

PRIME MINISTER

UNISAT

The Home Secretary reports in his letter at Flag A that discussions are continuing between the BBC, the IBA and UNISAT.

In his letter at Flag B, Mr. Tebbit expresses some sceptism about the chances of reaching an early solution and, albeit reluctantly, <sup>argues</sup> agrees that "It would be right to investigate further the possibility of under-writing a part of the incremental cost". The cost involved is likely to be of the order of £20 million <sup>over</sup> of the first three or four months of 1984.

The Policy Unit advice at Flag C is firmly against any under-writing of UNISAT's future costs. They suggest in addition that there is a need for a proper evaluation of the issues, and of the implications for satellite broadcasting raised by both DBS and cable.

Agree a response to Mr. Tebbit along the lines recommended by the Policy Unit?

Yes no

D.B. Clerk

P.P. D.B.

21 December 1983



QUEEN ANNE'S GATE LONDON SW1H 9AT

Prime Minister

21 December 1983

To note that discussions  
continue ~~and~~ between the  
BBC, IBA and Unisat.

*Norman*

*Done  
21/12*

Thank you for sending me a copy of your minute of 15/December to the Prime Minister.

Since sending it you will have seen, from the Press and from the note which my Private Office sent to No 10 on Friday, 16 December, that the BBC Board of Governors have decided to continue to explore all possibilities of keeping their DBS project going. In fact there have already been exploratory discussions between the BBC and IBA, between the IBA and Unisat, and between the BBC and Unisat. All this is welcome evidence of a desire on all sides to sustain the project. All concerned are aware of the need for a speedy resolution.

As you know, I share your hope that it will prove possible for the BBC, a partner and Unisat to agree on acceptable terms to all concerned for the continuance of the project; and I am encouraging all parties in that direction. However, in this rapidly moving situation I am sure that it would be premature to decide now what to do if these efforts proved unavailing. So much would depend upon the circumstances in which those involved had failed to reach agreement; how each then read the situation; and what in the changed circumstances seemed the right course in the interests of DBS, and of all concerned. However, I am confident that the BBC fully understand that, in the event of their negotiations with Unisat coming to nothing, they could not simply continue with a new satellite provider; the situation as a whole would need to be reviewed.

I am sending a copy of this letter to the Prime Minister, the Lord President, the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer, and to Sir Robert Armstrong.

*Norman*

Broadcasting : First Broadcasting # 4



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Secretary of State for Trade and Industry

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COMMERCIAL IN CONFIDENCE

21 December 1983

The Rt Hon Leon Brittan QC MP  
Secretary of State for the Home Department  
Home Office  
50 Queen Anne's Gate  
LONDON  
SW1H 9AT

Prime Minister

Mr Tebbit suggests "further investigation" of the possibility of underwriting some of Unisat's future costs (£20m over the next few months).

Policy Unit recommend against this (see note at A). Agree we respond as they suggest?

D. Leon

BBC : UNISAT

I have seen both Mr Young of BBC and Sir Tin Pearce on Monday and Tuesday to discuss BBC and UNISAT. Both have made clear that there is very little room for manoeuvre. The BBC has Counsel's advice that they have no contractual obligation towards UNISAT, and in the light of this believes it would be wrong to meet any of UNISAT's costs to date. UNISAT, for its part, has comparable but conflicting legal advice, to the effect that it has a claim on the BBC.

2 As I now understand it from Stuart Young, the BBC is prepared to go ahead with UNISAT in conjunction with the IBA, provided that the BBC and the IBA are guaranteed that no satellite system is subsequently licensed for the life of UNISAT (that is until the mid-1990s). It will take some months to discover whether such an arrangement can be arrived at, even with the most active work by all concerned. In the meantime, we are faced by a period of uncertainty while the BBC and IBA consider their position. During this period, which might reasonably be expected to be at least three months, there will be a problem of financing. The BBC has made clear that they are not prepared to pay for UNISAT's continuing expenditure during this period; and UNISAT for its part made clear that it is not prepared to invest more. Both have looked to Government to see whether any underwriting would be possible in respect of this additional expenditure. It would be clearly necessary to distinguish between the cost to date, which must be met by either or both of the BBC and UNISAT, depending on how the legal argument is resolved, and the future costs.

