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CCP/O

HOME OFFICE
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23 March 1989

Dear Paul

SATELLITE TELEVISION

Has

In your letter of 27 February you said that the Prime Minister would like a further report in due course on the position reached in relation to the representations from Sky Television. I am writing now to bring you up to date with progress following a recent meeting which Mr Renton had with Mr Andrew Neil.

The meeting covered two issues: the "must carry" rule; and SMATV. On the former, Mr Neil said that he accepted that there was some case for BSB benefitting from the "must carry" rule while Sky did not; and that he did not in any case regard this as a serious regulatory imbalance. I explained in my letter of 22 February that the Home Secretary believed that the present proposals struck the right balance between the aim to see that the rule is not perpetuated unnecessarily into the future and the need to meet BSB's legitimate expectations. Ministers here see no reason to change this assessment, particularly given the approach taken by Mr Neil.

Mr Neil said that he attached greater importance to the liberalisation of the current SMATV rules. Mr Renton said that the Government sympathised with Sky's concerns. He explained that under the present law the onus lay with the Cable Authority to change its licensing policy, taking account of its statutory duty to promote broadband cable; and he suggested that Sky should get in touch with the Authority to ensure that it was fully aware of their concerns. The Authority has now issued a consultation paper, canvassing possible relaxation of its current policy, and it has sent a copy to Sky. The relaxation proposed by the Authority would do much to ease Sky's difficulties. In the longer term, Mr Renton explained that the announcement of the Government's firm proposals for legislation on local services, which it had undertaken to make by the end of April, would cover the future arrangements for SMATV. He added that while it was unlikely that this would lead to a complete liberalisation, Sky should find the proposals very helpful. I understand that officials are still discussing the exact arrangements for SMATV in MISC 129, but that the proposals which they are likely to submit to Ministers should deal with Sky's major concern - gaining access to SMATV systems in blocks of flats.

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I am copying this letter to Neil Thornton (DT) and Stephen Catling
(Lord President's Office).

Yours

Catherine

MISS C J BANNISTER

Paul Gray, Esq.

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BROADCASTING : DBS PT7

