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PRIME MINISTER

DIRECT BROADCASTING BY SATELLITE (DBS)

I understand that it has not proved possible to arrange a meeting to discuss the Home Secretary's memorandum of 30 March before 1 May. I have to say that I believe that we must reach a conclusion on the issues in the joint memorandum from the Home Secretary and me in advance of that date if we are not to run a substantial risk of the joint project failing.

2 Over two years ago the Government established as a policy for satellite broadcasting a national service using DBS frequencies under the aegis of the existing broadcasting authorities. The policy was to be implemented through a two-channel service provided by the BBC and somewhat later, two further channels by the IBA. Last Autumn the BBC-Unisat deal collapsed. Since then a new means of giving effect to our policy on DBS has been found, which continues to bring valuable industrial benefits to the UK through satellite and receiver manufacture. I am clear that at present there is no credible alternative means of giving effect to our policy. And if we wish to maintain our agreed policy, we must confirm before Easter to the participants that we will go

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ahead in the way set out in the Home Secretary's and my joint memorandum.

3 It is important to recognise that the project to launch DBS has suffered repeated delays, principally of course due to the collapse of the BBC/Unisat venture and the time taken (relatively short by comparison with the difficulties) in arriving at a new proposal. The launch of the satellite in 1987 is an integral part of the current proposal. Jeffrey Sterling who, as you know, has played a key part in enabling this proposal to be framed, has taken soundings on the timetable. On the basis of these, in relation to the critical path for satellite design and construction, chip design, and receiver manufacture, it is clear that a further delay of even 2-3 weeks may lose the chance of a 1987 launch.

4 It is the view of the satellite manufacturers involved in Unisat that, in addition, some form of Government guarantee will be needed to underwrite early development costs. Unisat have to get into top gear immediately to achieve a 1987 launch and will incur substantial costs before they have a contract with the prospective participants. These could amount to up to £85m by the end of the year. In view of the £50m costs they have already incurred arising from the failure of the BBC to proceed with the earlier proposal, I have a sympathy with their wish not to be left in a similar position.



5 But I am of the view that such a guarantee should not be given. This is a high-cost, and a high-risk venture.

Insofar as Government has to accept a price for securing its policy in relation to this, I believe that the terms of our memorandum are the furthest extent to which we should go.

But I view them as necessary to enable this project to have the chance to go ahead in the timescale proposed.

6 I hope that you will be able to agree to the proposals in the joint memorandum of 30 March before your visit to Portugal.

7 I am sending copies of this minute to members of E(A) and H Committee, and to Sir Robert Armstrong.

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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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