

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

COMMERCIAL IN CONFIDENCE

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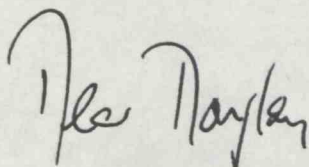
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DBS CHANNELS 4 AND 5

Thank you for your letter of 10 October <sup>with PG?</sup> about BSB's request that the moratorium on the allocation of DBS channels 4 and 5 be lifted.

I am encouraged by the more aggressive competitive stance which BSB are now adopting, and that they no longer feel the need for a protective moratorium. I welcome the prospect of the early introduction of further new services by UK DBS, and the further impetus this is likely to give to the take-up of new broadcasting technology. I am happy therefore that you should proceed as you propose.

I have seen Nigel Lawson's suggestion, in his letter of 17 October, that the IBA might require proposals to include a certain amount of subscription programming. Even though there is some prospect of infrastructure sharing with BSB, the new contractors will still be making a significant investment and I believe it would be right to allow them to decide their own mix of subscription and advertising. Given particularly that BSB will be putting a sophisticated conditional access system into the field, I would be surprised if subscription did not play a fairly significant part in most potential contractors' proposals in any case.

I am copying this letter to the Prime Minister and other members of MISC 128, and to Sir Robin Butler.

