

CONFIDENTIAL

MEETING RECORD

SUBJECT COMBATED.



File SA
cable

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

3 May 1988

Dear Philip,

BRITISH SATELLITE BROADCASTING

The Prime Minister met earlier this evening Sir Trevor Holdsworth, the Chairman of BSB. He was accompanied by Messrs. Simmons-Gooding and Grist.

Sir Trevor summarised the position reached in BSB's planning. They were on schedule to launch the satellites in August 1989 and hoped that programme transmissions could start the following month.

In further discussion the BSB representatives expressed their concern that conditions should be right when they come to raise the second main tranche of their financing. The £220 million they had already raised would cover the cost of hardware and the first few months programming. But during the course of 1989 they would need to arrange further financing of some £400 million to cover programming costs over the following 2-3 years. The business plan projected a position of cash balance by 1992 with the initial cash outlays being paid back by 1995. BSB's concern was that at the time of these financing discussions in 1989 they could point to a stable broadcasting policy framework. Specifically, they hoped that the Government would not make announcements about the allocation of extra-terrestrial channels on the 4th and 5th DBS channels until say 1992, with none of these channels being used until 1995. In short, while the BSB representatives insisted they were keen on a competitive environment, they wished to be protected from competition during their early years until their financing costs had been recouped.

In response the Prime Minister noted the BSB's comments but said she would give no undertakings. She urged BSB to take a positive view of the competitive advantages they possessed - for example having a 100 per cent 'footprint' and the relatively modest cost for customers of installing the small receiver dishes their services would require. She expressed confidence that BSB would be able to raise the second tranche of their finance.

CONFIDENTIAL

SA

It may be helpful to record two other points which arose in discussion. First, BSB said that they were putting out more work to independent producers than any of the other broadcasting networks, and they claimed to be getting an extremely good response from them. Second, BSB explained that their decision to restrict suppliers of their dishes to three manufacturers represented what they saw as an appropriate balance between getting adequate competition while still giving manufacturers sufficient reassurance about the volume of sales to enable them to keep their prices low.

I am copying this letter to the Private Secretaries to other Members of MISC 128 and Sir Robin Butler.

Yours sincerely,
Paul Gray

—
PAUL GRAY

Philip Mawer, Esq.,
Home Office