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

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Prime Minister

This responds to the concern you expressed
when you saw the earlier paper at the weekend.
Given the pressures on your diary (you are not
seeing Lord Young this week) are you now
content to agree in correspondence?

Dear Paul

Yes Mr

PRC6

15/2

SPECIALISED SATELLITE SERVICES

8/2

You told me of the Prime Minister's concern that we should not liberalise specialised satellite services in a way that would harm Mercury. Lord Young shares that concern and his proposals are designed to have a minimal effect on Mercury's revenues.

The proposal to license a limited number of one-way point to multipoint services in the UK will encourage the development of a new market but will not displace the two-way services Mercury is there to provide. On the other hand, Lord Young has rejected the suggestions from British Aerospace and others that we might permit certain two-way services. It is now technically almost impossible to distinguish between voice and data and any two-way services could serve as a direct substitute for the basic services which BT and Mercury currently provide. He has also rejected the idea of international one-way services, which would be more open to abuse and more difficult to police than domestic ones.

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Lord Young is also proposing to liberalise receive-only satellite downlinks. As dishes proliferate, it will become impossible to police their use. But the license will not permit signals to be transmitted on from the premises on which they are received: this safeguard means there will not be significant revenue diversion from Mercury.

... Lord Young thinks it would be worthwhile to restate the commitment to the duopoly policy at the same time as announcing any liberalisation of specialised satellite services. I am enclosing a redrafted written reply and would be grateful for any further comments the Prime Minister or colleagues may have on it.

I am copying this minute to Private Secretaries to members of MISC 128 and to Trevor Woolley.

Yours

Jeremy Godfrey

JEREMY GODFREY
Private Secretary

SPECIALISED SATELLITE SERVICES - DRAFT WRITTEN ANSWER

Question

To ask Her Majesty's Government whether they intend to liberalise the provision of specialised satellite services and how they view such services in relation to the telecommunications duopoly.

Answer

The Government remain committed to the duopoly policy in telecommunications which was announced in November 1983. The Government made clear then that it did not intend to licence operators other than BT and Mercury to provide the basic telecommunication service of conveying messages over fixed links whether cable, radio or satellite either domestically or internationally. This position will not be reviewed until November 1990.

The Government also made clear that it would give consideration to ways of introducing new specialised services by satellite. I am now proposing a degree of liberalisation in this area. Before settling the final details, I am allowing a 6 week consultation period for interested parties to comment on the proposals set out below.

My present intention is to license up to another six operators to provide point to multi-point satellite-based third party services in the UK only. If more than six acceptable proposals are put to me in a one-month qualifying period after final proposals are announced, I will ask the Director General of Telecommunications to advise me which of the applicants to licence.

I am also intending to license receive-only terminals on users' premises. Users will be licensed to receive all kinds of satellite-delivered services within the scope of the Telecommunications Act 1984, whether national or international. A licence under that Act will be issued shortly after the end of the consultation period. The licence will not permit users to convey the signals received onwards beyond their own premises. I shall shortly make an announcement about the implications of this decision for the licensing regime under the Wireless Telegraphy Act 1949.