THE HISTORY OF THE DEVELOPMENT OF BRITISH SATELLITE BROADCASTING POLICY, 1977-1992

Windsor John Holden

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The candidate confirms that the work submitted is his own and that appropriate credit has been given where reference has been made to the work of others

ABSTRACT

This thesis traces the development of British satellite broadcasting policy, from the early proposals drawn up by the Home Office following the UK's allocation of five direct broadcast by satellite (DBS) frequencies at the 1977 World Administrative Radio Conference (WARC), through the successive, abortive DBS initiatives of the BBC and the "Club of 21", to the short-lived service provided by British Satellite Broadcasting (BSB). It also details at length the history of Sky Television, an organisation that operated beyond the parameters of existing legislation, which successfully competed (and merged) with BSB, and which shaped the way in which policy was developed. It contends that throughout the 1980s satellite broadcasting policy ceased to drive and became driven, and that the failure of policy-making in this time can be ascribed to conflict on ideological, governmental and organisational levels. Finally, it considers the impact that satellite broadcasting has had upon the British broadcasting structure as a whole.

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INTRODUCTION

This thesis is a history of the development of British satellite broadcasting policy, starting in 1977, when the allocation of broadcasting frequencies was agreed at a meeting of the World Administrative Radio Conference (WARC), and concluding in 1992, following the Conservative Party's fourth successive election victory and BSkyB's successful, momentous bid for the rights to screen live English Premier League football matches.

Denis McQuail and others have recognised in the changes to the British broadcasting system features common across Europe throughout the 1980s which were due to a number of factors: a decline in the legitimacy of monopolistic arrangements, stimulated in part by dissatisfaction with the limited supply, in conjunction with a growing vogue for market solutions to these problems. But to what extent were these changes due to the *development*, and *implementation*, of a government policy? For British broadcasting policy in general - and the so-called "new media" policy in particular - was notable throughout the 1980s for its chaotic, inconsistent and incoherent nature. Indeed, at times it seemed as though Government policy was to have no policy. On those occasions when initiatives were pursued, they were either stillborn or died shortly after birth. Although each successive initiative witnessed a gradual move towards a more commercial minded, market-oriented approach, the venture that ultimately succeeded did so by operating beyond the parameters of existing legislation. While this may have earned approval within a Government that favoured the laissez-faire approach of "not picking winners", it also

¹ Denis McQuail, Rosario de Mateo & Helen Trapper, "A Framework for Analysis of Media Change in Europe in the 1990s", in Karen Siune & Wolfgang Truetzscler, edds., *Dynamics of Media Politics: Broadcast Media in Western Europe* (London: SAGE, 1992), pp. 10-11.

fractured the careful constructed plans of the Home Office and the IBA: policy had ceased to drive and had become driven.

What this thesis does is to trace the development of this policy process, from initiation to implementation (or, as was all too frequently the case, to abortion). Its contention is that policy broke down largely as the result of a number of conflicts at different stages of development: ideological (during policy formulation), governmental (the failure to co-ordinate different arms of government towards a common goal) and organisational (the inability of bodies charged with the implementation of policy to take it to its conclusion). For the whole policy cycle, as the construct of these conflicting perspectives on broadcasting, as a battleground in the dispute between governmental departments, as the tool of broadcasters all too often indifferent to its success per se, was nothing less than a shambles from beginning to end. This thesis will contend that a fundamental reason was that this conflict inevitably produced a series of short term policies wholly ill-suited to the needs of the situation: like Topsy, it just growed, with the result that policy goals were radically transformed even as the policy process was in operation. The absence of any recognisable strategy produced what could be described as a crisis of identity at the centre of policy-making, as the various interested parties sought to exert their influence: and in the resulting confusion, all conventional notions of public service broadcasting were excised from satellite policy.

Hence, the intention to utilise direct broadcasting by satellite (DBS) as an extension of public service broadcasting (the original Home Office goal) coupled with its potential as a means of enhancing the prestige of the British aerospace and electronics

industries on the international stage (the DoI 'angle') would be replaced by an acceptance of an alien entity, justified by market-liberals as an illustration of a successful private enterprise that broadened audience choice. When British Satellite Broadcasting (BSB) struggled in the face of foreign competition, the internal system - which contained at least some commitments to the traditional public service broadcasting ethos - was jettisoned in favour of an external system, Sky, that owed allegiance wholly to market principles; indeed, which had, through its merger with BSB, demonstrated the ineffectiveness of the regulatory structure produced by the policy process. While there have been a number of beneficiaries of the regime that ultimately emerged, most notably the myriad varieties of sport that have found both an increased television outlet (and through it public awareness) and greater financial security, those beneficiaries have not included British production companies. BSkyB has largely succeeded on - and as - a diet of cheap, acquired US programming, Hollywood films, and sports themselves repackaged for a television audience.

In addition, critics such as Ralph Negrine have argued that the danger with the purely market-liberal approach is that deregulation will neither result in a greater number of services nor extend the range of control and / or ownership, while at the same time transferring the power away from the programme makers to the advertisers. Whether or not one agrees with Negrine's analysis - and Sky would point out that viewers would not subscribe unless they felt they were getting value for money - the original Home Office conception of a British public service monopoly / duopoly satellite service with a legal requirement to provide quality programming has instead been transmogrified into a

² Ralph Negrine, Politics and the Mass Media in Britain (London & New York: Routledge, 1989), p. 230.

commercial monopoly with no such requirements, and whose sole objective is to maximise the number of viewers for advertising and subscription income. It is an outcome wholly at odds with the Reithian outlook which had dominated policy-making for more than half a century and which had fashioned the structure of the terrestrial broadcasters.