Dave  
21/12



3 The cost involved, even assuming that the UNISAT programme is delayed to reduce costs so that the satellite would not be launched until 1987, when receivers will be ready, would be some £20 million for the first three or four months of 1984. I see every reason to put severe pressure upon both the BBC and upon UNISAT to recognize that, irrespective of the eventual decision on the £50 million committed by UNISAT until December 1983, they should be prepared to fund the £20 million between them. I think there is no chance, however, that they will share this expenditure, and will look to Government for a lead in providing some form of underwriting of a proportion of this total cost. Clearly, I do not relish such a solution. I contemplate it only because it may offer a means of preventing the collapse of the DBS project. Clearly, I should have to be entirely convinced that, were the Government to underwrite any of the additional costs, we should not incur any liability in respect of the £50 million already spent. I do believe, however, that it would be right to investigate further the possibility of underwriting a part of the incremental cost, as a possible means of avoiding what could be an embarrassing and damaging conflict which would severely harm our policy towards satellite broadcasting. I am not sanguine about the prospect, against the very tight timetable we have, of succeeding. I do not believe, however, we should refuse to consider underwriting a defined portion of the future costs.

4 I am copying this minute to the Prime Minister, the Chancellor, and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Norman Tebbit'.

NORMAN TEBBIT

27 DEC 1983



21 December 1983  
Policy UnitPRIME MINISTERBBC: UNISAT

We see no reason why the Government should underwrite any of the future costs of UNISAT.

As DBS always was a commercial venture, we should continue to leave any decisions on financing to the parties involved. It is a good test of the future commercial viability of DBS whether or not the BBC and UNISAT are prepared to raise £20 million over the next few months.

The prospects for DBS will need to be carefully reviewed in the context of both alternative partners and the changed environment which has resulted from our policy on cable. It may well be that the most appropriate method of developing satellite broadcasting will be in conjunction with cable. This could best be carried out by leasing a dedicated transponder on a telecommunications satellite.


We should therefore avoid closing off any options which the BBC and the IBA wish to explore.

We also need to think very carefully before we guarantee that no other satellite system will be licensed during the life of UNISAT.

A soundly based commercial project for satellite broadcasting is our best chance of ensuring that the appropriate new technologies are developed. There is a large demand for the skills of UNISAT's staff and if the project were to be cancelled, we would still expect the UK to benefit from work on space communication.

We recommend that you should:

- (a) not agree to underwriting UNISAT's future costs;
- (b) ask for a proper evaluation of the issues and implications for satellite broadcasting raised by both DBS and cable.

DAVID PASCALL

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file



BF

10 DOWNING STREET

*From the Private Secretary*

22 December 1983

BBC AND UNISAT

The Prime Minister has seen a copy of your Secretary of State's letter of 21 December to the Home Secretary about the BBC and UNISAT.

The Prime Minister is not at all persuaded that there is a case for underwriting any part of UNISAT's future costs. She would be grateful if your Secretary of State, in consultation with the Chancellor of the Exchequer and the Home Secretary, could now put in hand a full evaluation of the issues involved, including the implications for satellite broadcasting of the Government's policy on cable.

I am sending copies of this letter to John Kerr (HM Treasury), Hugh Taylor (Home Office) and Richard Hatfield (Cabinet Office).

M. L. BARCLAY

Callum McCarthy, Esq.,  
Department of Trade and Industry.

Handwritten signature





10 DOWNING STREET

Prime Minister

A bleak report on the  
prospects for Unisat.

However, Unisat has its  
critics - and if it were  
to collapse, it could open  
the way for alternative  
proposals. You may for  
example recall the Bitsat  
proposal - an account of  
latest developments is at  
flag A. mt

Prime Minister

Michael Scholar put this to you just before he left, though it is not clear from the papers whether you had an opportunity to read it.

