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MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

CABLE SYSTEMS AND BROADCASTING POLICY

Memorandum by the Secretaries of State for the Home Department and for Industry

In this paper we describe developments in the field of cable systems and the important implications which they have for the future of broadcasting, and seek approval for proposals for carrying matters forward.

2. The background [set out in more detail in Annex B] is as follows. The traditional function of cable in the broadcasting field has been to relay BBC and IBA radio and television programmes. This function has become less and less needed, and decreasingly profitable to the cable companies; and much of the cable is obsolescent. The companies have long had the ambition, given greater freedom, to supply through cable a wider and more profitable range of entertainment services, and to modernise and extend their systems. Recently they have pressed the case for liberalisation with greater urgency, both publicly and in their approaches to Ministers. A number of interests in the private sector have also put forward a broader-based and more ambitious case for expanding cable, not in existing systems which offer 4-6 channels but in new wide-band cable technology. Because of its greater information-carrying capacity (typically 20-30 channels) this could provide not only extra entertainment channels but, more importantly, the potential for home and business information services such as banking, view data, security and alarm systems, shopping, remote meter reading etc. The case for this new form of cable system is elaborated in the report which the Prime Minister's Information Technology Advisory Panel (ITAP) has recently completed.

3. One important new facet is the expected development in the next few years of direct broadcasting by satellite (DBS) on which we have circulated

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a separate paper E(82)137. DBS transmissions can be received by the individual, using an aerial 'dish'; but for reasons of cost and convenience community reception - e.g. by a cable operator - for transmission via cable will, for those with access to it, be the best and most readily available means of reception, and DBS transmissions will be a natural application of cable systems.

4. We have recognised the pressure for liberalisation, in principle, and in part, in the current pilot subscription television schemes which have begun, with the Home Secretary's authorisation, in recent months. There are strong economic, industrial and technological reasons for going further and faster than that. Greater freedom would enable the cable companies to arrest the present declining use of cable systems and to extend them, using British technology and creating jobs and export markets. Private capital to support such ventures is said to be readily available. Failure to take the opportunities, or delay in doingso, will mean losing out to imported technology when the inevitable development of cable comes.

5. It is clear to us that the industrial and commercial opportunities which the expansion of cable offers should be taken. But in reaching decisions on how to move forward we must lay firm foundations for the long-term future and provide a framework which takes proper account of our valued tradition of public service broadcasting. Moreover if the cable industry is to have confidence and if private finance is to be forthcoming it is essential that the policies we decide on should enjoy a wide measure of political support and durability.

6. The economic, industrial and technological aspects of cable development raise many issues, a number of which were identified in the ITAP Report. They include: the potential demand on national resources; the longer-term shape of this country's communications systems - whether we should work towards a national wide-band cable network, using fibre optics; and the place of British Telecom in such developments. These and other related matters will need to be studied further, as a matter of urgency, in the light of the ITAP Report.

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Broadcasting Implications

7. A large-scale expansion of cable would have a major impact on our traditional broadcasting arrangements. These have rested on two foundations: the limited supply of frequencies for broadcasting, and the power and intimacy of the broadcasting medium - especially television - in the home. As a consequence, the available frequencies have been entrusted to public agencies - the BBC and IBA. And these agencies have responsibility for providing programmes of wide range and proper balance to as much of the population as possible, and for ensuring the maintenance of standards such as decency, good taste and political impartiality. Cable could in due course replace scarcity of channels with abundance - for those with access to cable. But it is necessary to ensure that abundance for some does not impoverish the service available to those - the majority, for some years at least - who will continue to rely on off-air reception. This could happen if cable companies went in for buying up popular programmes, or aimed simply at maximising audiences. Competition for audience ratings would first affect the quality of ITV programmes; but indirectly BBC programmes could also be impaired. To some extent these consequences could be mitigated by some form of supervisory machinery; and this would also meet the need, given the "intimacy" of television, to maintain some external supervision of certain programme standards as instanced above. Other important broadcasting issues include: whether, and if so under what conditions, advertising should be seen as a source of revenue for cable services, thus ending the local monopolies of the ITV companies; what should become of the cable companies' current obligation to relay BBC and IBA services; whether there should be any special rules about the participation of Press, broadcasting and overseas (i.e non-EEC) interest and whether the cable company should be permitted, in addition to owning and operating the cable, to provide all the programmes transmitted through it.

