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DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET 5422  
TELEPHONE DIRECT LINE 01-215  
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

21 July 1985

The Rt Hon Leon Brittan QC MP  
Secretary of State for the  
Home Department  
Home Office  
50 Queen Anne's Gate  
LONDON  
SW1H 9AT

*NBBM*

*D Leon.*

Thank you for your further letter of 26 July about DBS.

2 I welcome what you say about the satellite procurement question and also your intention to limit the terms of the proposed answer in the Lords in the way you suggest. I would nevertheless be grateful if you and other Home Office colleagues could emphasise the points made in my previous letter if the necessity arises either in the Lords or in response to correspondents.

3 Copies of this letter go to the Prime Minister, Willie Whitelaw, Geoffrey Howe, Nigel Lawson and to Sir Robert Armstrong.

NORMAN TEBBIT

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DBS  
ATS-





NBPM Abbottage

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QUEEN ANNE'S GATE LONDON SW1H 9AT

26<sup>th</sup> July 1985

Mr Norman,

Thank you for your further letter of 23 July about DBS.

I wonder if we are not somewhat at cross purposes. I do not myself see any need for the Government to make, or authorise, a statement at this stage about the relevant competitiveness of our satellite industry, or to offer any official comment on what comparative figures were put before the Consortium. My officials are, incidentally, endeavouring to see what information about the figures in the Warburg report they can obtain.

What in my view is essential is that if the IBA are to proceed with the study to be announced in the proposed Parliamentary answer, they, and we, must be able to state at least in general terms the basis on which that study will be conducted and on which potential applicants can make proposals.

I suggest it would be enough for us to tell the IBA that in the new situation there will be greater freedom to consider different proposals, including proposals from suppliers either in this country or overseas, but that the Government would be very concerned, as we are sure the IBA itself would be concerned, if it became clear that an overseas supplier was quoting prices which amounted to dumping in order to gain unfair access to the British DBS market. It would be for them to make this guidance available to enquirers.

I propose to arrange for a Parliamentary Question to be answered next week in the House of Lords in the terms already agreed and I hope you will, on reflection, and having regard to the views that

/the Prime Minister

The Rt Hon Norman Tebbit, MP

the Prime Minister expressed on seeing my previous letter, see no difficulty in our giving to the IBA the guidance suggested above.

I am copying this letter as before to the Prime Minister, Willie Whitelaw, Geoffrey Howe, Nigel Lawson and to Sir Robert Armstrong.

Law,  
Len

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Secretary of State for Trade and Industry

BT // Present P/V minutes.  
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CC/NO

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23 July 1985

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LONDON  
SW1



PS/Mr Pattie  
PS/Mr Butcher  
PS/Sir Brian Hayes  
Mr McDonald  
Mr Priddle T  
Mr Willott IT  
Mr Nieduszynski  
Mr Nicholas SPFI  
Mr Smith ITI  
Mr Faulkner T

*R. Leon,*

Thank you for your letter of 16 July about the next steps on DBS.

2. I must say that I find the implication that there may be as much as a 70 per cent difference between British and American satellite suppliers quite amazing, and were this to be confirmed, there would of course be no question but that we should look beyond this country for the satellites to provide this British service. However, we have not yet seen the evidence for such claims, and whilst I would accept - and we do have independent and detailed evidence on this - that a differential of 6-7 per cent is possible, figures as high as those you mention, assuming there is no element of dumping and like is being compared with like, really do go beyond all comprehension. After all, both industrial partners of the Unisat consortium have very recently proved in their bidding to Inmarsat, that their products are competitive by world standards, and our own assessment of other published contract values over a period of years bears this out.

3. Regarding the foreign content of British-made satellites, it has been our policy over the last ten years to develop our space technology in co-operation with that of our partners in Europe, and it is therefore normal for our satellites to contain 20-30 per cent foreign content. In fact to some extent at the expense of the technological hardware and within our limited budget, we have chosen to concentrate our efforts on creating the ability of British Industry to take the commercial lead and to be seen in the market place as a supplier of satellite systems. It is for this reason that this particular project is so important to the commercial aspirations of our satellite industry, with our contractors just beginning to make sales abroad. It is the flag that this British satellite system will carry that really matters, and loss of this work to a US supplier at this particular moment could be catastrophic to the prospects of our fledgling satellite industry.



4. I think therefore that we must make it clear that the broadcasters are not totally free-agents in selecting a supplier, and - most important of all - in any statement we make we must avoid implying that the Government considers that the space industry is not internationally competitive. There have been many statements in the Press, frequently inspired by US suppliers, that our industry is not competitive and we must not give this greater credibility by endorsing it ourselves. At the same time, I agree that we must not give the feeling that our Space industry will obtain the contracts if they do not propose internationally competitive prices. I suggest, therefore, that if we are asked whether there can be international competition, we should respond on the following lines.

"Unisat were responding to a specification laid down by the broadcasters. In the new situation, there will be greater freedom to consider different proposals. The Government has always made it clear that one of the considerations it would take into account in approving a DBS system would be the industrial benefits to the UK flowing from the service as well as the benefits to the public. So far as the satellite is concerned, the Government is satisfied that we have an internationally competitive space industry, and we would expect them to be able to quote competitive international prices. Equally, I would see nothing untoward in soundings on satellite prices from suppliers in general provided that this was without prejudice at this stage to eventual bidding arrangements. We would obviously have to intervene, for example, if it became clear that a competitor was quoting prices which amounted to dumping in order to gain unfair access to the British DBS market".

NORMAN TEBBIT

