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(6)

PRIME MINISTER

7 June 1988

Transfer of Terrestrial Services to DBS

Douglas Hurd's minute asks you to agree to:

- (a) the content of the aide-memoire for discussion with BSB;
- (b) Douglas Hurd and David Young approaching the BBC and IBA as well as BSB.

(a) Aide-Memoire for BSB meeting

The aide-memoire consists of five proposals:

- (i) the introduction of a 5th Channel on UHF in the early 1990s;
- (ii) the introduction of MVDS on 2.5Ghz to boost cable system trunking: this will only last till 1992/3 as the spectrum used will be needed for mobile radio by the early to mid-90s;
- (iii) the possible move of C4 and BBC2 (but not S4C) to satellite;

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- (iv) the possible redeployment of BBC2/C4 frequencies to create new advertising based channels (possibly regional);
- (v) the possible exploration with other countries securing additional DBS channels.

This aide-memoire will be taken by the world at large as confirmation of a new policy towards broadcasting. No longer are we attempting to create a level playing field between alternative technologies but we are in the business of backing winners - namely satellite and cable, rather than MVDS.

The important objective of policy which underlies this is that national television channels should be broadcast via satellite, while regional and local services should use terrestrial or cable facilities. Most would accept the logic of this case.

These proposals also give strong backing for BSB and reflect David Young's belief that BSB is going to be a huge success. In his view the price of dishes will fall rapidly as the take-up of dishes is likely to be substantial.

This is a view not shared by other important players in the industry (e.g. Michael Green), and would seem to be very much a personal commercial judgement by David Young. It might be worth asking him to spell out the basis of his judgement a little more than has been done to date.

This proposal however will certainly act as a major boost to BSB.

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Recommendation

Agree to the content of the aide-memoire being discussed with BSB, provided you do not have second thoughts on giving a major boost to satellite and cable.

(b) Approach BBC and IBA with proposals

It is inevitable that once Douglas Hurd and David Young discuss the proposals with BSB, the ITV companies and the IBA will be drawn into the discussion; as will the BBC. BSB are not in a position to discuss an issue of such substance without consulting their shareholders: but their shareholders the ITV companies are directly affected by the proposals as well as being the indirect owners of C4. No proper evaluation of David Young's ideas can be done without use of the BBC computer and so it is inevitable they will be drawn in as well.

Recommendation

(a) Agree to Douglas Hurd and David Young talking to BBC and IBA.

(b) Be careful not to show sympathy with any of the other possibilities which Douglas Hurd suggests - such as increasing the BBC's licence fee in order to cover the costs of transferring BBC 2 to satellite.

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(c) It would be best if a public announcement were to be made following the meeting with BSB otherwise the press, especially at the weekend, will be full of rumour.

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