8. These are difficult and complex issues. They cannot be settled by Government alone - in particular if politically enduring solutions are to be found. Some means is needed of stimulating public debate and independently assessing the result. But the urgency of the need for decisions on the future of cable does not leave time for the establishment of a traditional review body. We therefore propose the setting up by the Home Secretary of a small (probably three-man), urgent inquiry, charged with considering within about six months the broadcasting policy issues involved in expanding cable, and proposing appropriate supervisory arrangements. Outline terms of reference are suggested in Annex A.

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We would welcome any comments from colleagues on this.

9. We propose that this inquiry and the further studies of other aspects of cable proposed in paragraph 6 should proceed in parallel, and in concert, with each other. The aim should be to place the Government in a position to reach detailed decisions on the future development of cable by the end of the year - a time-table which we believe would meet the aspirations of the cable interests. We invite our colleagues to approve this proposed course of action.

W.W.
P.J.

Home Office
Department of Industry

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DRAFT TERMS OF REFERENCE FOR AN INQUIRY INTO THE BROADCASTING POLICY ISSUES INVOLVED IN AN EXPANSION OF CABLE SYSTEMS

1. To take as its frame of reference the Government's intention in principle to facilitate expansion of cable systems, which would permit cable to carry a wider range of entertainment and other services, including when available services of direct broadcasting by satellite, but in a way consistent with the wider public interest, in particular the safeguarding of public service broadcasting.

2. Within this framework, to consider what supervisory framework for cable services would be appropriate, generally and with reference to the following specific aspects:

- (a) should cable operators be permitted both to control cable systems and to provide programme services?
- (b) what programme standards should be applied to cable services - eg as regards good taste and decency, and due political and other impartiality? And should there be requirements regarding range and balance of programme content?
- (c) should cable systems in future remain under an obligation to relay UK broadcasting services; if so, should there be a moratorium during which companies were relieved of that obligation while they increased the capacity of their cable, and on what conditions?
- (d) should advertising be permitted, and if so how much and subject to what rules?

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- (e) should there be any limit, and if so what, on the number of programme services to be authorised?
 - (f) how should competing applications to provide cable systems and/or programme services be decided?
 - (g) should any special rules apply to the participation of Press, broadcasting and overseas (ie non-EEC) interests in cable enterprises?
3. In the light of (2), to consider what kind of supervisory body is needed, with what composition and range of functions.
4. In considering the questions above, to assess the implications for public service broadcasting.
5. To make recommendations by 1 October 1982.

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BROADCASTING POLICY AND THE FUTURE OF CABLE

The History of Cable

1. Since the advent of sound broadcasting in the 1920s Government policy has always been to allow companies to instal aerals at a central receiving point from which cables relay signals to receivers in subscribers' homes. For many people, living out of easy range of a transmitter, cable relay has been the most economical way of receiving a signal while others have turned to relay because of local authority restrictions on rooftop aerals. But Governments have closely regulated what cable companies could do in accordance with policy on telecommunications and broadcasting: relay was an operation falling within the scope of the Post Office telecommunications monopoly and from the outset private companies were allowed into the field under licence merely because the Post Office itself decided not to provide the service. Their activities were not allowed to develop into anything more extensive which might have more serious implications for the telecommunications monopoly. Equally, the relay companies were seen as fulfilling the essentially technical role of bringing broadcasting services - sound and television - to households. Since Parliament had entrusted the sole responsibility for broadcasting to the BBC (and from 1954 the ITA/IBA) cable companies were not to be allowed to circumvent this control by producing and distributing a rival programme service of their own.

2. The last twenty years have seen three initiatives designed to explore the possibilities for a wider role for cable:

(a) The pay-TV experiment in the mid 1960s which involved 10,000 homes in London and Sheffield. It came to an end in 1968 after the then Government refused to allow an expansion to the quarter of a million homes which the companies judged the minimum for viability.

(b) The community cable experiments authorised in 1972 under which operators in six different places were allowed to distribute to their subscribers television programmes of local interest. Despite the subsequent decision to permit advertising, the experiments were beset by severe financial difficulties and only one station still operates. A small number of sound only systems survives despite financial problems.

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(c) In November 1980 the Home Secretary announced that he was prepared to authorise a number of pilot subscription TV schemes. The first system came into operation in September and the whole experiment comprising 13 areas is due to last two years. Exceptionally the operators are directly responsible to the Home Office for complying with the requirements on programme content imposed by the licence.

