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CCBG

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18 September 1987

Prime Minister

JKW
18/9.

Dear Denis,

At the briefing yesterday morning the Prime Minister raised the question of what, if any, undertakings had been given in the past to cable and DBS operators about protecting them from competition.

On MMDS the position up to now is that one or two entrepreneurs, and others interested, have been told when they have come forward with schemes for MMDS that the Government does not propose to authorise the use of MMDS because it looks to cable and DBS for the emergence of new programme services. However, we do not think anything has been said to imply that that will necessarily always remain the position. Nor do we think that anything has been said in Parliament or elsewhere which would amount to an undertaking or a commitment to inhibit alternative technologies in the interests of cable or DBS. The Government has made clear, in the proceedings on the Cable and Broadcasting Act 1984, and elsewhere, that it looks to cable and DBS to provide additional programme services but this does not appear to amount to an undertaking.

In the case of DBS, the position was summarised in the Home Secretary's minute of 17 July to the Prime Minister. With that he enclosed a letter he had sent to Lord Blakenham on behalf of British Satellite Broadcasting and a copy of the note of the meeting he had held with Lord Blakenham and others from BSB. For convenience I attach further copies of these papers. As you will see the Home Secretary repeated the undertaking that the Government would not allocate the additional two DBS channels until BSB had been operational for at least three years. He rejected BSB's request that that should be extended to five years. In response to BSB's request that there should be some kind of undertaking about other developments on broadcasting policy, the Home Secretary made it clear that Government wished BSB every success and that it understood the commercial risk involved. He concluded by saying 'In considering any possible changes to the broadcasting environment we will give full consideration to the initial impact on all interested parties - DBS and cable operators, the terrestrial broadcasters and others - just as we would when considering major changes in any other policy area'.

In short, apart from the specific undertaking about the remaining two DBS channels, we think the Government is free to take any action provided that before doing so it takes fully into account the possible impact on cable and DBS, which it would no doubt in any case wish to do. Having said all that, it is no doubt an important consideration that a number of entrepreneurs have put at risk significant amounts of money in the case both of cable and DBS partly in response to Government's expectation that these technologies represent the way ahead. Although there are not specific undertakings which would be broken, there would no doubt be some sense of having been let down.

I am copying this letter, without enclosures, to Godfrey in Lord Young's office, and to MacDonald (DTI), Gilmore (Treasury) and Langdon (Cabinet Office).

Yours

Wilfred Hyde

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