

PRIME MINISTER

Cable Systems

PRM.

Do you agree Robin Nicholson's advice that the ITAP proposals should be urgently reviewed by DTI and other departments?

If so, do you approve the draft Private Secretary letter at Flag B?

The report is intended as confidential advice to Ministers and ITAP have made no proposal that it should be published.

*See amendments on
letter. Would you
ask Robin Nicholson
about the entire point
I have indicated
not*

Mark Addison

(Mark Addison)

8 March 1985



W.0212

6 March 1985

PRIME MINISTER

CABLE SYSTEMS

The Information Technology Advisory Panel (ITAP) was formed in 1981 to advise you and Cabinet colleagues on Information Technology. Its first report Cable Systems initiated a widespread debate on re-cabling Britain which culminated in your announcement in December 1982 of the Government's backing for cable systems.

2. In the latter part of 1984, ITAP recognised that confidence in the prospect of re-cabling Britain was waning, especially amongst potential investors, and decided to re-assess the situation with a view to answering the following questions. Was confidence in cable really waning? If so, did it matter? If it did matter, what could be done about it?

3. ITAP's re-assessment of cable systems is now complete and a copy of their report (Flag C) under cover of a letter from their acting Chairman, Dr Ivor Cohen (Flag D) is attached. I have prepared a summary of the report (Flag A) which is also attached.

4. ITAP have concluded that their earlier report was correct in its assessment of the importance of re-cabling Britain, both in respect of its contribution to economic activity in the UK and in stimulating the creation of a competitive industry for export markets. But confidence has waned amongst the investment community as a result of a harsher assessment of the financial balance in investment in cable.

5. Although the removal of capital allowances against tax in the 1984 budget was a significant contribution to this harsher assessment, ITAP have commendably avoided the simplistic solution of recommending the restoration of the old arrangements

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for the cable industry. Instead they have proposed a series of measures designed to improve the investment prospects in cable by reducing and spreading out the initial costs and bringing forward the initial revenues from the service.

6. I believe that the measures proposed are entirely compatible with the Government's policies on creating a favourable climate for new business and stimulating competition in the communications industry. As such they deserve to be seriously reviewed, as a matter of urgency, by the DTI and other appropriate Departments. A draft Private Secretary's letter to that effect is attached (Flag B).

? 7. ITAP also found that confidence in cable had been adversely affected by a perceived loss of support from Government Ministers. They recommend that Government should reiterate its support for re-cabling Britain. An early opportunity to do this would be in the Secretary of State for Trade and Industry's speech in the Budget Debate. I have drawn attention to this opportunity in the draft Private Secretary's letter.

8. I am copying this minute and the attachments to Sir Robert Armstrong.

RN

ROBIN NICHOLSON

Cabinet Office
6 March 1985

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DRAFT LETTER FROM THE PRIVATE SECRETARY TO THE PRIME MINISTER
TO THE PRIVATE SECRETARY OF THE SECRETARY OF STATE FOR TRADE AND
INDUSTRY

The Prime Minister has received the report of the Information Technology Advisory Panel (ITAP) on Cable Systems: A Re-assessment. She has noted that the Panel has reaffirmed its view first stated in its report of February 1982, Cable Systems, that re-cabling Britain would generate significant economic activity and stimulate industry in a field where there are important export opportunities for both hardware and software.

[notes?]

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The Prime Minister ~~accepts~~ the Panel's view that enthusiasm for re-cabling Britain, especially among investors, has sharply declined and believes that ITAP's proposals [~~for restoring the situation~~] should be urgently examined along with any alternative proposals from Departments. She looks forward to hearing your Secretary of State's views on the matter and those of other ministers to whose offices I am copying this letter. In due course she will wish to respond to ITAP.

The Prime Minister notes that one of ITAP's proposals is that Government should firmly restate its support for re-cabling Britain and wonders whether your Secretary of State's speech in the Budget Debate might provide an early opportunity for this.

She understands from other sources that the pilot projects cover too small an area to be effective for their purpose and so on. I am copying this minute, together with a copy of the ITAP report

and the covering letter from its acting Chairman, to the Private Offices of the Chancellor of the Exchequer, the Home Secretary, the Minister without Portfolio and the Minister of State for Information Technology.

Whether the
cable system
has led to
reduced
interest in
cable system.

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