3. About 2.6 million households, that is about 14% of those with television sets, receive their television services by cable but this figure can be misleading since over 1 million of these are connected to non-commercial systems operated by, for example, local authorities and housing associations. In these cases the system is usually very small, often simply a communal aerial on the roof of a block of flats. Only about 1½ million households, therefore, are connected to commercially run cable systems. They pay on average £15 a year for the facility though in many cases the same company also provides the television set, for which the rental is considerably more. About 2 million more homes are thought to be passed by cable and thus capable of being readily integrated into it. The technology of existing cable systems is in most cases old fashioned: capacity is often of only 4 or 6 channels. Wide-bandwidth cable in the USA enables up to 50 TV channels to be transmitted to each household and fibreoptics open up the possibility of an almost unlimited number of channels.

4. Because broadcast relay systems involve the use of aerials to receive signals off-air they fall to be licensed by the Home Secretary under the Wireless Telegraphy Act 1949. As well as enforcing certain safety and interference requirements the Home Office uses the licence to authorise the limited relaying of ITV programmes to places outside the ITV contractor's formal service area. The Home Secretary's powers to control cable distribution not involving wireless telegraphy derive from Part IV of the Post Office Act 1969, under which the pilot subscription schemes are licensed. This provision imposes no limitations on the Home Secretary's discretion to give or withhold licences for cable distribution and to attach such conditions as he thinks fit.

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The Pressure for Change

5. The traditional relay role of cable is now obsolete. The advent of television and then colour television boosted the cable companies' business during the 1950s and 1960s but the BEC and IBA transmitter network is now so well developed that all but about 1% of households can get good reception with individual aerials. Environmental restrictions can often be met by means of loft aerials or in the case of blocks of flats by a communal aerial on the roof. A number of the commercial cable systems are now very old and companies are simply closing them down rather than investing in new equipment. The cable television industry is now arguing that the subscription experiments are not sufficient at their present pace to prevent an irreversible decline in cable systems.

6. It is incontestable that if cable has a future it is in the provision of original services rather than the relay of material already available over the air. In the long term these might include two-way facilities such as telebanking, teleshopping and accessing an information system but the basic viability of cable will probably always depend on the provision of entertainment services. The USA, albeit against the background of a very different broadcasting environment from ours, has witnessed an explosion in the cable industry since many of the restrictions on cable were removed in 1975 and there is no doubt that many people there are prepared to pay sizeable subscriptions for the extra programmes which the cable firms offer.

7. Some of the arguments used for deregulating cable in the United Kingdom can be summarised as follows:

- (a) Private capital is ready to invest in re-engineering and extending cable systems but only if restrictions on what can be distributed over cable are lifted. Present rules inhibit market forces.
- (b) In the long term cable is inevitable because of the wide range of services it can offer. Unless Britain goes ahead now we shall lose the technical expertise and shall have no choice but to import the technology when cable eventually does come whereas our industry could become an exporter given the necessary encouragement.
- (c) Our consumer electronics industry is under threat from abroad. Cable would provide welcome new activity.
- (d) New programme outlets will boost the film and TV industries and give the public more choice.

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- (e) New cable services can coexist with the BBC and ITV channels without affecting their quality. The traditional broadcasters could actually benefit from them by selling them programme material.
- (f) Cable operators are responsible and would not turn liberty into licence. In particular they would accept, on a self-regulated basis or otherwise, controls on taste, decency and political bias.
- (g) Cable systems could provide rapid audience growth for direct broadcasting by satellite. If cable is allowed to decline, satellite services will find it more difficult to become established because households will equip only slowly with individual receiving equipment.
- (h) Whereas the use of the air has to be regulated because frequencies are a scarce resource no such constraints exist with cable. There is a basic freedom argument, therefore, in favour of letting cable be used in an unrestricted way.

The Broadcasting Issues

8. Such a major expansion of the role of cable from its present limited function would have important implications for the broadcasting system of this country, which since the 1920s has been characterised by its public service nature. This approach, which is quite different from that adopted in the USA, rests for its justification on two basic assumptions:

- (i) The frequencies which broadcasting require are a scarce resource. Since there cannot be a multiplicity of channels in the same way that there are a multiplicity of newspapers and magazines the stewardship of the medium is entrusted to publicly accountable bodies, the BBC and IBA, who are charged with providing a proper balance and wide range of programmes.

