From: THE PRIVATE SECRETARY

CC DP

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HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

B/f to me
on 26 April pse.

18 April 1984

Dear David,

19/4

DIRECT BROADCASTING BY SATELLITE: JOINT PROJECT

Thank you for sending me a copy of your letter of 13 April to Andrew Lansley about the DBS joint project.

The Home Secretary agrees that a meeting will be needed in order to reach a decision on the proposal, and understands that one is to take place on Tuesday, 1 May. In addition to the reasons for urgency set out in Mr Tebbit's minute of 12 April, it now seems likely that Second Reading of the Cable Bill will be on Tuesday, 8 May, and it will be necessary to have policy proposals ready for announcement then.

Meanwhile the Home Secretary believes it may be helpful to offer the following comments on the two modifications of the proposals suggested by the Chancellor of the Duchy of Lancaster, at the end of his minute of 12 April, as a means of rendering the scheme more acceptable to him. First, as regards the period during which the proposed Joint Project would be guaranteed protection from competition, the Home Secretary is anxious that a competitive regime should not be postponed for longer than is strictly necessary, and has himself already been considering whether some shortening of the period proposed would be possible. At the same time, it has to be recognised that the object of the Joint Project - to establish a British DBS service on a firm footing - could be jeopardised if competition for audience and revenue had the effect of fragmenting them before they were surely established.

As regards Lord Cockfield's second point, regarding the terrestrial franchises of the existing ITV companies, it is important to appreciate that the proposal is <u>not</u> to "entrench" these in the sense that the possibility of a change of contractor at the end of the present franchise period is excluded. The proposal is simply to substitute, for obligatory re-advertisement of the contracts for 1990 onwards, the former arrangement of a discretion in the IBA whether or not to re-advertise. Thus the ITV companies are not guaranteed the renewal of their contracts, nor is the IBA prevented from re-advertising them - though it would not be obliged to do so if satisfied with a contractor's performance. The Home Secretary was persuaded, in the course of discussions with the IBA and ITCA

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regarding the possible shape of a joint DBS project, that without this degree of relief from the re-advertisement requirement the ITV companies could find themselves unable to participate, so that the project would collapse. The loser in that eventuality would not simply be Unisat; wider interests of a British DBS broadcasting service could be at stake.

I am sending a copy of this letter to the Private Secretaries to the members of E(A) and H Committees; and to Richard Hatfield (Cabinet Office).

Yours ever,

Christine Heald

MRS C J HEALD

David Barclay, Esq.

Broadcasting

RT4 DBS

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CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

25 April 1984

B/f to me tomorrow pm

Dear David

DIRECT BROADCASTING BY SATELLITE: JOINT PROJECT

Christine Heald sent us a copy of her letter to you of 18 April.

The meeting arranged for 1 May will no doubt discuss the possibility of shortening the period during which the Joint Project might be shielded from competition and whether that would seriously threaten its ultimate viability. The purpose of this letter is to put right any misunderstanding which may have arisen over the "entrenchment" of the existing terrestrial franchises.

It is of course true that to remove the obligation to readvertise would not preclude the possibility. But the very purpose of amending Section 19(4) of the Broadcasting Act would be to be able to relieve the existing franchisees of uncertainty. That would of course be made clear to Parliament and hence to the IBA and the companies, whose presumption clearly is that the relief will be used, to judge by the decisive importance they attach to it. That, in Lord Cockfield's view, is in practical terms more than enough to constitute entrenchment.

I am sending copies of this letter to the Private Secretaries to the members of E(A) and H Committees and to Richard Hatfield.

Yours ever

Sebastian Birch

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