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(Special Adviser's Office)

Secretary of State for Trade and Industry

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Andrew Turnbull Esq  
Private Secretary to Prime Minister  
10 Downing Street  
London SW1

3 July 1984

Dear Andrew

DIRECT BROADCASTING BY SATELLITE

Following the Prime Minister's meeting on this subject on 1 May I thought that she would be interested in the outcome of a final meeting I chaired with representatives of the broadcasters, set manufacturers and Unisat on 13 June. I attach a full note of the meeting.

In summary, I was encouraged by the commitment of all those concerned towards the start of a DBS service in the latter half of 1987. Whilst a number of matters remain to be settled, it was agreed that these should not affect the start-date. Of most importance among these is the non-broadcasting element of the consortium, on which the IBA are due to make recommendations to the Home Secretary by the end of July. It is then hoped that once in place the consortium could come to a speedy resolution with Unisat.

I am copying this letter to the Chancellor of the Duchy of Lancaster, the Chief Secretary, the Home Secretary, Sir Robert Armstrong, Robin Nicholson, and David Pascal.

Yours sincerely

Keri Touh

pp J M STERLING [agreed by our Sterling and signed in his absence]





DBS : MR STERLING'S MEETING ON 13 JUNE 1984

Start date

Mr Sterling said that the necessary changes to the Cable Bill to provide for a DBS consortium were being made, and that the purpose of this meeting was to hear the views of participants on the prospects, in the light of this, of getting DBS operational around Summer 1987.

Mr Young reaffirmed the BBC's commitment to DBS, but said they were anxious that the transmission standard should be finally settled and that sets would be available in time, in the right quantity at the right price. Lord Thomson said that the IBA, and the BBC, would be discussing the legislation with the Home Office; the key issue to be settled was the third element in the consortium, for which there had been an advertisement with a deadline of 20 June. The IBA would, after consulting the BBC and ITCA, meet on 18 July to decide on a recommendation to the Home Secretary, whose final decision it would be. Mr Fox expressed ITCA's enthusiasm for the new DBS proposals.

On the DBS transmission standard, Mr Willott said that France was now expressing enthusiasm for the MAC standard, provided this was duo-binary (D2) MAC, which was better adapted for relaying on cable systems; discussions were taking place on the possibility of achieving compatibility, if not commonality, with C-MAC. As their acceptance of MAC was thus conditional, they had given no indication as to when they might switch to MAC from their initial SECAM service. It was hoped that Germany might yet follow the UK and bring France with them. Mr Cohen of Mullard said that compatibility might involve some minor change to the C-MAC specification; but it would be possible to make a chip-set which could be software-driven to adapt to the different standards. In response to a question from Mr McCrirrick, he said that this would not affect the capability of the C-MAC standard; any effect on timing would depend on a variety of other factors. Mullard's commitment to the development of the chip was however not in question. Mr Timsley of Plessey confirmed that the development of chips and sets was achievable in three years.

Mr Sterling, summing up on this point, said that it now seemed clear that the UK's decision to go ahead on its own terms held out the best prospects, not only for a UK service, but of bringing others into line behind us. This did not rule out making any minor changes necessary to achieve compatibility with others, if that were possible, but it was important that we did not slow down our own programme in the hope of securing agreement with other countries.





### Receivers

Mr Sterling next sought the set manufacturers' views on the timing and availability of sets or converters. Mr Norman said Thorn-EMI could expect to be in production in three years, and up to full capacity by the end of 1987 - several thousands of sets per week.

Mr Cohen said precise numbers would depend on the yields of chip sets, but he envisaged output rising to several tens of thousands per week by Autumn 1987. Mr Timsley confirmed that a realistic target was 100,000 converters or receivers on the market by late 1987. Mr Grainger said GEC had as yet made no decision on whether to manufacture the receivers.

Sir Clive Sinclair expressed an interest in entering the market with an adaptor selling for about £100, but saw this as a short-term market, and only an intermediate step to providing sets, which he considered, in order to sell, would have to offer the additional feature of higher aspect ratio - a 5X3 display as against the present 4X3. It was however important that there should be enough broadcast material using this format; and the broadcasters pointed out that this was limited to films, as adopting it more widely would mean changing studio equipment. They also expressed doubts about being able to offer a service satisfactory in both formats. It was felt that this might be the next step after the enhancement offered by MAC, and that adding another element now would create additional problems. Mr Andrews of the National Rental Association pointed out that at least half the viewers to start with would be using adaptors on their existing sets and that the build-up of set sales might be inhibited if it were necessary to have a second set. Sir Clive however felt that people would be more likely to buy sets if they offered films at home nearer to a cinema standard, and that a 4X3 picture could easily be shown on a 5X3 set with the edges blank; whereas a 5X3 picture would still be acceptable on a 4X3 set. He was not asking for such a service to start in 1987, but for a commitment to it and the adoption of this format for MAC sets; but considered that, after the change to MAC, the chance to make this further change would not come again for many years. Mr Sterling pointed out that if people considered that such a change was in prospect in the not too distant future, this would depress demand for conventional sets. It was left that the broadcasters and manufacturers should meet separately to consider this further, but it was agreed that it was important work on this did not affect the start date. Other points which remained to be resolved in connection with the equipment were the software for the chips (rather than the chips themselves); and the encryption specification, on which it was agreed to form a working party of the broadcasters and manufacturers.