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(ii) Broadcasting is a more powerful medium than the cinema or the printed word. Television and radio reach people in the privacy of their homes. Whereas reading a particular book or going to the cinema involves a specific exercise of choice the television viewer is subject to the choice of the broadcaster once he has turned on the set. Children are not allowed into the cinema for certain films but have complete access to the television subject only to parental supervision. For these reasons, the broadcasting authorities are required to secure the maintenance of certain standards (eg good taste, decency and political impartiality).

Our broadcasting arrangements have succeeded in establishing and maintaining a system which is highly respected at home and abroad both for the quality of its output and for its independence from Government.

9. Public service broadcasting has evolved over the years. It was thought by many that the introduction of commercial television would undermine the high standard which the BBC had set but the financial and institutional arrangements which were devised have prevented these fears from being realised. They have indeed resulted in a regulated, commercially-financed public broadcasting service which has increased the range and quality of broadcasting in the UK. Successive Governments have taken the view that each broadcasting organisation should have a monopoly for the particular type of finance on which it relies, the licence fee revenue for the BBC and advertising for the ITV companies. While the BBC would not want to fall significantly behind ITV in audience ratings they do not have to compete for the same source of revenue. Similarly, the regional structure of ITV means that companies do not have to vie with each other with mass appeal programming in order to secure more advertising; each has a local monopoly. In planning the fourth channel we have avoided the risks that it might have to compete for advertising revenue with the existing ITV service. It is generally conceded that the poor quality and range of network broadcasting in the United States are a direct result of the unrestricted competition for advertising and that part of the success of cable there is explained by the fact that it has offered a wider range than that available on the networks.

10. One of the consequences of the public service nature of broadcasting in the United Kingdom is that in accordance with the policy of successive Governments the broadcasters have sought to bring television and radio services to as much of the population as is reasonably practicable. The geography of our islands makes it prohibitively expensive to achieve 100% coverage by terrestrial transmitters but colour television is now available to 99% of the population and the BBC and IBA are continuing with transmitter construction in order to reach more of the difficultly accessible final 1%.

11. It is against this background and the arguments set out in paragraph 7 for deregulating cable that the following points need to be considered:

(a) In the long term a developed cable system has the potential to remove one of the bases for traditional broadcasting policy, namely that the frequency shortage limits the number of channels available. Fibre optic systems will eventually be able to offer an almost limitless number of channels and even more modest coaxial wideband systems in the USA can readily provide 50 channels. In the short term, however, deregulation would probably lead to only a gradual growth in the number of channels because existing UK cable systems have limited capacity (see para 3) and programme material might not be readily available for providing more than one or two extra services. The lightweight regulatory framework which might be appropriate for 20 extra channels might not be sufficient for two.

(b) The influence of television on the viewer is the same whether his picture arrives by cable or from his own aerial. If there are 'intimacy of the medium' arguments for having special supervisory arrangements for what goes out over the air they are also valid for cable services.

(c) Subscription is the method of finance adopted for the current cable experiments and may prove successful as it has in the USA. It is also one of the options for financing a direct broadcasting by satellite service. We suspect, however that additional means of funding are needed beyond a certain number of channels. In the USA a single subscription may pay for access to more than one channel and attractive packages are designed to encourage subscribers to pay a higher rate entitling them to yet more channels but it seems that the market will not usually bear more than 3 levels of fee. Advertising is the most obvious alternative means of raising revenue and it is unlikely that cable could expand beyond a certain point if no advertising were allowed. This would have major consequences for

ITV and for independent local radio. Other means of finance would be available if direct sponsorship of programmes were allowed and if groups funded by for example, charities or local authorities were given access to the medium but sponsorship or political funding raise wider policy issues and charitable and other non-political and non-commercial funding would probably not be sufficient to support many services.

(d) It is much more expensive to reach the whole population by cable than by transmitters. Even to cover half the homes in the country (ie those in the larger urban areas) would cost around £2½ billion according to the report of the ITAP Working Party on Cable. Given that no public money is currently available for cable the likely growth of the 8% of television households currently connected to commercial systems will be gradual. Most of the population including all those outside the larger towns are therefore going to be dependent on public service broadcasting for the foreseeable future. The fear is that cable may gradually impoverish these services by siphoning off material that would otherwise have appeared there. The current subscription experiments rely mainly on feature films which are too recent to be allowed on BBC or ITV, but in time thriving cable operations could buy up other films which the broadcasters would have wished to show as well as rights to sporting events, plays and operas. We could do something towards preventing the buying of exclusive rights to major national events, but a gradual increase in programme material costs. In the short term the existing broadcasters might make money by selling archive material to cable systems; in the long term they could lose some of their public service motivation if it became more profitable to make new programmes for cable than for the public network.

