without, of course, any kind of financial assistance.

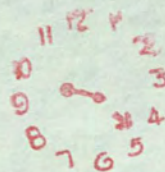
I am copying this letter to the Prime Minister, to the Chancellor of the Exchequer, to the Secretaries of State for Scotland, Wales and Northern Ireland and to Sir Robert Armstrong.

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30 JAN 1965



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