Summary of paper submitted to the BBC September 1983.

2 SUMMARY

DBS has far better market prospects than cable in the UK. The BBC has a once-for-all chance to pre-empt both cable and commercial DBS by mounting the first effective DBS channels.

page 5

Successful market entry by the BBC depends crucially on the reliability, timeliness and economy in satellite distribution

page 6

The BBC has to have absolute confidence that the satellite system will meet its full requirements on channel performance and on launch dates

page 7

Power output should be kept high, as there are no real economies in lower power and high standards of introductory customer reception are essential

page 7

The BBC needs to avoid being locked into any an uncertain project containing high technical risk

page 8

The BBC also needs to avoid forced compromises late in the satellite programme on performance or dates

page 8

Full contractual penalties should apply. There has to be total confidence in the system suppliers

page 9

Unisat has major disadvantages, stemming from the way the Government prompted its formation. There is conflict of role with the system suppliers acting also as system organisers, and with British Telecom as user and operator

page 10

The suppliers are out of their depth in DBS technology

page 10

Unisat represents a completely new spacecraft design as well as advanced new payload technology. This creates enormous risk of delay or technical compromise

page 11

The whole project was initiated on the basis of scant definition of the mission and no real estimation of costs

page 11

The suppliers are under heavy pressure on other programmes, especially from the European Space Agency who are staffed to insist on proper progress, and this conflicts with Unisat

page 12

By contrast the BBC has no such control on Unisat

page 12

There is virtually no chance at all that Unisat could meet the BBC requirement by autumn 1986. The BBC will therefore lose all its pre-emptive advantage page 13

It is now entirely plausible that the BBC could be delayed by being locked into Unisat, while the commercial DBS channels overtake with a US system page 13

The only sensible alternative is to organise a satellite system geared specifically and exclusively to the BBC's needs, with no question of dual mission for telecoms capacity page 14

The proposed alternative system would use an existing design of spacecraft that will be space-tested well before Unisat is theoretically intended to fly page 14

This eliminates the main project risk. The payload design and channel performance would be defined absolutely by the BBC page 14

There would be as high a level of UK content as applies with Unisat page 15

The alternative can proceed immediately, solely on the basis of commitment by the BBC page 15

The alternative would meet all the technical needs of the BBC, and the BBC would have a full window into the entire project page 16

The BBC would have all the normal contractual safeguards that apply in the world satellite industry, and if necessary even more stringent conditions on delivery dates could be applied page 16

The system would be organised by a UK-owned satellite operating company, and this company would give the BBC a lease on channels at a fixed price with no escalation through cost over-runs or inflation page 16

The system would have a 10 year design life, with options for the BBC to continue usage for any remaining life and to require provision of a follow-on system of identical performance page 17

Assuming no other usage of the system beyond the BBC channels, the fixed price would be twelve million pounds per channel year page 18

If other uses of spare capacity on the system arose, the channel price to the BBC would be abated. It is likely that this could lead to savings of at least seventy million pounds over the life of the system page 18

The equity composition of the satellite operating company would be structured to give the BBC the benefit of tax advantages. Several major UK companies would be willing in principle to join the venture to give financial and managerial backing page 19

Satellite project management expertise would be brought in as necessary on a contract basis page 19

At this stage neither British Telecom nor Mercury are intended to be involved, but if for political reasons this became necessary they would not have control page 19

Absolute confidentiality would be maintained in negotiations with the BBC, and it is fully recognised that careful political handling is essential page 20

If necessary, British Aerospace would be given the appearance of still leading the project, and would be likely to be major sub-contractors to ensure adequate UK content. Other major UK firms could also benefit page 20

These proposals can be discussed in detail with the BBC immediately, on a confidential basis. So long as final agreements were reached by December, there is absolute confidence of system launch by June 1986 page 21