British broadcasting policy - a brief history

Satellite broadcasting necessitated, in effect, the complete restructuring of a broadcasting system that had evolved, gradually, by degrees, since the 1920s. It had been developed to quote Graham Murdock - "with a view of audiences as citizens rather than consumers". It was also a system designed to enable the government of the day to maintain discreet, hands-off control of the broadcasting organisation(s). When, in April 1922, proposals for broadcasting were discussed by the Imperial Communications Committee, it was made clear to the manufacturers of wireless sets that a single, national service, comprising programmes of music, entertainment, religion and educational matterbut not news or politics - would be the Government's preferred option. ("British broadcasting", remarked Asa Briggs, "was to be forced into a strait-jacket.") The "Big Six" manufacturers - Marconi, Metropolitan-Vickers, the Radio Communications Company, British Thomson Houston, General Electric, and Western Electric - took the hint and formed a single group - the British Broadcasting Company, which began

³ Graham Murdock, "Money Talks: Broadcasting, Finance and Public Culture", in Stuart Hood, ed., Behind the Screens: The Structure of British Television in the Nineties (London: Lawrence & Wishart, 1994), pp. 156.

⁴ Asa Briggs, The Birth of Broadcasting (London et al. Oxford University Press, 1961), p. 89.

transmitting a service on 14 November 1922. When the Company's licence expired at the end of 1926, it was agreed - following the Report of a Broadcasting Committee under Sir Frederick Sykes - that the BBC "be incorporated by Charter" and would retain the monopoly of broadcasting in the UK.5 On 1 January 1927, the British Broadcasting Corporation came into being. The transformation of the BBC into a public service had its advantages from the perspective of both broadcaster and government. For the broadcasters, institutionalisation served to safeguard the organisation's future; for the government, incorporation created an ostensibly apolitical body. This nonetheless remained subject to both explicit and implicit political controls under the specifications of the Charter, beginning with the government's power to appoint the Corporation's Board of Governors and determine the level of the licence fee, through to its empowerment to make broadcasts to the nation. With Lord Reith as its first Director General, the Corporation set itself the goals of informing, educating and entertaining its audience: these were seen as the essential criteria for a public broadcasting service, as providing positive contributions to, and enriching, the *culture* of the nation. Hence, when it became possible to begin a television service, it was widely perceived as being both natural and desirable that the BBC should provide it (this despite the BBC's own initial diffidence towards the medium) and that it should be funded by some form of "television looker's licence": the emphasis remained solidly on a non-commercial service financed by the public purse. 6

⁵ Ibid., p. 300.

⁶ Report of the Television Committee, Cmd. 4793 (1935), para. 66 (2).

The 1950s witnessed the beginning of an incremental approach to the restructuring of the British broadcasting system. While the Beveridge Committee in 1951 advocated that "broadcasting in Britain should remain the prerogative of a single corporation", mounting criticism of a broadcasting monopoly had led one of its members (Selwyn Lloyd, the Conservative MP and later Chancellor of the Exchequer) to submit a minority report recommending the creation of one or more services, "financed commercially", to run alongside the BBC. 8 Despite a subsequent White Paper endorsing the majority of Beveridge's proposals, Lloyd would get his wish in the aftermath of the General Election, which returned the Conservatives to power. A 1953 White Paper outlined a tripartite Government policy: the introduction of a competitive element through the introduction of a channel funded by commercial means; the reduction of "financial commitments of the State" in broadcasting; and the prevention of a lowering of broadcasting standards.9 Accordingly, the subsequent Television Bill provided for the setting up of an Independent Television Authority (ITA), which would award contracts for the provision of an independent television service on a regional basis, and to which the companies awarded those contracts would be responsible. Support for a duopoly system was upheld by the Report of the Pilkington Committee in 1962, with its conclusion that "the BBC should remain the main instrument of broadcasting in the United Kingdom", and consequently recommending that the BBC should be authorised to provide a second television channel.

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⁷ Report of the Broadcasting Committee, 1949, Cmd. 8116 (1951), para. 179.

⁸ Ibid., minority report, para. 23.

⁹ Broadcasting: Memorandum on Television Policy, Cmd. 9005 (1953), para. 17.

1979 - An end to consensus

But at the time that the Conservatives were returned to power in 1979, the public service broadcasters were coming under fire from both left and right. The left tended to regard the broadcasting structure as elitist and patrician, denying minority and local groups rights of access, while the right regarded it as inefficient and overbearing. Both factions regarded it as being inherently biased towards the other, the left perceiving the duopoly as reactionary and supportive of the status quo, the right as institutions towards which men of the left instinctively gravitated. There was, however, common ground in their belief that the existing structure produced television which was insufficiently accountable to its audience, and a conviction that change was of the essence. The extent, and direction, of such change would inevitably depend on the relative strengths of the factions involved in the policy-making process: and throughout the 1980s, the right - particularly those who espoused the ideas of Thatcherism - were in the ascendant.

There is considerable debate between academics as to the precise nature of Thatcherism. For Peter Riddell, it is an instinct; for Martin Holmes and John Ranelagh, an ideology. ¹⁰ But both they and other commentators are in broad agreement as to its key characteristics: advocacy of the primacy of the free-market, with an emphasis on individualism and self-reliance; the assertion of British interests on the global stage; and

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Peter Riddell, *The Thatcher Era - And its Legacy*, (Oxford & Cambridge, Mass.: Blackwell, 1991), p. 2; Martin Holmes, *Thatcherism: Scope and Limits, 1983-87* (London: MacMillan, 1989), p. 9; John Ranelagh, *Thatcher's People* (London: Fontana, 1992), p. 23. Ranelagh discusses the question of the extent to which Thatcher herself was a true Thatcherite, and concludes - as does Samuel Brittan - that she was not: "Thatcherism was a consciously theoretical doctrine and she was not a consciously theoretical person, so it was no surprise that she was not a 'Thatcherite'".

the upholding of law and order. Thatcher's own belief in market supremacy was inextricably interlinked with a moral authoritarianism: a conjunction which Samuel Brittan has described as "New Spartanism". 11 Certainly the desirability of a return to traditional values (or "Victorian virtues" as she herself described them), was a theme which regularly occurred in her speeches. Her own perception of these "virtues" were thrift (limited economic intervention), assistance to the deserving, as opposed to the undeserving, poor (this latter category being, by her definition, those "who had simply lost the will or habit of work and self-improvement"), and of high standards of morality, taste and decency. 12 These were deemed by the Conservative right to have been eroded, most notably during the "permissive society" supposedly encouraged and presided over by Roy Jenkins during his tenure at the Home Office in the 1960s¹³. And the most desirable way of enforcing a return to the "old ways" was through strong regulation by central government. Hence Thatcher's proposed "safety-valve" for programme quality was to be a Broadcasting Standards Council, entrusted with the exposure of broadcasters "to public criticism, complaint and debate": a body with the power to curb sexually explicit or violent programming, and hopefully ensure more "wholesome" entertainment. 14

At the same time, underpinning the radical-right outlook on broadcasting was the neo-liberal or market-liberal approach - described by Mark Wheeler as originating "with the libertarian concept of society as a competitive market in which individuals are the

¹¹ Samuel Brittan, A Restatement of Economic Liberalism, (London: MacMillan, 1988), pp. 240-5.

