

*cc BTG.*



Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 3000

15 February 1988

Rt Hon Lord Young of Graffam  
Secretary of State for  
Trade and Industry  
1-19 Victoria Street  
London SW1H 0ET

*NBPM*

*PR16*

*16/2*

*[Handwritten initials]*

**SPECIALISED SATELLITE SERVICES**

Thank you for sending me a copy of your letter of 8 February to Douglas Hurd outlining the changes you propose to announce in the provision of specialised satellite services.

*Har*

I am writing to let you know that I am content with the proposals in your letter.

I am sending a copy of this letter to the Prime Minister, Members of MISC 128 and to Sir Robin Butler.

*[Handwritten signature]*

**NIGEL LAWSON**

~~Act~~

1205 asked for PG

CC PG

# dti

the department for Enterprise

The Rt. Hon. Lord Young of Graffham  
Secretary of State for Trade and Industry

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

Prime Minister

Content with  
the proposed  
announcement?

REC 6  
10/2

Department of  
Trade and Industry  
1-19 Victoria Street  
London SW1H 0ET  
Switchboard  
01-215 7877  
Telex 8811074/5 DTHQ G  
Fax 01-222 2629

Direct line 215 5422  
Our ref PS6ADL  
Your ref  
Date 8 February 1988

I should prefer  
a brief discussion.

PG

Mercury must not  
be weakened by this - or BT  
would have a total monopoly

*John Taylor*

### SPECIALISED SATELLITE SERVICES

*file with COP*

In my letter to you of 17 December 1987 I said that I was considering options for the liberalisation of specialised satellite services, which I would bring forward when Sir Eric Sharp and Sir Raymond Lygo had reported back to me on Mercury's discussions on a joint telecommunications venture with British Aerospace, and I had had an opportunity to hear the advice of the Director General of Telecommunications.

The discussion between Mercury and BAe have now come to an end but without agreement being reached. In view of the interest of a number of companies providing telecommunications services over satellites I intend to announce a measure of liberalisation. As I said in my previous letter, my proposals are intended to provide for the maximum amount of liberalisation consistent with our policy of protecting Mercury's position whilst it establishes itself in the marketplace. That is the approach we are committed to and the one which offers prospects of meaningful competition to BT.



the department for Enterprise

First, I intend to liberalise completely the use of all receive-only terminals on users' own premises. Users will not, however, be licenced to convey the signals received from their own premises. As reception dishes proliferate in number it will become impossible to police the signals which such satellite downlink dishes receive and with the safeguard identified above, this measure will not lead to any significant revenue diversion from Mercury or BT. I therefore intend to issue a class licence for receive-only terminals under the Telecommunications Act 1984, and to abolish the licencing requirements under the Wireless Telegraphy Act for all receive-only wireless telegraphy equipment with the exception, of course, of the Television Broadcast Reception Licence. Since consultation will be required on this latter point, it will not be discussed in detail in my announcement of this decision.

I also intend to announce that, provided suitable applications of sufficient quality are forthcoming, I will licence up to six operators in addition to BT and Mercury to run earth stations for the uplinking of satellite delivered telecommunications services in the UK only. The services I have in mind are third party point to multi-point services of all kinds, which is as wide a definition of specialised services as I can reasonably embrace. Interested parties will be given six weeks to respond to this announcement and then a further month in which to put their detailed proposals, following which the Office of Telecommunications will, if necessary, organise a competition for the selection of the successful licencees. Depending on the services they would like to carry it may be that some at least of those applicants would also need to apply for a Cable and Broadcasting Act licence. That would be a matter for the Cable Authority to decide in the light of its usual criteria. Clearly, there is no point in my authorising their uplinking of Cable and Broadcasting Act type services unless the necessary Cable and Broadcasting Act licence would be available to them.

It will be open to BSB, like any other potential licensee, to put forward its own proposals for consideration. As I said in my earlier letter, I believe that BSB can make a good case but it is right that its claims should be tested by comparison with other claims that are put forward. The same holds true for BAe.

I am aware that my decision to limit the uplink licences to the UK only will disappoint BAe (who were asking for a national and international two way point to point telecommunications licence) and others. It may lead to criticism from the independent satellite operators in the US who have been canvassing in vain for European partners. I have considered these points carefully, but I believe that any international service (particularly any two-way one) would pre-empt the review of the BT/Mercury duopoly which we have promised will not take place before November 1990 and would risk significant revenue diversion from Mercury. I am therefore firmly of the view that during the lifetime of the duopoly the provision of international telecommunications services must remain the province of Mercury and BT. We have long made our position clear to the Americans.

I intend to announce my decision, which interested parties are awaiting by means of a written Parliamentary Question, in the ... week beginning 15 February. I attach a draft of this. I would therefore welcome colleagues' comments by that date.

I am copying this letter to the Prime Minister, members of MISC 128 and the Secretary to the Cabinet.

*Jan 21*  
*David*

BROADCASTING : OBS PT 6



DRAFT STATEMENT

DRAFT TEXT OF SECRETARY OF STATE'S ANNOUNCEMENT - LIBERALISATION  
OF SPECIALISED SATELLITE SERVICES

Question - To ask the Secretary of State for Trade and Industry when he intends to liberalise the provision of specialised satellite services and if he will make a statement.

Answer - When outlining its plans for future competition policy in telecommunications in November 1984 the Government said it would keep under consideration ways of introducing new specialised services by satellite. I have been reviewing the position and intend to license receive-only terminals on users premises to receive all kinds of satellite delivered services, within the scope of the Telecommunications Act 1984, whether national or international, including voice, data, text and images. The necessary licences under that Act will be issued shortly after the end of the consultation period referred to below. However under these licences users will not be authorised to convey the signals received onwards beyond their own premises. I am intending to make a Statement shortly about the detailed implications of this decision for the licensing regime under the Wireless Telegraphy Act 1949.

I also intend to introduce more competition into the uplinking of specialised satellite based services. My present intention, provided suitable applications are forthcoming, is to license up to another 6 operators to provide point to multi-point satellite based third party services in the UK only, thereby providing more domestic competition for such services to BT and to Mercury. If more than 6 acceptable proposals to provide such services are put forward in a [1] month qualifying period to follow on the consultation period referred to earlier I shall ask the Director General of Telecommunications to advise me which of the applicants to license.

I am not, at present, considering permitting the uplinking of equivalent

international services. Because of the much more substantive revenue diversion implications for the existing PTOs during the period to which we are committed to maintaining the duopoly the time is not yet right for such proposals. But I do not rule out their provision in the future. The position will, in any case, need to be reassessed as part of the review of the duopoly due in November 1990. I shall return to the issue at that time.

Since the liberalisation I am announcing represents a significant new departure in a fast growing and potentially exciting area of communication I intend to allow a [6 week] consultation period for interested parties to comment on them before settling the final details.

Broadcasting  
JBS P. 16