



Chancellor of the Duchy of Lancaster

PRIME MINISTER

THE DBS PROJECT

I am very perturbed about the way certain aspects of our policy on industry have been developing. My criticism of the terms proposed for the DBS project reflected this.

We came into Office convinced of the merits of the free market economy. We regarded competition as the spur to efficiency and innovation.

The forces of the free market and of competition offer no soft option. On the contrary they demand effort, hard work and frequently offer only an uncomfortable life. Compared with this the world of the Government glad hand has a certain superficial attraction. But all experience shows that progress is achieved down the path of competition: and that State interventionism leads only to uncompetitiveness and stagnation.

The argument that a venture will never get off the ground unless a monopoly is granted is the familiar argument advanced down the ages by all monopolists. But apart from exploitation of the consumer, it also frustrates new development by other people and hence removes from the monopolist himself the need and incentive to advance his technology, to improve his efficiency, to cut his costs. Nowhere are these effects likely to be more damaging than in the field of new technology.

The grant of a monopoly is a subsidy. It is paid not in cash but is taken surreptitiously out of the pockets of the people. Thus it escapes both scrutiny and control. But the price has to be paid and is paid.



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The BBC-Unisat venture was originally one in which Government was not directly involved. We have now been manoeuvred into a position where significant concessions are being demanded of Government. A Government guarantee will be the next demand, as the Trade and Industry Secretary recognises. He says that "such a guarantee should not be given". No doubt we can refuse now: but in a year to two's time we will be told that the venture will fail unless the Government do come up with the guarantee.

I can see no reason at all why the existing terrestrial franchises should be entrenched in the way proposed. To do so would be a major change in policy. To say as the joint Memorandum does that it is "unwelcome" surely is a massive understatement.

Moreover to offer a guarantee of exclusive privilege for a period as long as proposed - with the possibility of further extension - is as likely as not to cut us off from the prospect of other and more commercially viable development.

If the proposal to entrench the terrestrial franchises were dropped, and the period of exclusive privilege shortened so that other systems could come into the field without unreasonable delay - in short so that Unisat was given a head start but not a head and a length - I would regard this as a reasonable outcome of a very unsatisfactory situation.

A.C.

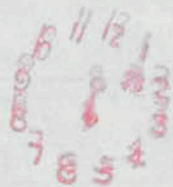
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12 April 1984

cc Members of E(A)  
Members of H  
Sir Robert Armstrong



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10 DOWNING STREET

*From the Private Secretary*

13 April, 1984

*Dear Andrew,*

Direct Broadcasting by Satellite (DBS)

The Prime Minister has considered your Secretary of State's minute of 12 April about DBS, together with the minutes on the same subject from the Home Secretary and the Chancellor of the Duchy.

The Prime Minister agrees very strongly with the views expressed by Lord Cockfield, and supports the modified proposal which he puts forward in the last paragraph of his minute (i.e. no entrenchment of the territorial franchises, and a shorter period of protection from competition). She hopes that your Secretary of State and the Home Secretary will find this line acceptable. If not, the Prime Minister would wish to hold a meeting as soon as practicable after Easter.

I am sending copies of this letter to the Private Secretaries to the recipients of your Secretary of State's minute.

*Yours sincerely  
Andrew Turpin*

pp. DAVID BARCLAY

Andrew Lansley, Esq.,  
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