(e) A cable operator would in practice usually have a local monopoly. If he were to own the cable, provide his own programme channels, decide which if any of the existing broadcasters' services he would relay and determine which if any other programme services he would allow on his cable his power would be hard to control. In particular it would be difficult to penalise him for any breach of such duties as might be imposed on him by his licence to operate because the ultimate sanction of closing down the system would be politically impracticable. In the subscription experiments the cable companies have been allowed to provide programmes themselves, but a more general deregulation would raise the question whether certain controls were necessary to guard against excessive monopoly power.

(f) A Government announcement will be made shortly on direct broadcasting by satellite. The UK may well go ahead with a service of initially 2 channels in 1986. One of these channels would probably carry a subscription service which would be similar in nature to what the current cable experiments are offering. There is some force in the argument that DBS would secure a faster audience growth through cable systems than if it had to rely exclusively on individual reception. But while this would mean that the decline of cable would be to the disadvantage of DBS, a rapid growth of cable channels now could mean that some of the subscription market might already have been tapped before DBS starts in 1986.

(g) The introduction of DBS and of other quasi-satellite broadcasting services (such as the Russian 'Gorizont' and Mr Brian Haynes' STV Ltd which do not use frequencies allocated to broadcasting) raises the whole question of international overspill. Although Benelux viewers and others living relatively close to national frontiers have become used to being able to receive certain foreign television channels, television has developed in Western Europe as a basically national or even sub-national service. The financial and regulatory framework varies from country to country reflecting the particularities and policy options in each place. With satellite broadcasting overspill is no longer a marginal phenomenon. It opens up the possibility of advertising-financed services which deliberately seek to reach a foreign audience. In the longer term an 'open skies' policy may prove inevitable and could in fact bring a number of advantages but there is much anxiety in Europe about the consequences of this in the short term and there are likely to be negotiations aimed at preventing the sudden undermining of national broadcasting structures. For technical reasons overspill poses a much more immediate threat where widespread distribution is possible over cable systems. Our geographical position and low cable penetration make us less vulnerable to overspill than most other European countries and could give us more time to evolve our existing structures but we would lose some of this advantage if cable systems were completely deregulated.

(h) Our existing structures give no scope for religious or political groups to control broadcasting channels. In the USA a number of cable channels are run by religious organisations and others by local authorities.

Pressure for similar freedom would mount in the UK if cable systems developed. Although at the moment the commercial operators have expressed their willingness to provide politically and religiously impartial services they would soon sense the economic reasons for a change of view if they had spare channels and groups willing to lease them. It is arguable that, if there were sufficient channels for everyone to have a fair crack of the whip, then there should be no restriction on politically or religiously committed programme services. However this would mark an historic change in the nature of British television, and it remains arguable on the other side that television is a peculiarly influential and intimate medium and that it would not be desirable to depart from the requirements of political and religious neutrality.

(i) Existing broadcasters are required to provide a range of programmes on each channel. No such objectives exist for the cable subscription experiments and in a situation where there was a multiplicity of outlets it is hard to see what justification there would be for requiring all services to provide balanced and wide-ranging services: the future must be in some specialisation. Certain specialised services, for example sports channels, could be highly profitable. The ITV companies (and possibly the BBC) would be disadvantaged however if they were required to continue to provide a proper balance and wide range of programmes while their cable competitors were freed from these obligations. However, to discard these obligations in relation to the BBC and the IBA would be to discard a major element of public service broadcasting.

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The Way Ahead

12. The choice is not a simple one between the historically limited role of cable and total deregulation. For the establishment of the subscription television pilot schemes is itself an indication, albeit insufficient for the cable companies, that the Government intends them to have wider opportunities in the future than in the past: it would be difficult to go back on that. Moreover that message is likely to be reinforced when the Government shortly makes its announcement on DBS (para 11(f) above): for it would be natural and desirable to take that opportunity of reaffirming that the Government sees cable as playing an important part in distributing DBS programmes. Nor, to go to the other extreme, is unqualified deregulation a practical proposition, since that would lead to the country's public service broadcasting traditions being eroded and gradually crumbling, with the inevitable impoverishment of the service available to those members - the majority - of the population who will continue to rely on off-air services. Moreover, unqualified deregulation would be likely to result in major political controversy of a kind which would make the future of cable less certain and commercial investment decisions more difficult. The way ahead lies in the middle ground of a measure of deregulation which, at best, could give the industry the encouragement it wants while giving the broadcasters and public opinion time to adapt to a changed situation.