¹² Margaret Thatcher *The Downing Street Years* (London: HarperCollins, 1993), p. 627.

¹³ Peter Jenkins, Mrs Thatcher's Revolution: The Ending of the Socialist Era (London: Jonathan Cape, 1987), pp. 68-77.

¹⁴ Thatcher op. cit., p. 635.

source of enterprise wealth". ¹⁵ In its most brutal form, this approach envisages broadcasting as a *commodity*, the success of any service being determined purely on a commercial level. This, so the argument goes, is because the consumer is now supreme: he or she watches/subscribes to the programmes he or she wishes, and by this means determines whether a broadcaster sinks or swims. For is that not the ultimate form of public service broadcaster - being required, by the conditions of the market, to provide what the greatest number of people want to watch? It was certainly an argument quoted chapter and verse by Thatcher: a greater number of channels - and a greater number of broadcasters - should provide "more choice for viewers and more opportunity for producers". ¹⁶

These twin pillars of New Spartanism, neo-liberalism and moral censoriousness, were at the heart of Thatcher's approach to broadcasting policy. They stood uneasily together. Passionate advocates of neo-liberalism - such as Samuel Brittan - argued that tighter regulation of programming would serve only to stifle growth in the market, thus defeating one of Thatcher's key policy objectives. As a set of goals, Thatcherism has a number of internal inconsistencies. Attempts to transform these goals into policies, and then to put them into practice, could both highlight these inconsistencies and result in policies which themselves lacked coherence: as, indeed, was the case with satellite broadcasting.

¹⁵ Mark Wheeler, Politics and the Mass Media (Oxford & Cambridge, Mass.: Blackwell, 1997) p. 118.

¹⁶ Thatcher op. cit p. 635.

Samuel Brittan, "The case for the consumer market" in Cento Veljanovski, ed., *Freedom in Broadcasting* (London: Institute of Economic Affairs, 1989), pp. 49-50.

In terms of helping to shape broadcasting policy development, Thatcher's penchant was for a considerable personal degree of involvement: witness her decision to chair the Cabinet Committee on Broadcasting, her predilection for breakfast meetings with key executives, and her organisation of events such as the Downing Street seminar on broadcasting in 1987, in which she outlined her own plans for the restructuring of the broadcasting system, and at the same time lectured the broadcasters present on their own failings (see Chapter Four). This hands-on approach was combined with a reliance upon a favoured coterie of advisors. Crucially, representatives of the broadcasting structure did not figure in this inner circle, which largely consisted of economists (such as Samuel Brittan and Brian Griffiths) and industrialists (Jeffrey Sterling and David Young). In addition, a number of conservative think-tanks - most notably the Adam Smith Institute, the Institute of Economic Affairs and the Centre for Policy Studies - were instrumental in influencing the direction of Government thinking. All were in broad agreement concerning the application of market forces to a deregulated broadcasting system. Excluded from the debate about their own future, the public service broadcasters - and proponents of public service broadcasting in general - became increasingly peripheral figures in policy-making as the 1980s progressed.

Those advocates of increased commercialism who had been excluded from public service broadcasting's own "inner-circle", such as Rupert Murdoch and Michael Green, not only found in Thatcher a Prime Minister sympathetic to their aims, but also one who was willing to listen to their advice on matters of policy. ¹⁸ Murdoch, the owner of News Corporation, was the only media figure invited to the party which marked her tenth

¹⁸ Andrew Davidson, *Under the Hammer* (London: Heinemann, 1992), p. 33.

anniversary in Downing Street. ¹⁹ The relationship between Thatcher and the antiestablishment, iconoclastic Australian was symbiotic. Murdoch was genuinely enthusiastic in his support for the great raft of her political programmes, and ensured that this feeling was conveyed in his array of daily and Sunday newspapers; in return - like her other favourites - he duly received his patronage. But not for him a knighthood or a seat in the House of Lords - Murdoch had an abhorrence of the honours' system. Much more agreeable would be favours accommodating to his business interests. As the decade drew to its close, Murdoch relaunched his Sky cable service on the Astra satellite, enabling it to be beamed directly into the home - and putting it into direct competition with the offspring of the British Government's own DBS project, British Satellite Broadcasting (BSB). Despite the protestations of the then Home Office minister David Mellor, a clause was drawn up in the 1989 Broadcasting Bill with - the Opposition claimed - the specific intention of exempting Murdoch from legislation on media cross-ownership. A number of broadcasters who expressed reservations, such as Greg Dyke and Anthony Simonds-Gooding, received similar rebuffs to Mellor:

When I complained about Murdoch's control I was told under no circumstances are we interested in doing anything. "He won us the election". 20

Something... came along, which appealed to her more pragmatic side, which was a chap called Rupert Murdoch. "Bugger the dogmas, he's going to get us in", as she once said to me, "You know he's going to

¹⁹ William Shawcross, Rupert Murdoch: Ringmaster of the Information Circus (London: Chatto & Windus, 1992), p. 502.

²⁰ Quoted in Wheeler, op. cit., p. 129.

And yet, through her alliance with Murdoch and her endorsement of his satellite broadcasting service, the Prime Minister provided a tacit acknowledgement of her unwillingness to defend the structure of British broadcasting: including the viability of a satellite broadcasting policy developed by her own Government. The refusal to refer Sky's merger with BSB to the Monopolies and Mergers Commission seemed to confirm this. It also provides further evidence of the role of Thatcher at the heart of broadcasting policy development; her willingness to jettison BSB both for ideological reasons, and for short-term political gain, demonstrates that the British satellite venture was not, for all Mrs Thatcher's wishes, a Thatcherite project.

