



QUEEN ANNE'S GATE LONDON SW1H 9AT

16<sup>th</sup> July 1985

(B)

*Norman*

DIRECT BROADCASTING BY SATELLITE

Thank you for your letter of 11 July. I am grateful for your agreement to the general way in which I suggested we might proceed, but I am afraid I see considerable difficulties about your suggestion that we can leave the crucial question of satellite provision on one side until the IBA review is completed.

It is true that the joint venture did not in the end founder because of the difference in cost between a British and non-British satellite, but, as I said in my letter of 1 July, the consortium clearly believed that the Unisat option was considerably more expensive. When I met Lord Thomson on 26 June, he confirmed that the analysis of comparative costs by Telesat and Warburgs had concluded that, when like was compared with like, the Unisat cost was 60-70% higher than that of Britsat. Incidentally, Lord Thomson also told me that the consortium's researches showed the foreign components in the Unisat space segment were as much as 60%, which added to their puzzlement at the Government's insistence on the purchase of a British satellite. Whatever the truth of the relative costs, however, I do not see a case for seeking to insist on a British satellite in any future project. If a British satellite were 70% higher in cost, there could be no justification for such a policy. On the other hand, if the British hardware is competitive with world prices, as you say, it will have a reasonable prospect of competing well against the foreign satellite providers.

/Our insistence

The Rt Hon Norman Tebbit, MP

Our insistence, last year, on the use of a British satellite was partly a sequel to the earlier and abortive agreement that the BBC should conclude a deal with Unisat. It was also very much dependent upon the nature of the joint venture; it was, in a sense, the price the existing broadcasters were asked to pay for being granted monopoly access to the United Kingdom DBS market. Since any future project under IBA control is to be open to any applicant who wishes to provide a service, there cannot be any justification for constraining both the IBA and the applicant by seeking to insist upon British satellite provision.

Whatever the consortium may have believed, there is a public perception that the high cost of Unisat in some way influenced their decision. We need now to create the right psychological climate to bring forward those who might be able to get a UK DBS project off the ground without undue delay. If we seek to insist on a British satellite, or give the impression at the outset that we are undecided whether or not to do so, some of the potential applicants we are seeking may be dissuaded from coming forward. We may be jeopardising the prospect of many thousands of jobs in the consumer electronics and television rental sectors for the sake of a limited number of potential jobs in the space industry.

Any potential applicant is bound to ask for guidance on this matter, and I think we must therefore be in a position to tell the IBA when it starts its review that the Government will not seek to require a DBS contractor under the IBA model to use a British satellite.

/I would

I would still hope that we could answer the proposed Parliamentary Question before the end of the Session but I would be very reluctant to do so with this issue unresolved.

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

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