

Ref. A086/2895

PRIME MINISTER

Implications for Telecommunications Policy  
(MISC 128(86) 4)

## CONCLUSION

You will wish the Group to decide on the handling of the Peacock Committee's recommendation No 15. I have no doubt that it is right that the recommendation should be processed separately from the rest of the Peacock Report. But the Secretary of State for Trade and Industry is proposing a somewhat loose remit for the study of a matter of potentially great importance. I therefore suggest that you may wish to ask me to work up tighter administrative arrangements for having the matter reviewed and brought back to Ministers. The meeting of MISC 128 on 30 October could be an occasion to take note of the arrangements that are set up.

## BACKGROUND

2. You will remember that the present arrangements on cable and telecommunications (as set out in the 1983 White Paper "The Development of Cable Systems and Services" and in the Cable and Broadcasting Act 1984) were devised after consideration by a Ministerial Group on Telecommunications Policy (E(TP)) that reported to E and which was supported by an Official Group (MISC 73) that produced a very thorough report. On the point immediately at issue, it was recognised that there was a tension between the likelihood of developing a national broadband fibre optic network and other aspects of industrial policy and, in particular, competition policy. At the time, competition was decided to be the dominant factor.

3. Under existing policy cable is proceeding very slowly, and there may well be a case for reviewing whether the regulatory or economic environment needs to be adjusted. The reason why we are now addressing the matter, however, is simply that Sir George Jefferson, the Chairman of BT, persuaded the Peacock Committee to recommend that BT and other national telecommunication systems should be enabled to act as common carriers, including deliverers of television programmes. This chimed in well with Peacock's vision of a leap forward in technology, but it has implications that go vastly beyond broadcasting policy as such. It is also ironic that on this one issue Peacock do not see competition <sup>as</sup> on the golden thread of progress.

## MAIN ISSUES

4. As Mr Channon's paper says, the proposal opens up the widest range of technological, market and social questions. You will not wish to get drawn into the substance of them now. The immediate issue is what (if any) machinery we should put in place to review the matter, and what might be said about it on any early debate on Peacock. Subject to any points made at the meeting, it seems right that this should be split off from other Peacock issues and that the Home Secretary should say as much when Peacock is debated. You will, however, want to avoid any impression that the Government is being rushed by Peacock into a root-and-branch review of very recently settled policy.

5. As for the best method of internal handling, there is no need to take a firm decision tomorrow, and some advantage in a pause for thought. A straightforward review led by the DTI may indeed be sufficient to start with (though the Treasury should certainly be added to the Departments involved) but any kind of review should be given terms of reference and a target date by which to report. While you will probably want the matter to proceed within the E structure, as previously, you may not want to decide at the outset whether a new Ministerial Sub-Group of E



will be required for it. It will be easier to consider these points after tomorrow's meeting, and I suggest that you ask me to take delivery of them, and make proposals to you; they could then be reported to your colleagues at the meeting of MISC 128 on 30 October.

## HANDLING

6. No member of the Group is likely to question that telecommunications aspects should be split off from other Peacock issues. You will particularly wish to obtain the views of the Chancellor of the Exchequer and the Chancellor of the Duchy on how fast and how publicly a new review of this field should be taken ahead.

*Trevor Woollley*

pp ROBERT ARMSTRONG

14 October 1986

cc B/UP.



W0258

MR BEARPARK - No 10.

14 October 1986

MISC 128 (86) 4: PEACOCK REPORT: IMPLICATIONS FOR TELECOMMUNICATIONS POLICY

I agree strongly with the main theme of the Secretary of State for Trade and Industry's paper, that the Peacock recommendation on "common carriers" for broadcasting services opens up a range of technological, market and social questions about the future of telecommunications which need thorough study in a wider context than broadcasting. I believe that the future of telecommunications in Britain and in Europe is an issue of the first importance. The ease with which information (speech, pictures, text, data, etc.) can be exchanged between all kinds of locations (homes, offices, factories, cars, etc.) will have a major impact both on the structure of our society and on our industrial prosperity. There will be important new markets both for hardware and for services, and if we get the decisions right now, British and European industry will have the opportunity to carve out positions for themselves in a challenging growth area. I therefore strongly support the recommendation that Recommendation 15 of the Peacock Report should be handled separately.

2. I do, however, have reservations about the supporting analysis in the Secretary of State's paper, which seems to me to take a rather narrow view of the problem, concentrating on the short term issues. I am content to make my substantive points in the course of the proposed study, but this analysis strengthens my view that the study should not be left as completely in the hands of DTI as the paper proposes. I believe it would be very helpful if MISC 128 could agree that a more formal interdepartmental group was needed to steer this study, and also that a firm timetable should be set for it to report to Ministers.

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

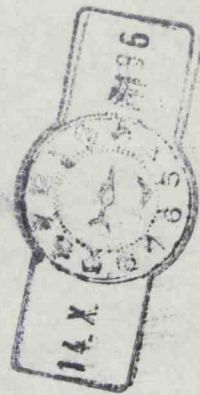
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