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Secretary of State for Trade and Industry

8 February 1985

The Rt Hon Leon Brittan QC MP
Secretary of State for Home
Affairs
Home Office
50 Queen Anne's Gate
London SW1

D. Leon.

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DMS
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PROSPECTS FOR THE CABLE INDUSTRY

Thank you for your letter of 30 January. The Cable Authority's perceptions of the mood of the cable industry coincide with ours. Morale has been low, but partly self-inflicted. The industry itself now appears to recognise that by reacting so strongly to the loss of capital tax allowances it has deepened the gloom and turned away potential investors. Some within the industry have endeavoured to convey a more optimistic message, but as you rightly say it has not been interpreted and reported in that way. We intend to use opportunities as they arise over the coming weeks to reaffirm the Government's wish to see cable succeed, but without moving from our declared policy that this new high risk industry must be privately financed and market led.

2 The ITAP report, should it be made public, may present one such opportunity to reaffirm our commitment. There is a danger also that it might prove counter-productive from this point of view, since it will raise the industry's expectations of Government help which might then have to be dashed: more gloom would result. That would be most unfortunate because the industry does now seem to be poised to move ahead on the pilots and to embark upon the Cable Authority's first round of franchising. Firms set up to provide equipment and services need orders and revenue if they are to stay in business. A further hiatus at this time would be damaging. I hope that this aspect will be borne in mind when the question of publication of ITAP's findings is considered.

3 It is our intention to release the fourth, and hopefully final, full draft of the telecommunications licence to the pilot applicants and industry representatives during the next few days. I agree with you on the psychological importance of completing the

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licensing quickly, although I understand that financial and equipment difficulties have been the determining factor of progress by the pilot projects rather than the absence of licences. The speed at which these are now agreed is largely in the hands of the pilot applicants.

4 Negotiating the licences has proved to be very complex in order to ensure that appropriate obligations are placed upon and accepted by cable operators and that anti-competitive practices are avoided: the role of BT required particularly careful consideration and long negotiation. Achieving a satisfactory balance between fostering advances in technology (and services) and imposing unacceptable economic burdens on cable operators has been equally difficult. However, having done it for the pilots the process for subsequent licensing rounds will be much easier.

5 I am sending copies of this reply to the Prime Minister, to the Chancellor of the Exchequer, to the Secretaries of State for Scotland, Wales and Northern Ireland and to Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read 'Norman Tebbit', with a long horizontal flourish extending to the right.

NORMAN TEBBIT

Broadcasting: Direct Broadcasting: A5.

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