

W0356

PRIME MINISTER

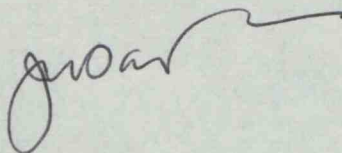
SUBSCRIPTION TELEVISION: REPORT FROM CONSULTANTS

Mr Hurd has sent you a copy of the report by CSP International on the technical and economic feasibility of subscription television. I can only claim competence on the technical aspects, and those economic conclusions which follow immediately from them.

2. The technical analysis is quite comprehensive and there are no obvious flaws in it. The basic conclusion is that either subscription of pay-per-view is technically feasible for off-air programmes, but evasion can only be convincingly countered by encryption with individually-addressable decoders. This leads to quite high costs. It is arguable that CSP's analysis builds in too many options for the ways in which payment can be made, and hence increased costs, but it is not clear that this is decisive in the economics.

3. The underlying theme of the CSP study is that the costs of pay-per-view make it viable only for premium programming or if prices are pitched so high as to exclude a large proportion of viewers. I cannot comment on the economic analysis, but it is clear that the only circumstances in which pay-per-view could be implemented much more cheaply are those of a broad-band network so comprehensive that off-air broadcasting could be abandoned for most of the population. Such a network has addressability built-in, and would obviate the need for encryption, but at present it seems unlikely to be realised in the near future.

4. I am copying this minute to Sir Robert Armstrong.



JOHN W FAIRCLOUGH
Chief Scientific Adviser

CCBG
Prime Minister (4)
John Fairclough does not
disent from the CSP conclusions.
We have agreed that the report
may be published after the election.
26 May 1987
MEX 27/5/87

BROADCASTING: BBC Finances: Pt 4



CONFIDENTIAL