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13 September 1988

*Dear Secretary of State,*LOCAL SERVICES AND TRANSMISSION

At the meeting of MISC 128 on 28 July officials were commissioned to carry out further work on local services and on transmission. Members of MISC 128 will by now have received notes from the Chairman of the Official Group reporting the outcome of that work. I have considered carefully the proposals made by officials on these two subjects, and I agree with them. My purpose in writing is to invite you and other MISC 128 colleagues to endorse them too.

I believe that the enabling framework proposal for local services would be an effective way of enabling the best blend of MVDS and cable to be used in delivering additional programme services at the local level. I welcome particularly the fact that the framework will not subordinate MVDS to cable in the way that the 'pull-through' proposal advocated by the cable industry would have done. I believe that this will be a politically attractive part of our overall package because it will open up new opportunities for the provision of genuinely local services. Although, as officials have pointed out, it is likely that most of the services carried by local delivery operators will be national in character, there will be scope for locally oriented television services if there is a demand for them.

I recognise that the transitional arrangements will be difficult and controversial. I am clear that we should treat fairly those who have invested money on the basis of the existing statutory framework for cable. This points to allowing them to continue as cable operators if they wish. But I also believe that we should not artificially prevent the use of MVDS in existing cable franchise areas. This suggests, as officials have argued, that existing operators should be given the option of transforming into technology-neutral operators. This option will, however, amount to a substantial privilege as it will enable them to avoid the competitive tendering procedure. I therefore believe that we should restrict the category of operators who benefit from the transitional arrangements as far as we defensibly can. This inclines me to think that the arrangements should apply only to those operators who already hold franchises, not to eventually successful applicants for those presently being advertised (though they will not, of course, be deprived of their ability to proceed under their cable licence). I am struck particularly by the fact that the wider category would encompass over 20% of all television households in the United Kingdom, and by the difficulties which this would cause for planning the efficient use of MVDS frequencies in the rest of the country. I recognise that confining the

The Rt-Hon The Lord Young of Graffham

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arrangements to the narrower category may lead to some pressure for extension, to which we may have to respond. But since the proposals do not involve depriving anyone of an existing right the position is defensible.

As to transmission, the proposals made by officials appear to me to strike the right balance between giving the maximum possible role to the private sector, and retaining a measure of central control in order to ensure the efficient planning of spectrum.

I am copying this letter to the Prime Minister, other members of MISC 128 and to Sir Robin Butler.

Yours sincerely,

Hawes

Approved by the Home Secretary and  
signed in his absence abroad.