



CBG

Await views of  
DTI, Clerks &  
FCO & return to  
me.  
on

PRIME MINISTER

DBS

You asked to be kept in touch with developments on this project.

2. After my minute to you of 10 June, I informed BSB that the two additional DBS channels could not be allocated without a new competition; and that such a competition would only be justified if it were clear that a three channel service would not be viable, in which case the right procedure would be to re-advertise all five channels. BSB appears to have accepted this.

at Hay

3. Lord Blakenham, on behalf of BSB, has however now raised two new issues with me. The context is that BSB's partners plan to sign the necessary documents forming the company on 10 July, with BSB going on to sign the formal contract with the IBA on 13 July. Lord Blakenham does not make it clear whether a positive answer to the points he raises is a condition for BSB proceeding, but it would clearly be desirable that they receive an answer one way or another before then.

4. First, Lord Blakenham asks that we should announce that the Government would not allocate the remaining two UK DBS channels until five years after the start of BSB's service. (He notes that BT and Mercury were given a seven year moratorium from competition, although the validity of that comparison can be questioned). You will recall that we have previously said that we would not consider the allocation of these additional channels until BSB had been operational

"for at least three years". The implication of that is that a new service would begin only some two or three years after the end of that three year period. Accordingly, I propose to do no more than confirm our original undertaking while explaining that in practice, because of the steps needed to bring such a service into being, this is likely to mean that the other two channels will not begin operating until at least five years after BSB starts.

5. Lord Blakenham has also pointed out that BSB will provide one of the first opportunities for a subscription service, for breaking the ITV's monopoly on advertising, and for widening the choice of consumers. In short, he reminds us of our hopes that DBS (with cable) will play a crucial part in leading to additional programme services and a more competitive broadcasting environment. He is worried, in the light of our Manifesto commitment, that developments in terrestrial broadcasting policy - such as subscription and new off-air services - may be allowed which will affect BSB's competitive position.

6. Our Manifesto said that we would follow a policy of more competition, variety and innovation in our domestic networks, and that we would allow the development of the broadcasting industry to take place wherever possible commercially. We are still developing our policy in the wake of the Peacock report. We aim to consider, for example, the future of subscription in the light of reaction to our Consultants' report, which we hope to publish shortly; and there are a number of other issues on which we are likely to want to make significant changes in the promised Broadcasting Bill. Clearly nothing can be said to Lord Blakenham which might tie our hands or throw our commitment to competition in doubt. Equally, it is clear that BSB are about to undertake a major project, with large initial costs and involving considerable technical and commercial risks and uncertainties. Moreover, it is a project which we wish to see succeed - both because of its contribution in broadcasting terms and because

of the industrial implications. BSB will be proceeding, unlike DBS services abroad, without support from public funds. Given the large and risky capital investment needed both for cable and DBS a policy of unrestricted competition is clearly not, at this juncture, a possibility. Against this background my own view is that it would be right to give Lord Blakenham the assurance that no significant changes will be made in the broadcasting environment without taking into account their possible impact on DBS, cable and the existing structure of terrestrial television.

7. It would clearly help BSB if I were able to reply before 10 July. Accordingly, unless you or colleagues dissent, I propose to respond to BSB on the lines mentioned above.

8. I am copying this minute to members of MISC 128 and to Sir Robert Armstrong.

*Douglas Hurd.*

15<sup>th</sup> July 1987

BROADCASTING - DBS 17-6