A fundamental obstacle to the development of a coherent long-term policy lay in the locus of that policy, which had been uneasily situated at the Home Office since 1974. The Home Office was a largely conservative department, whose incremental approach to policy led them to believe that the creation of a fourth terrestrial channel - the major recommendation of the 1977 Annan Report into broadcasting - would serve the needs of the viewers for the present: as they viewed the situation, there was no great groundswell of opinion in favour of a greatly extended - and possibly restructured - broadcasting system. It was seen as identifying closely - too closely, by Thatcher and those Conservatives who shared her "New Spartanism" - with the broadcasting organisations, leading to a perceived reluctance to criticise its charges. This identification was based to a degree on a common perception, nurtured over the years, of what public service

²¹ Author's interview with Anthony Simonds-Gooding, 16/05/96.

broadcasting *ought* to provide, the values it *should* represent, a situation which, naturally enough, benefited those in the broadcasting hierarchy but possibly not those beyond it. Furthermore, according to some critics, Home Office and broadcasters held similarly monolithic and reactionary approaches to new innovations that they believed might threaten the equilibrium of their beloved broadcasting system. The general perception at the Department of Industry, the Home Office's main rival for control of broadcasting in the 1980s, was that the need to adapt rapidly to the changes that DBS and broadband cable was beyond the powers of the Home Office. As Sir Geoffrey Pattie, a former Information Technology Minister, has observed:

Without being too beastly to the Home Office.., the people in it have never given me the impression that they could be adjusted to fast moving anything. A fast moving bus might be something that would cause them to struggle a bit, let alone modern technological development.²²

The period was marked by a distinct distrust between the sparring departments, always suspicious of one another's motives. This was further heightened by a lack of communication, disastrous in the development of any policy, with perhaps the worst example being Trade and Industry Secretary Lord Young's attempt to shift Channel 4 and BBC2 onto DBS without the knowledge of the Home Office (see Chapter Four). Attempts by No. 10 to impose a co-ordinating structure upon them were viewed with disdain, particularly by the Home Office. There was, essentially, a dichotomy between the broadcasting interests of the Home Office and the industrial ones of the DTI, exemplified

²² Author's interview with Sir Geoffrey Pattie, 11/03/96.

by the DTI's desire to use the new DBS channels as part of a package to accelerate the growth of broadband cable, much to the chagrin of the Home Office, who perceived a rapid proliferation of channels to be inimical to programme quality, believing that such a situation would result in the bad driving out the good. The lack of common ground between the two departments would prove to be a major sticking-point for policy-development.

This conflict would be mirrored in that which occurred between the broadcasters charged with the implementation of policy. While the BBC and the IBA were the only viable players on the scene, each viewed attempts by the other to provide a DBS service as a form of 'one-upmanship': which, in effect, it was. The decision by both parties to proceed in DBS was taken predominantly as an attempt to provide a service which the other could not offer: and when agreement was reached between the two organisations to provide a joint venture, co-operation was seen as a means of preventing other would-be broadcasters of gaining access to the DBS market, and, equally importantly, of preventing the other public service broadcaster of getting in first with its own service (see Chapter Two). Elimination of the opposition, rather than a successful service, would be the key: hardly the most promising start, and such internecine bickering did not find favour with the policy-makers. Furthermore, the ethos of the public service broadcasters, vigorously opposed to the concept of broadcasting as commodity, was one which did not appeal to the instincts/ideology of the Thatcherites. Broadcasters who wholeheartedly embraced this approach were far more likely to gain approval - and succeed.

Approaches to policy-making

Critics have identified a number of outcomes of these conflicts at the heart of broadcasting policy. Tom O'Malley has argued that the net result was that the - ultimately triumphant - strain of market-liberalism / "New Spartanism" resulted in a marked intensification of more censorious forms of control, in conjunction with the transference of a considerable degree of power to capitalists from the state, while retaining a - substantially weakened - public broadcasting service. 23 BSkyB's success is a paradigm of O'Malley's argument that the balance of power has shifted away from the state to the private companies: There was little doubt, then or now, that BSB - the product that emerged from the institutional decision-making process - was sacrificed for political expediency. In this light it was interesting to note that subsequently the party in opposition (Labour) latterly adopted a more pragmatic approach and adapted its policies as to be more amicable to the media conglomerates: a clear indicator as to its own perception of the profit that could be gained from a good working relationship with such organisations - possibly at the expense of the public service broadcasters.

The impact of Sky extends far beyond satellite broadcasting per se. It leads one in turn to examine the effect that satellite policy-making has had on broadcasting policy as a whole and on the existing broadcasting institutions. One can read in its history the declining influence of the BBC, and the gradual erosion of duopoly public service broadcasting principles both implicitly and explicitly (as in the case of the 1990)

²³ Tom O'Malley, Closedown? The BBC and Government Broadcasting Policy, 1979-1992 (London: Pluto Press, 1994), p. xiii.

Broadcasting Act, which diluted ITV's commitments). One former official at the Home Office described the duopoly as being "rather the Ark of the Covenant" at the time when satellite broadcasting was first envisaged: that is palpably not the case today. ²⁴ The perception by traditionalists of satellite as being a natural extension of the BBC / IBA maintenance of the public service tradition was not shared by Thatcher: rather, it served the purpose of a stick with which to beat, and possibly break, them.

There is a further dimension to the history of policy-making. In June 1984, A S C Ehrenberg and Roger Graef wrote to the *Times*, voicing their concern that DBS would become another Concorde - expensive and obsolete. For the regulations laid-down at the 1977 WARC were already out-of-date. Six years later, when BSB's Marcopolo satellite was blasted into orbit, it was faced with a competitor transmitting at less than half its wattage per channel and boasting sixteen channels, with more promised on a sister satellite. As white elephants go, it was an impressive beast. It was clear, almost from the outset and certainly well before any concrete plans were made for the development of the service, that the guidelines amounted to over-specification which might fatally impair any opportunities for success. This became painfully obvious when one contrasts the policies of the British government with those of their counterparts in Luxembourg, who opted to ignore the WARC proposals in favour of a lower-power system. Why, in the face of all the evidence that pointed to failure, was the British project pursued? It is easy - perhaps too easy - to be critical in hindsight, but this much is clear: time after time, the policy-making process simply broke down. Hence the necessity of examining the development of the

²⁴ Interview with former senior Home Office official.

