



cc/BA

Prime Minister<sup>2</sup>

PRIME MINISTER

DBS

17/7

DBS

.... I was grateful for your and other colleagues' comments on the terms of my response to Lord Blakenham's letter of 30 June. I now attach a copy of the reply which I sent to Lord Blakenham on 10 July. When he received this letter, Lord Blakenham asked for a meeting with me to clarify the terms of the letter, and I met him on Monday afternoon. I enclose the  
.... record of that meeting.

You will have seen that BSB have now signed their Letters of Association, their contract with the satellite supplier, and their contract with the IBA. We understand that they have raised their first round of financing of about £222 million. The bulk of this will be required to buy the two Hughes satellites in orbit (£190 million, of which £62 million is deferred for some years) and most of the remainder (up to £100 million) for programmes.

BSB expect their cash flow to be negative until the fifth or sixth year. A second round, aiming to raise a further £400 million of equity finance, will be started shortly after the service begins. This will be required to pay the deferred payments to Hughes, to purchase an additional satellite which will be needed from about the seventh year of the project in order to replace the first launched satellite, and to buy programmes.

A copy of this minute goes to members of MISC 128 and to Sir Robert Armstrong.

Douglas Hurd

17 July 1987