

FILE

DA



10 DOWNING STREET

From the Private Secretary

5 July 1985

DIRECT BROADCASTING BY SATELLITE

The Prime Minister has seen the Home Secretary's letter of 1 July to the Secretary of State for Trade and Industry. She is content with the proposals in the letter, and in particular that an early announcement should be made in the terms suggested.

I am copying this letter to Joan MacNaughton (Lord President's Office), Rachel Lomax (HM Treasury), Andrew Lansley (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

(Mark Addison)

Hugh Taylor, Esq.,
Home Office.

sfw

PRIME MINISTER

DIRECT BROADCASTING BY SATELLITE

The Home Secretary's letter to the Secretary of State for Trade and Industry proposes that, now the DBS consortium has collapsed, the field be opened up to any contractors, without the obligation to use UNISAT. The Home Secretary's letter (Flag A) attaches a draft statement (Flag B) which he proposes to issue shortly.

The Policy Unit advice is at Flag C. They agree that the Home Secretary's recommendation is the most positive way forward from the existing mess.

Agree the Home Secretary should make a statement on the abandonment of the DBS venture; and the text of the statement at Flag B.

Duty Clerk
pp.

MARK ADDISON

4 July 1985

MR ADDISON

3 July 1985

DIRECT BROADCASTING BY SATELLITE

The DBS consortium has now collapsed and a year's lead on the competition gone. The Prime Minister predicted this in May last year, and it was obvious to all save the DTI by last Christmas. Leon Brittan is now proposing that the UNISAT monopoly should be abolished and the field opened up for all comers. A Robert Maxwell or a Rupert Murdoch would be able to put up his own satellite with IBA permission and sell directly to television watchers. This must be right.

In the light of the Peacock enquiry, the BBC have belatedly decided that DBS really forms no part of their business. Unfortunately, the possibility of legal action by UNISAT to recover the £50 million originally spent on behalf of the BBC remains.

The ITV franchises will now come up for renewal in 1989 instead of being extended automatically. Prospective ITV DBS consortia may indicate that they would still proceed if the DBS franchise were extended to 15 years. The Government should be prepared to consider this if definitive proposals are put forward.

The only thing emerging from this débacle are lessons for the future. Regulation and preferential monopolies should only be a last resort, not an instinctive response (particularly from a Conservative Government). DTI should be less concerned about trying to provide jobs for the space industry if the consequence is that prospectively far more jobs are lost in the television manufacturing and ground station industries.

Peter Warry
PETER WARRY



(A) MEA
QUEEN ANNE'S GATE LONDON SW1H 9AT

/ July 1985

Norman

DIRECT BROADCASTING BY SATELLITE

As you know, the proposed consortium for the joint venture DBS project, consisting of the BBC, the ITV companies and the five independents, held a plenary meeting on 13 June at which they came to a mutual agreement to abandon further work on the project. I have now received a formal notification of the outcome of that meeting from the Chairman of the shadow Satellite Broadcasting Board, Lord Thomson, with whom I held a meeting on 26 June to explore the issues further.

It is apparent that no one single factor was the cause of this decision. It seems that some members of the consortium were influenced by uncertainties created by the recent liberalisation of SMATV and direct reception from low powered satellites, by worries about the effect the Peacock Committee might have on terrestrial services, and, probably overriding both of these, an assessment following firm advice from their bankers that any satellite system, not merely the Unisat proposal, would at the present time be too expensive to hold out the chance of a viable business. Furthermore, in Lord Thomson's words, there was a general feeling that the tide upon which the project had been launched last summer had now run out. Our officials have already held a preliminary meeting, and over the next few weeks they will be taking stock of the position we have reached in our current DBS policy and reviewing the various options, as alternatives to the joint venture, for providing a UK DBS service.

One of the options that is already on the table, and to which Giles Shaw referred in a speech last March, is the scheme under section 37 of the Cable and Broadcasting Act 1984 for a DBS service provided by the IBA. Under these provisions, the IBA would let a contract to a 'DBS programme contractor', on much the same basis as it lets contracts to ITV companies for the terrestrial services. One thing we do not know at the present time is whether the failure of the joint venture project has dissipated all interest in a UK DBS service, or whether there are still organisations who have an interest in launching a DBS service, but under a different framework. I have therefore suggested to Lord Thomson that as part of the process of considering future options, the IBA might conduct a short review of the prospects for mounting a UK DBS service if these provisions of the 1984 Act were to be activated. In addition to eliciting the views of the IBA who would have to regulate such a service, this would additionally enable any commercial enterprise to express an interest and thus give us a feel for the commercial assessment of DBS in this country. It would have the further advantage of showing that, despite the collapse of the joint venture, the Government's policy - of providing opportunities for these developments if the commercial market for this is there - remains consistent and intact.

/Although as I

The Rt Hon Norman Tebbit, MP

Although as I have mentioned it appears that the joint venture felt that DBS was not sufficiently attractive commercially even if a non-British satellite were employed, it does seem that they found Unisat considerably more expensive than the alternatives. Frustration on this point may have coloured the consortium's attitude and, if the assessment was fair, it may well have lessons for our space policy, though this is primarily a matter for you. However that may be, I am sure that in canvassing opinion the IBA should be free to make it clear that there is no intention to require a DBS contractor under the IBA model to use Unisat or a British satellite. I hope you would not dissent from that.

.... If you see no difficulty in pursuing this course, I would propose, so as not to lose momentum, to make an early announcement in the terms of the enclosed draft Parliamentary Question and Answer. I should be grateful to know your views within the next few days.

I am copying this letter to the Prime Minister, Nigel Lawson and Willie Whitelaw and to Sir Robert Armstrong.

Law,

Law

(B)

DRAFT ARRANGED PARLIAMENTARY QUESTION

To ask the Secretary of State for the Home Department, what action he intends to pursue in the light of the reported abandonment of the DBS joint venture project, and if he will make a statement.

DRAFT REPLY

In bringing forward the provisions in the Cable and Broadcasting Bill last year for direct broadcasting by satellite, I explained that the Government's role was to provide the necessary legislative framework and an opportunity but that, since no public money would be involved, it would be for the potential participants to decide whether or not to proceed.

The shadow Satellite Broadcasting Board, under Lord Thomson's Chairmanship, has now reported to me the outcome of the various feasibility studies undertaken by and on behalf of the proposed joint venture consortium. The consortium believes, in the light of these studies, that direct broadcasting by satellite would not provide a viable business for them at present and it has accordingly decided not to pursue the matter further.

I am grateful to Lord Thomson and his colleagues for their work on the shadow Board but since there is now no prospect of bringing into force section 42 of the Cable and Broadcasting Act 1984, and related provisions, I am asking them to bring that work to an end.

It is, in my view, right that no public money should be put into the launch of DBS and I remain convinced that DBS should proceed only if it is judged commercially viable without public subsidy. However, the Cable and Broadcasting Act 1984 contains the necessary statutory provisions not only for joint venture DBS, under section 42, but also for DBS to be mounted by a contractor under the aegis of the IBA. The Government believe it right that other enterprises should now be given an opportunity to consider mounting DBS. Accordingly I have

asked the IBA to carry out a review of the prospects for launching a viable DBS project under those provisions and of the degree of current commercial interest in providing such a service. In the light of that review, and of my consideration of other ways by which satellite broadcasting might be developed, I shall decide whether to bring the relevant provisions into force.