



CF. P. 17/1986

KBPM

ccBG

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

26 February 1986

Dear Willie,

DIRECT BROADCASTING BY SATELLITE

You will recall that, following the collapse last summer of the plans to establish a direct broadcasting by satellite service run jointly by the BBC, the ITV companies and other private companies, we asked the Independent Broadcasting Authority to carry out a review of the likely commercial interest that remained in establishing DBS in the United Kingdom. The IBA reported to me last month that they believed there was sufficient commercial interest to justify our bringing into force the relevant provisions of the Cable and Broadcasting Act 1984 which establishes the framework for such a service under the regulatory control of the Authority. After discussions with Paul Channon and Geoffrey Howe, I concluded that action should be taken on the IBA's recommendation and I accordingly announced recently by Arranged Parliamentary Question that I shall be implementing the relevant sections of the Act and inviting the Authority to advertise for programme contractors for three DBS channels.

I emphasised in my announcement that the role of Government in this enterprise is merely to provide the regulatory framework which will create the opportunity for potential participants to proceed with a service. There is still no certainty that a potential applicant will be found who can meet the substantial up-front investment required and face the severe risks of embarking on a new enterprise of this kind. In line with our agreed policy on DBS, it will still be for the market to decide whether such a service will prove viable without public subsidy.

If contractors are found to mount a service, one effect will be to greatly extend the influence of the IBA in our broadcasting arrangements since it will then be responsible for five national television channels as against the two run by the BBC. I should point out, however, that two channels will remain of the five allocated to us under the arrangements agreed by the World Administrative Radio Conference in 1977, and that if the BBC should decide at a later date to enter the DBS field it would have power to do so under its existing Charter, though only, of course, if I assigned it the frequencies. A number of detailed points about the new service will have to be addressed in the process of agreeing with the IBA the terms of their advertisement. In drawing up the fine print, my officials will be working closely with those of the Department of Trade. The intention is that the new service will be transmitted in C-MAC following the decision that we took in 1983. This remains the preferred choice of the relevant industrial interests. But if a likely contractor wished for commercial or other reasons to broadcast in another transmission standard, for example D2-MAC, we would have the opportunity to reconsider our stance on this.

The Rt Hon Viscount Whitelaw, CH., MC.

/over....

Most of this is no more than the playing out of policy already agreed and incorporated in the 1984 Act. However, there is one specific point on which I need to obtain the agreement of colleagues. Section 38 of the Cable and Broadcasting Act 1984 provides that the DBS programme contracts now to be advertised should last for 12 years. Almost all those who spoke to the IBA during the review argued strongly that this period needed to be extended to 15 years to provide sufficient time for a contractor to produce a satisfactory return on his very heavy initial investment. The IBA accordingly recommended that such a change was important if sufficient commercial interest were to be attracted. I have therefore agreed with Paul Channon that we should make such a change, but it will have to be done before the programme contractor enters into his contract with the IBA. This means that I must ask for the agreement of colleagues in principle now to this policy change, which would require a brief Bill confined to an extension of the contract period from 12 to 15 years (though this might be in the form of a provision enabling me to specify the contract period). If colleagues agree, this proposition can then be written into the IBA advertisement of the contract in terms which refer to a Government commitment to make the necessary legislative change at the earliest opportunity. It would then be for QL somewhat later to consider timing and procedure, if a suitable contractor had emerged.

I am copying this letter to the Prime Minister, other colleagues in H, Geoffrey Howe, Paul Channon and Sir Robert Armstrong.

Yours,

Doyle.

