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PRIME MINISTER

Direct Broadcasting by Satellite

You will recall the proposals for a joint DBS project circulated by the Secretary of State for Trade and Industry and the Home Secretary on 30 March. In the light of Policy Unit doubts about these proposals, you agreed to hold a meeting with colleagues.

Because of Ministerial absences during the recess, it has not proved possible to arrange this meeting before 1 May.

The Industry Secretary has now written (Flag A) to say that it is essential in his view to decide before Easter whether the project can be approved. This, however, would mean steamrolling substantial objections to this project from Lord Cockfield (see his minutes, flagged B and C).

It is just possible that the Industry Secretary may accept the compromise reluctantly put forward by Lord Cockfield in the last paragraph of his latest note. This involves no entrenchment of existing ITV franchises, and a reduction in the period during which the DBS joint project would be protected from competition. But it is more likely that Mr. Tebbit will say that both these elements are essential ingredients of his package.

The options are:

- (i) Endorse the Home Office/DTI package as it stands, overriding Lord Cockfield's objections.
- (ii) Support Lord Cockfield's compromise, in the hope that it will be acceptable to DTI and the Home Office.

/(iii) Defer

- (iii) Defer a decision until a meeting can be held - this might be possible in the week after Easter if the Home Secretary is prepared to be represented by Mr. Hurd.

Policy Unit advice is at Flag D. Agree with them to support Lord Cockfield's compromise, and say that if agreement on it cannot be reached then a meeting will have to be held at the earliest available date after Easter?

Yes - I agree with Lord C. very
strongly .
mb

Duty Clerk

PP David Barclay

12 April 1984

MR. BARCLAY

DBS

We support Lord Cockfield's compromise proposals as our best hope of extracting the Government from a thoroughly unsatisfactory situation.

The Government's position has always been that DBS is a commercial venture in which the assessment of risks and rewards is a matter for the market place.

The proposed joint venture may be the best commercial solution but this should not be dependent upon damaging departures from our general approach to broadcasting and competition policies.

We do not accept that a three week delay is crucial to the project's survival. If it is, this demonstrates the high risks involved and the need for Government to be completely distanced from the enterprise.

✓ If the proposed joint venture were to collapse, we believe that alternative market solutions would emerge. We do not consider that the survival of Unisat is essential for the development of UK space technology.

We recommend that the essential elements of a compromise solution should be:

1. to grant no concessions on the re-advertising of ITV terrestrial franchises in 1989. A discretionary system would in practice be no different from a formal extension.

/ 2. to limit

2. to limit the life of the joint venture to seven years, the life of the satellite systems.
3. to ensure third party participation in the joint venture and suitable opportunities for independent programme makers.
4. to minimise the period of protection for the joint venture before the UK's two remaining DBS frequencies are made available to competing DBS services.
5. to make clear that the Government will in no circumstances underwrite the costs of either Unisat or the joint venture,

DLP.

David Pascall
Policy Unit

12 April 1984

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10 DOWNING STREET

From the Private Secretary

13 April, 1984

Dear Andrew,

Direct Broadcasting by Satellite (DBS)

The Prime Minister has considered your Secretary of State's minute of 12 April about DBS, together with the minutes on the same subject from the Home Secretary and the Chancellor of the Duchy.

The Prime Minister agrees very strongly with the views expressed by Lord Cockfield, and supports the modified proposal which he puts forward in the last paragraph of his minute (i.e. no entrenchment of the territorial franchises, and a shorter period of protection from competition). She hopes that your Secretary of State and the Home Secretary will find this line acceptable. If not, the Prime Minister would wish to hold a meeting as soon as practicable after Easter.

I am sending copies of this letter to the Private Secretaries to the recipients of your Secretary of State's minute.

*Yours sincerely
Andrew Turpin*

pp. DAVID BARCLAY

Andrew Lansley, Esq.,
Department of Trade and Industry

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