



VC  
cc Prof Griffiths

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

11 June 1987

*Dear William,*

DBS

The Prime Minister has seen the Home Secretary's minute of 10 June about the position on direct broadcasting by satellite, and has commented that Ministers may have to discuss further. She would wish to be kept in touch with developments on this.

I am copying this letter to Private Secretaries to members of MISC 128 and to Trevor Woolley (Cabinet Office).

*Yours,  
David*

(DAVID NORGRÖVE)

William Fittall, Esq.,  
Home Office.

WFB



CP  
M. Pleck

PRIME MINISTER

MT  
We may have to  
discuss DBS  
further

Prime Minister<sup>2</sup>

DW  
10/6.

I am writing to let you know where matters stand on this project, which is now reaching a critical stage.

2. You will have seen press reports that BSB - the potential DBS contractor - has chosen an American satellite in preference to that offered by British Aerospace. It has done so on grounds of cost and timing: in particular it considered that only Hughes, the American supplier, would be able to ensure that the service could be operational by Christmas 1989, a crucial date to achieve high initial sales of receiving equipment. I am sorry to see this outcome, but we have made it clear that the choice of satellite supplier must be left to the commercial judgment of the DBS contractors.

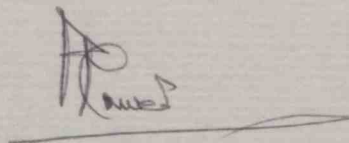
3. Despite moving ahead on the satellite front, BSB has nevertheless approached me with concerns about the viability of the project. It has argued that, owing to the competitive threat from multi-channel European satellite ventures, it will have difficulty in interesting consumers in a three channel satellite service and has requested that it be given now the additional two channels available to the United Kingdom. These channels were being kept in reserve until BSB's service had been operational for at least three years, in order to protect it from competition in its early days. BSB argues that if these channels are subsequently given to a competitor, they will reap the benefit of BSB's having established the market without having carried any of the initial costs and risks.

4. I see some force in BSB's position, but there are formidable obstacles to granting their request. Most notably, the IBA, whom I have consulted, consider, on the basis of legal advice, that they would be bound under the terms of the Broadcasting Act 1981 to advertise the additional two channels if these were allocated to the IBA. They could not engineer events

so that these channels were allocated to BSB, and they take the view that, if BSB considers that three channels are not viable, it should withdraw and the contract should either be awarded to one of the runners-up in the original competition, or should be re-advertised on the basis of a five channel service. Even if we thought it right to give BSB two more channels, I have no powers to overrule the IBA's decision on this, except by means of legislation. Such legislation would be controversial and difficult (it would perhaps be hybrid) and hard to justify.

5. The IBA has set a deadline of 30 June for concluding its contract with BSB and I think it important that we maintain pressure on BSB to meet this deadline. Otherwise there is a danger that the issue will remain unresolved for many months. The IBA have asked me to inform BSB as soon as possible of their view on the additional two channels, and this I have done. I will continue to keep you and others to whom this minute is copied informed of developments in this project.

I am copying this minute to members of MISC 128 and to Sir Robert Armstrong.



Approved by the Home Secretary  
and signed in his absence

10 June 1987

BROADCASTING - Direct  
Broadcasting  
Pt 6