On the subject of the cost of the equipment, Thorn-EMI put the retail price, including taxes and installation, of dish, outdoor and indoor units and converter at £400, falling within perhaps eighteen months to £300; this gave a rental price of about £12 per month (to which the Budget had added 50p) - although as Mr Young pointed out, this would vary with different amortisation policies. Plessey put the ex-works price for the same package in volume at £225, falling in due course. GEC agreed with the price of £400. Sinclair expected to be able to offer the equipment for an ex-works price of £100. The National Rental Association had received a quote from Luxor for 100,000 units over two years of £185. It was pointed out that these figures would be reduced where there were communal aerials.

ITCA remained concerned at the number of sets that would be actually in place at the start of the service. Mr Moriarty pointed out that by 1987 there should be a substantial potential audience on wideband cable systems, which would be required by the Cable Bill to carry the DBS services. The meeting did not consider that there would be any additional problems in supplying sets for DBS reception over cable and the price of the units would be about the same, less the external units. In answer to a question from Mr Sterling, Mr Andrews said installation of sufficient units would not be a problem if the take-up could be adequately forecast, which in turn depended on the services offered.

#### Unisat timetable

Mr Gruneberg said he was encouraged by the enthusiasm expressed at the meeting, which was shared by the Unisat partners. The normal timescale from inception to handover of a satellite was three-and-a-half years, but British Aerospace and GEC were determined to improve on this to enable the service to start in the Autumn of 1987; he recognised the point made by Mr Cohen and ITCA that the service needed to start for the Autumn/Winter season, and that a few months' delay could mean a delay in the service of a year. To that end, Unisat were anxious to start discussions with the new consortium.

Mr Young hoped that these discussions could start with the IBA representing the interests of the third partner, who would have to accept, to some extent, the arrangements which were already in place. Lord Thomson however felt it would be wrong to go ahead before the consortium, including the new element, had been formed. Mr Moriarty, outlining the procedures for finding the third element, explained that the IBA would, by the end of July, submit its advice to the Home Secretary; once he had made his decision, the detailed negotiation of the consortium would start. The Home Secretary was determined that the third element should have the opportunity of genuine negotiations over all the arrangements. However, as Mr Fox added, the detailed negotiation of the consortium could run concurrently with the negotiation with Unisat, the relationship with whom was in any case central to the consortium's nature. Mr Gruneberg, whilst hoping discussions could start earlier, recognised that there could be no commitment until the consortium was finally in place with the Home Secretary's approval; on the other hand, he hoped that soon after that



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there would be a consortium Chairman to whom Unisat - who could be ready with a contract very quickly - could talk.

In conclusion, Mr Sterling thanked all the participants, saying it appeared that matters could now be taken forward without a further meeting of this kind. In return Mr Young thanked Mr Sterling, and hoped he could be called upon again if it did prove necessary.

J L STARTUP  
PPU, DTI

19 JUNE 1984





DBS MEETING : 13 JUNE 1984

CHAired BY : MR STERLING

IBA

Lord Thomson  
Mr Whitney  
Mr Blythe (Chief Assistant to Director-General)  
Mr Witham (Assistant Director of Engineering Policy)  
Mr Salkeld (Head of Satellite Engineering)

BBC

Mr Young  
Mr Cotton  
Mr Milne (Director-General)  
Mr McCrirrick (Director of Engineering)  
Mr Holmes (The Secretary)  
Mr Taylor (Deputy Director of Finance)  
Mr Erwin (General Manager of DBS Development)

ITCA

Mr Fox  
Mr Shaw  
Mr Tessler  
Mr Green (Co-ordinating Engineer at ITCA)  
Mr Scolliday (The Secretary)  
Mr McCall (Managing Director of Anglia Television)

UNISAT

Mr Gruneberg

Home Office

Michael Moriarty

Thorn-EMI

Mr R F Eade (Director of Commercial Technology)  
Mr Norman (member of Thorn-EMI and Chairman of Consumer Electronics Division).





Mullards

Mr Cohen

DTI

Mr Leeming  
Mr Willott  
Mr Cobb

GEC McMichael

Mr Grainger

Plessey (Scientific Atlanta Ltd)

Mr Timsley (MD)  
Dr Keith Baugham

Sinclair's

Sir Clive Sinclair  
Mr Mike Pye

National Rental Association

Mr Bill Andrews (Chairman). (Also Managing Director of Granada Rentals).



BROADCASTING : DBS

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