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Secretary of State for Trade and Industry

CONFIDENTIAL

17 December 1987

The Rt Hon Douglas Hurd MP
Secretary of State for Home Affairs
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

Prime Minister 2

DRS

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SPECIALISED SATELLITE SERVICES

As you say in your letter of 15 December I am considering some liberalisation of specialised satellite services. When the duopoly policy for telecommunications was enunciated in November 1983 we were careful to leave ourselves this option, even in the period before the duopoly itself is due for review in November 1990.

I also accept the points you make about BSB being one of the obvious contenders for a licence should we decide to liberalise, though clearly its claims need to be weighed carefully against the claims of others, British Aerospace for one, who also have a case to put forward. Indeed, before granting any licence I am obliged by statute to consult the Director General of Telecommunications whose advice on these matters I value.

First however I want to satisfy myself that any liberalisation we propose will not do unacceptable damage to Mercury Communications just as we approach the time when it should be moving forward from a loss making position. The prime purpose of the duopoly policy, after all, is to protect Mercury through its vulnerable start-up phase.

With my blessing Mercury has been actively considering its role in the satellite field and the extent to which it may be able to co-operate with others to provide more effective competition and user choice in this area. I have already asked Sir Eric Sharp to come in at the start of the New Year to report to me. I expect to bring forward my proposals for specialised satellite services



liberalisation very soon afterwards but do not want to commit myself to a specific line until I have heard what Sir Eric has to say.

Copies of this letter go to the Prime Minister and other members of MISC 128 and to Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read 'Lord Young of Graffham', written in dark ink.

LORD YOUNG OF GRAFFHAM

DW3DCF



BROADCASTING: Direct

Broadcasting

pt 6