²⁵ A. S. C. Ehrenberg & Roger Graef, Letter to the Editor, *Times*, 25/06/84, p. 11.

policy process - and its subsequent implementation - in detail, to determine which institutions, departments and individuals were responsible for these successive breakdowns, and at what points mistakes were made. Indeed, so conspicuous and plentiful were the shortcomings that Bernard Levin's description of the Longford Report could serve equally well to summarise the history of policy-making in satellite broadcasting:

The mountains have laboured, and brought forth - well, not a mouse, though it amounts to very little, nor an elephant, though it is extremely large and short-sighted, nor a donkey, though it makes more noise than sense, nor a flatworm, though it does not seem to be sure in which direction it is going, nor a cat, though it will not take advice, nor a tortoise, though it is slow, nor a parrot, though it repeats what it does not understand, nor a hippopotamus, though it excites mirth.

What the mountains have brought forth is a Tigger, which was much given, as I recall, to pulling the tablecloth to the ground, wrapping itself up in it amid the broken crockery, rolling about the room going 'worra-worra', and finally sticking its head out and asking, 'Have I won?'

Far from it.26

The history of our Tigger's struggles is a sorry, often farcical, tale of policy failure on a number of levels, which will be discussed, in turn and in depth, as the thesis progresses. This thesis has not been written from a theoretical perspective: it is, first and foremost, a contemporary history, a narrative account of these events. While it proceeds broadly in chronological order, certain developments and initiatives have been presented out of sequence to pursue a particular theme. Chapter Three, which traces the background to Sky and SES / Astra, is a case in point. The histories of these organisations unfolded

²⁶ Bernard Levin, 'Damn braces' in *Taking Sides* (London: Jonathan Cape, 1980), pp. 187-190.

alongside that of the UK's DBS policy: here those histories have been set apart, both to emphasise their position as *external* developments which impacted upon policy, and to minimise any disruption to the narrative. Beyond its function as narrative, the thesis seeks to provide an analysis of the decisions that were made, the policies that failed, the organisations that thrived, and the changes that occurred.

To explore this history in all its detail, this author has sought to utilise a variety of sources. Green and White Papers, Bills and Acts are the bricks and mortar of any study into policy development. The Thirty Year Rule sadly precludes the use of Cabinet Papers in the period under discussion but, fortunately, a number of senior politicians have provided their own accounts in their memoirs. The danger of over-reliance on such material is the tendency in autobiography - particularly political autobiography - for the writer either to exaggerate his or her role in the great scheme of things or - when the great scheme is subsequently shown up as not-quite-such-a-great scheme - to adopt what might be termed a revisionist approach and stress that they weren't, after all, quite so keen on it as might have appeared at the time and that furthermore it was the fault of somebody else entirely. The same caveat must also be applied to evidence gleaned from oral interviews the advantage over autobiography being that, at the very least, the interviewer, not the politician, controls the agenda for discussion and has the opportunity to question the evidence which is presented. Nevertheless, when used in conjunction with official documentation and contemporary - media - accounts of policy development, such material often provides illuminating insights into why certain decisions were - or were not - taken. To this end, this author has spoken to a wide variety of actors involved in all aspects of policy-making and in policy implementation. The former group includes those who were ministers in the Thatcher government and officials within the Home Office; the latter, former employees of the BBC, ITV companies, BSB, and Satellite/Sky. Many were willing to speak, at length and on the record, about their experiences: a small number preferred to remain anonymous.

Chapter One of this thesis examines the first steps towards policy development and the conflicts arising from them: the 1977 World Administrative Radio Conference, which placed those over-elaborate sets of strictures on DBS development, and the subsequent moves, performed by the Home Office but largely engineered by other actors, to extend the incrementalist approach of public service, terrestrial broadcasting to DBS. Chapter Two describes the transitional phase of policy reformulation, when it was proposed that a commercial element should be introduced into DBS, and which culminated in the award of the franchise to BSB. Chapter Three deals with the emergence of two organisations - Sky and SES / Astra which, firstly separately, then together, posed a transnational challenge to the national DBS plans; Chapter Four covers the implementation of this reformulated policy; the competition that ensued between the British DBS venture BSB and the "non-domestic service" provided by Sky; and the subsequent merger of the two companies. And Chapter Five will seek to assess and evaluate, in turn, the cumulative changes wrought on the UK broadcasting structure following the onset of satellite, and the composite mistakes made during fifteen years of fumbled policy making.

CHAPTER ONE Policy Development, 1979-1983

The period of the first Thatcher government contained the first attempt to formulate a framework under which a British satellite broadcasting service could become operational. Those who were charged with the development of policy at this time viewed DBS from a variety of perspectives, largely incompatible with the others: some believed that satellite, carefully nurtured, offered a means of extending choice within a well-established public service network; others regarded it as the means to an end, that end being the creation of a nation-wide broadband cable network and thriving aerospace and electronics industries; others began to nurture to idea of using DBS as a stick with which to beat the BBC and ITV, and to open up broadcasting to other commercial interests. And there was William Whitelaw, who as Home Secretary was the minister with ultimate responsibility for policy development, and who quite simply didn't want it to go ahead. The legislators were faced with the task of squaring the circle - reconciling broadcasting interests with industrial ones - and its resolution would prove elusive.

But, as became ever more painfully obvious, each member of the broadcasting duopoly viewed DBS in all its facets, from service provision to transmission standard, as a means of displaying one-upmanship over the other. This attitude undermined their chances of success, and also blinded them to the possibility that their game could be spoiled by the intrusion of third parties. The machinery for policy development was flawed, but so were the organisations charged with putting it into practice.

