

Mr. Nicholas Dsee:
The pm have in fact already
picked up (1). MGA

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From: J B UNWIN
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MR MONGER

cc for Information
Mr Norgrove - No 10
Mr Fairclough
Dr Walker



EASTSIDE CABLE

I visited Eastside Cable on the Isle of Dogs today. This fulfilled a long standing commitment arising partly from my involvement in the formation of cable policy a few years ago, and partly from my more recent Chairmanship of MISC 131. The Managing Director, Mr Roger Marshall, is a friend from my earlier IT days who is pioneering an ambitious switched star system in the exciting docklands development area.

2. The company has secured adequate financial backing from the City and is already achieving an encouraging penetration and retention rate. It is offering some 20 (mainly entertainment) channels, mainly from tapes but in part from direct satellite reception (they have two large satellite dishes), and prospects seem fairly encouraging. They are, of course, at the most difficult stage of operation. Once the initial debt has been redeemed, the low operating costs will offer a very profitable return.

3. Three particular points, however, struck me during my conversations there:-

(i) the company is situated right next to East Quay Station on the new Docklands Light Railway (DLR). We could see the smart new driverless trains going past on trial runs only a few yards from the office window. I was told, however, that the DLR will be hopelessly inadequate for the likely traffic requirements of the new development. It is constrained by design to a maximum of 3,000 passengers an hour. The trains, for example, are only

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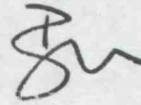
two coaches long, which is the maximum length of the stations. The track and bridges would also need to be strengthened to take heavier loads. Expected employment coming into the new area, however, is around 57,000. Since the main approach roads (on present plans) will also be inadequate, it looks as if there could be a serious commuting problem. The main reason appears to be that the DLR was first designed a number of years ago before the present docklands development was foreseen. It would now be a major and costly engineering job significantly to increase its capacity. If this is true, it makes very depressing news. I do not recall any mention of this potentially serious constraint in all the many papers and discussions on the docklands development during the past couple of years;

(ii) Eastside Cable have contracted with GEC for the supply and installation of their equipment. This is all at the top end of the cable technology range, with multi star switching points for each block of 50-100 houses. Roger Marshall told me, however, that they were being badly let down by GEC. Delivery of equipment was late, and there were many technical deficiencies. GEC were trying to put things right (I saw a number of GEC people on the premises), and had agreed to pay some compensation, but their performance was most unsatisfactory. The story reminded me, on a very much smaller scale, of much of the sad Nimrod history;

(iii) there was a good deal of criticism of Mercury. Eastside Cable have a particular interest in this, since they plan in due course to offer telephone as well as cable services on their network. The story was that Cable and Wireless are putting inadequate management and other resources into Mercury. The prospective scale of investment over the next few years is wholly inadequate to build it up as a remotely significant competitor to BT. Its current turnover is not much more than £50 million, and the general view was that, particularly under Cable and Wireless, its future is not very bright.

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4. Points (ii) and (iii) above were no surprise to me. Point (i) about the DLR was, however, new and, if true, very depressing. I think it would be worth taking a suitable opportunity to get the views of Department of Transport officials on this.



J B UNWIN