13. In charting the way ahead a number of difficult questions need to be answered:

- (a) Should the number of channels be limited? The current pilot schemes involve only one extra service and then only in certain areas. The impact on existing broadcasting and future satellite services depends to some extent on the number and nature of the cable channels. However industrial, commercial and telecommunications considerations may point to the re-engineering of existing cable systems and the introduction of new systems with as large a channel capacity as possible.
- (b) Should the cable operators still be obliged to relay BBC and IBA services? In the USA cable operators have to relay the network services as well as the additional channels and there is a case for a similar requirement and for not letting the operators pick and choose. (If they were to be allowed to do so questions of payment for copyright would need to be resolved.) But given the limited

capacity of existing systems it might be necessary to have a moratorium for a number of years during which the relay obligation would be relaxed provided the operator undertook during this period to re-engineer his system and meanwhile made other arrangements for enabling the subscriber to receive the public services off-air. There might also be a case in the longer term for requiring channels to be made available, as they are in the USA, to community and other local groups.

- (c) Should overseas interests have a free hand? The IBA are required to ensure that programme contractors are from the UK or the European Community (as the present problems over Central and the purchase of ACC illustrate). There is no doubt that transatlantic companies would move into cable over here if given the chance. Their experience and financial resources would give them a strong position in relation to existing UK cable companies.
- (d) Should the cable operator be allowed to provide his own programme service or should he act as a common carrier? There are strong arguments for separating the two functions (though this has not been done for the limited pilot schemes) (see paragraph 13(e) above).
- (e) What sort of supervision should there be? Self-regulation would not command general public confidence. The choice therefore lies between leaving supervision to the Home Office (which is open to the objection that it involves the Government in programming decisions) entrusting it to the IBA (where there could be a conflict of interest) and creating some new supervisory body, tailor-made for the regulation of cable. Although such a body might be established extra-statutorily for a temporary period, it ought fairly quickly be placed on a statutory footing. Legislation would be required to extend the functions of the IBA.
- (f) What programme standards are to apply in respect of decency, and political and religious impartiality? These standards have been applied to the pilot schemes of subscription television and there seems every reason to maintain them in relation to any expansion of cable.
- (g) Should the cable operators be required to provide a proper balance

and wide range of programmes? This requirement, which is perhaps one of the most important features of public service broadcasting, is justified all the while broadcasting outlets are scarce. In the DES context it has been recognised that it would be difficult to justify the full application of the requirement, and the same seems likely to be true of cable services - though there may be a case for some more limited requirement.

- (h) Is advertising finance to be permitted and if so what limitations if any are to apply? Currently the cable companies are mainly interested in being allowed to provide subscription services but the ITAP Working Group see advertising as an integral part of the expansion of cable. The cable companies (and advertisers) may be expected sooner or later to press for permission to carry advertising. However, the consequences for ITV, the new fourth channel and the Welsh Fourth Channel (which come on the air later this year), independent local radio and local newspapers depend on how much advertising, if any, is permitted on cable. The financial structure of British commercial broadcasting, including the levy which the Government imposes on its profits, is based on its monopoly of selling advertising time. There are strict rules on the number of minutes of advertising and the number of advertising breaks allowed in each hour of broadcasting, on the nature of the products which may be advertised and on the standards and techniques of the advertisements themselves. The IBA are statutorily responsible for ensuring that these various requirements are observed. It would be difficult to justify applying less stringent conditions to the cable services. From the point of view of protecting public service broadcasting there are powerful arguments for not allowing advertising on cable at all; and certainly not until the expiry of the current ITV contracts in 1990: the companies applied for these contracts on the basis of regional television advertising monopolies and would regard it as unfair if the basis on which they applied were changed. Moreover the companies would argue with some force that if they were to compete with cable for advertising revenue they should be released from the requirements of proper balance and wide range in order to be able to compete on equal terms. The removal of this obligation from ITV (and ILR) would remove one of the most important elements in the public service nature of the services they now provide.