To begin with, this chapter provides a summary of the events that led to the establishment of international regulations for satellite broadcasting, within which, it was envisaged, national services would soon operate. Secondly, it focuses on the initial attempt by the Government to develop a policy that would result in a British DBS service, articulated in its 1981 Green Paper. Thirdly, the ambiguous nature of the relationship between satellite and cable (would these media become competitors, or were they natural symbionts? Would the growth of one fuel, or stifle, the growth of the other?) requires a discussion of early moves to promote a broadband cable infrastructure in Britain - ultimately perceived as a means of delivering a variety of interactive services but whose growth would be "entertainment led". The chapter will cover the arguments expressed - but not resolved to a satisfactory degree - in the course of this debate. Finally, it covers the background to the duopoly's intentions to become involved in DBS; the prolonged discussions over transmission standards; and the beginnings of the BBC's tortuous

Geostationary Satellites: A Brief History

dealings with Unisat.

"Many may consider the proposal in this discussion too far fetched to be taken seriously." 1

Arthur C. Clarke, a budding writer of science fiction and a member of the British Institute

of Space, had observed the tentative steps taken by the BBC, prior to the outbreak of the

Second World War, to establish a television service. What concerned Clarke were the

likely impracticalities of a large scale terrestrial service: he felt that a national television

¹ Arthur C. Clarke, "Extra Terrestrial Relays", Wireless World, 10/45, pp. 305-8.

service would require both transmitters of considerable power and an expensive, nation-wide system of line-of-sight repeaters. Even for smaller countries such as the United Kingdom this might well prove unfeasible: in the case of countries such as the United States or China it could be nigh on impossible. The off-air method was also unsuitable for transcontinental broadcasting (it would, after all, be rather difficult to place a series of repeater stations across the Atlantic Ocean). Bearing these limitations in mind, Clarke duly set out to produce an alternative. Through the rigorous application of a few scientific principles (the velocity required by a rocket to break the Earth's atmosphere; the relative strength of the Earth's gravitational field; the power generated by solar energy), Clarke outlined a hypothetical broadcasting system in such elegant and precise detail that it could be a blueprint - right down to required power output - for the broadcast satellites in use today.

His proposal appeared in the October 1945 edition of the journal *Wireless World*, and its argument ran as follows: a rocket that achieves sufficient speed outside the Earth's atmosphere will not return, instead becoming an artificial satellite, trapped in orbit around the Earth. There are any number of possible orbits for such a rocket to take, but as its radius - the satellite's distance from the Earth - increases, so its velocity decreases. And, in one particular orbit - some 36,000 km from the Earth's surface - the satellite is in geostationary orbit: it revolves with the Earth, and would appear, to an observer on the Earth's surface, to remain permanently at the same point in the sky. ² A space station or satellite in this orbit could thus act as an extra-terrestrial relay system, repeating the signal

² In the article, Clarke actually cites the distance from the Earth's centre - 42,000 km - but measurements from the Earth's surface have since become the norm.

from one Earth station to another. By the strategic placement of satellites at three longitudes, global coverage could be obtained. Alternatively, it could serve to *broadcast* a signal - rather than just relay it - to "the whole of the visible face of the globe". There was, Clarke asserted, "reasonable evidence" that frequencies from 50 - 100,000 MHz could be used for the transmission of such a signal: on the higher frequencies, it was likely that the requisite power output per transmitting channel could be as low as 10 W for a point-to-point repeater, or 50 W for a direct broadcast service. Such a satellite could be powered by solar energy generated by mirrors: it would be exposed to almost continuous sunlight, except during the equinoxes, during which time it could run on excess power stored in batteries.

Clarke's article provoked considerable interest world-wide. The purposes that drove the "Space-race" were overwhelmingly political: after all, some of Clarke's own calculations had been based on the German V2 rockets. Thus, the United States was mortified when, in 1957, Sputnik I was launched by the Soviet Union: its in-built transmitter operated for 92 days before becoming exhausted. The following year, the US launched the first communication satellite, Signal Communications Orbiting Relay Experiment (SCORE). However, it was not until 1962, with the formation of the commercial consortium Comsat, that plans were drafted to utilise the potential of geostationary orbits. In July, the first, experimental transcontinental live pictures were relayed via the Telstar satellite between Europe and north America. Across the Atlantic, plans were drafted to develop two separate space programmes: the first, the European

³ By the late 1980s, most Eutelsat / Intelsat satellites used as point-to-point repeaters were operating at or around 10 W per channel; Astra, at 47 W.

⁴ J. Allen, *Telecommunications* (London: MacMillan, 1990), p. 69.

Lanucher Development Organisation (ELDO), was created with the aim of developing and building a satellite launch system; the second, the European Space Research Organisation (ESRO), was charged with the development of a satellite programme. The International Telecommunications Satellite Organisation (Intelsat) was formed in 1964: NASA launched their first satellite, Intelsat I or Early Bird, in 1965. Weighing just 150 lbs, the satellite had a capacity of 240 telephone circuits or, alternatively, the option of transmitting a single television channel.⁵

Telstar had demonstrated that transcontinental relay via satellite was possible: however, it was clear that Clarke's proposal for a world-wide series of national - and possibly international - DBS networks would prove infinitely more complex, if only for the reason that satellite signals are no respecters of national boundaries. It was highly unlikely, for example, that the Warsaw Pact countries would take kindly to the broadcasts of their Western neighbours. At a World Administrative Radio Conference for Space Telecommunications (WARC-ST) in 1971, thorny issues such as sovereignty and satellite orbital slots were quietly ignored: instead, the Conference decided that, if and when a world-wide service was organised, then it should downlink - broadcast - at frequencies between 11 and 13 GHz. For the purpose of future frequency allocation, the Earth was at the same time divided into three regions: Region One consisted of Europe, Africa and the Soviet Union; Region Two, of the Americas; and Region Three of Oceania and Asia.

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Graham Wade, "Space Invaders", Corporate Video, 05/82, pp. 59-68.

⁶ Mark Williamson, "Broadcasting by satellite: some technical considerations" in Ralph Negrine, ed., Satellite Broadcasting: The Politics and Implications of the New Media (London & New York: Routledge, 1988), pp. 38.

It was not until January 1977 that the Conference for Broadcasting Satellites (WARC-BS) was convened at the International Conference Centre in Geneva. Even this would take place without the participation of countries from Region Two, who, with the US in the lead, declared that allocation was "premature": technical specifications might well be obsolete in a matter of years, which to an industry in its infancy might well be disastrous. ⁷ Besides which, the Americans were distinctly unhappy about the proposals that every country should be granted an equal share of available frequencies, regardless of size or ability to utilise those frequencies. This left over 600 delegates from 111 countries to thrash out a plan over the course of the next month.

It was clear from the outset that there would be numerous sticking points. To begin with, the decision had been taken to utilise the 12 GHz band to downlink services because, as Mark Williamson has pointed out, it allowed the reception of signals with relatively low-cost receiving dishes, particularly important if DBS were to succeed in less developed nations. However, with the imposition of this (relatively) narrow bandwidth, in combination with the requirement that broadcast frequencies be set at a certain distance from one another to prevent interference, the number of available frequencies per country (the WARC decided that egalitarianism was indeed the best policy) was five for Region One countries, and four or five for those in Region Three.

The next problem to trouble the administrators was the issue of service areas. For while, as Clarke made clear, the transmission from a geostationary satellite could cover the visible hemisphere, it was obvious that there would be governments within that

⁷ P. Rainger, D. Gregory, R. Harvey & A. Jennings, *Satellite Broadcasting* (Chichester et al: John Wiley & Sons, 1985), p. 135.

Williamson op. cit., pp. 38-9.

hemisphere which would not be desirous of that signal being received within their territory. Accordingly, the notion of the "service area" was devised. Each country operating a DBS service would be required to minimise "overspill" into other countries by shaping the ellipse of the beam, a feat that could be achieved by precise positioning of the satellite's antennae. Within these boundaries, it was agreed that the signal would be guaranteed freedom from interference.

This in turn led to the question of the size of receiving dish that would be acceptable, both environmentally and economically, to the members of the Conference. For the strength of the signal from the satellite diminishes the further out one goes from the focal point of the transmitting beam: and, consequently, the larger the dish size required to reduce the interference from atmospheric and other sources. The relationship is the same for transmitting power: as the signal grows in strength, so the size of the dish required to receive it is reduced. The specifications that were finally agreed at the WARC were for a minimum power output per channel of 250 W and a dish size of 90 cm in diameter. But, by keeping to these specifications, it required a number of the larger countries to have more than one service area: in China's case, more than thirty. There followed a lengthy debate over who should have which orbital slots (positions in geostationary orbit over the equator), and an attempt by several of the equatorial countries - over which the satellites would be in orbit - to claim that those satellites would in effect be within their "air-space" and as such any broadcasts from them would require the permission of the country below. Diplomatically, the matter remained unresolved.

⁹ Ibid.

But the plan - finally ratified in early 1979 - meant that at last the participating governments had a framework within which to work. The UK representatives had left the WARC with five potential DBS channels, and an orbital slot of 31°W. It was now the task of the British Government to determine what was to be done with them.

The aftermath of the WARC: Sir Harold Wilson and the "foreign TV invasion"

One of the more shrewd analyses of the Home Office in recent times was offered by Sir Harold Wilson, in which he highlighted the department's historical strengths and weaknesses:

The Home Office over the centuries has had no tradition of economic management. Its duties have been earthbound - the management of the prison service, indirect responsibility for the police and the discouragement of sex in the Royal Parks. This fosters an important degree of knowledge in these limited fields but does not, however, involve any significant training in finance, economics and business management, still less in technological advances which are as rapid and unpredictable as any in the most sophisticated area of British industry.¹⁰

In its defence, Peter Hennessy has argued that "the rigidity and institutional reaction of the Home Office can be exaggerated". 11 Certainly: but it is, nonetheless, one of the more markedly conservative departments, cautious, dour, reactive rather than proactive; Wilson was merely one of a growing band who doubted its ability to respond effectively and

Peter Hennessy, Whitehall (London: Secker & Warburg, 1989), p. 459.

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¹⁰ Sir Harold Wilson, "Space invades the Home", High Life, 04/82, pp. 71 & 73.

Thatcher came to power in 1979, the Home Office had been in charge of day-to-day "broadcasting matters" for some five years. The Broadcasting Department had its own Minister of State, an Under Secretary, and two Assistant Secretaries. Rather curiously, at the same time responsibility for the UK's use of the frequency spectrum was devolved into a separate division - and building - within the Home Office: the Radio Regulatory Department, ensconced in Waterloo Bridge House, was thus divided ministerially and geographically from the more general policy issues which Broadcasting determined at Queen Anne's Gate. (It was a situation which Thatcher's first minister charged with regulating the air-waves, Tim Raison, confessed to finding rather odd: its origins lay in the piecemeal way in which departmental responsibilities are often acquired. Waterloo Bridge House had from 1969 to 1974 been the home of the Ministry of Posts and Telecommunications, after which it was decided that the department was too small to justify its status as a ministry: the radio regulators stayed put, but as Home Office officials.) 13

In that time the Home Office had developed what can reasonably be described as a paternal attitude towards its charge. There was a genuine sense of pride in the achievements of British public service broadcasting, in its high standing across the world, and a belief that the status quo - the BBC / IBA duopoly - should continue with very little alteration to the existing framework. The feeling was that any change to that framework should be gradual (or "incremental" as one former official described it) lest the quality of

¹² John Howkins, New Technologies, New Policies? (London: BFI, 1982), para 3.13.

Letter from Sir Timothy Raison to the author, 22/02/96; author's conversation with Mike Goddard, 14/05/98.

the programming should suffer, and indeed that such change should be implemented by one or other of the current broadcasters.¹⁴

This attitude was shared by the man that Margaret Thatcher appointed to be her first Home Secretary. William Whitelaw was a former Major in the Scots Guards, awarded the Military Cross for his bravery at the Battle of Caumont, who had inherited a considerable estate on the outskirts of Glasgow. As Conservative Chief Whip in the 1960s, he had been directly concerned with tackling the delicate problem of perceived bias in the media. Whitelaw's own opinion was that such perceptions were largely over-exaggerated, and in his dealings with the hierarchies of the BBC and the IBA developed a lasting respect for the structure of the UK broadcasting system. And as was typical of Whitelaw, such respect came hand-in-hand with a strong and devoted loyalty to those institutions. When the Annan Report in 1977 recommended the creation of an Open Broadcasting Authority to operate the proposed fourth terrestrial television channel and local radio stations, Whitelaw opposed the idea: far better to have the channel managed by one or other element in the duopoly than create "major new bureaucracies". The case, he argued "was for strengthening the existing system and extending it to other areas". 15

So it was that the Home Office did not concern itself unduly with the decisions of the 1977 WARC. Its major preoccupation at the time was the creation of this fourth terrestrial network, Channel Four, the UK's first publisher-broadcaster (i.e., the channel would commission, rather than make, its programme output) with its commitments to diversity and minority interests. Besides, there was a consensus of opinion at the

¹⁴ Author's interview with former senior Home Office official.

William Whitelaw, The Whitelaw Memoirs (London: Headline, 1990), pp. 285-7.

department that there was not any sense of "TV channel starvation": Channel Four, it was imagined, would serve as an ample complement to the range of programmes on offer elsewhere. With the five frequencies allocated to the UK at the WARC, the number of channels available to British viewers could increase from three to nine within a very few years. Or, as perceived by those in the Home Office, almost overnight. The very idea of such a dramatic overhaul of the broadcasting system was anathema to them. Therefore, they were content to take a back seat at the WARC negotiations, allowing the French and West German delegations to obtain the more favourable orbital slot.

This approach was regarded as too relaxed in some quarters. The Central Policy Review Staff (CPRS) was a small body of advisors on secondment from academia and industry. Housed in the Cabinet Office, they were charged with the development of long term government policy. The beauty of the CPRS was that it operated above the level of departmental infighting and could offer advice both to the Prime Minister and Cabinet on the formation and implementation of strategy. It viewed with some concern the lassitude of the Home Office over the WARC and the department's failure to provide an adequate briefing for the UK delegates. By the time that the DBS treaty was due to be ratified in 1979, the CPRS had alerted the Foreign Office, which duly took the lead in the matter. The Home Office were not amused at the intervention. ¹⁶

It was then perhaps fitting that the first real impetus towards a UK DBS project was provided by Sir Harold Wilson. The former Prime Minister, whose speech to the Labour Party Conference in Scarborough in 1963 had spoken of a Britain being "forged in

¹⁶ Tessa Blackstone & William Plowden, *Inside the Think Tank: Advising the Cabinet, 1971-1983* (London: William Heinemann, 1990), pp. 145-6.

the white heat of this (scientific) revolution", chaired the Interim Action Committee on the Film Industry, set up by the Department of Trade in 1977 with the remit of examining the possible impact of new form of film distribution - most notably video, but also cable and satellite. The sizeable Committee also contained - among others - the film producers David Puttnam and Lords Brabourne and Delfont, the BBC's Managing Director, Television. Alasdair Milne, and Wilson's former political secretary Lady Falkender. During the course of its inquiry, the Committee was presented with précis of the embryonic plans that other European nations had made for DBS, most notably a bilateral Franco-German plan to launch two pre-operational satellites by 1985, and Luxembourg's desire to provide a service in three languages, including English. As he studied maps of the satellite footprints, Wilson was struck by the fact that even allowing for the WARC requirements on overspill, the UK would still be able to receive signals from Continental beams; and when he heard of the Luxembourg government's tentative plans for a commercial English language service, outside the UK's jurisdiction, he was reminded of his own Government's struggles with the offshore radio pirate, Radio Caroline and, latterly, the GDL's Radio Luxembourg. Alarmed at the prospect, he raised the subject prior to his report's publication, on 6 December 1979 during a debate on the removal of television licence fees for pensioners:

I understand that France and Luxembourg have given notice of three such satellites that will be in orbit in the early 1980s for a start. Almost every home in Britain will be capable of receiving them, given the necessary apparatus. I understand that all these satellites will be broadcasting and advertising in three languages, including English.

The present prospects are that not only independent television will lose revenue when the advertising from abroad begins. It will be Radio Luxembourg, for example, writ large...¹⁷

The Liberal MP Clement Freud then suggested that Wilson "concentrate his attention on the old age pensions", and no more was said. ¹⁸ But the press picked up on Wilson's intervention, and the following day broadsheets and tabloids alike highlighted Wilson's warning of a "TV invasion". ¹⁹

While the report, submitted to the Department of Trade on 14 February 1980, reiterated Wilson's concerns to some degree, it also considered the benefits that a UK-based system might offer to the film industry. If satellite broadcasting offered an increase in distribution opportunities, then increased production opportunities would naturally follow. It suggested that the opportunities "should be fully exploited": however, the flipside of the coin was that the "international implications" of DBS regulation could give rise to serious problems. Therefore, the Committee recommended that further research be carried out as soon as possible into the viability of a UK DBS operation: should satellite broadcasts be transmitted direct-to-home (DTH), via community antennae, or both? How should such a system be funded: by licence fee, pay-per-view, and / or by advertising? And what legislation should be introduced so that the rights of the film producers and distributors could best be safeguarded?²⁰

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¹⁷ Hansard, 06/12/79, cols. 659-60.

¹⁸ Ibid., col. 660.

¹⁹ See, among others, John Hunt, "Wilson warns of TV invasion", *Financial Times*, 07/12/79, p. 10; Paul Donovan, "Britain 'open to TV invasion", *Daily Mail*, 07/12/79, p.3.

Department of Trade, Statistics, technological developments and cable television. Third Report of the Interim Action Committee on the Film Industry. Cmnd. 7855 (London: HMSO, February 1980), para 45 (a).

Wilson became an active proponent of the DBS cause. Writing in *Financial Weekly*, he concluded that "Government, industry and finance should now get together to assert our national interest in one of the greatest technological revolutions of our time".²¹ The momentum towards DBS was growing.

The Home Office Response: Direct Broadcasting by Satellite

In the face of increasing pressure from the Department of Industry, and lobbying of varying intensity from groups such as British Aerospace, GEC Marconi and the BBC, a decision was made at the Home Office in early March to begin work on a Green Paper on DBS. On 13 March 1980, Whitelaw announced to the Commons that he had decided:

To initiate a study of the implications of establishing a United Kingdom direct broadcasting satellite service by about 1985, which would be the earliest practicable date, or by about 1990. The study will cover the technical, financial and resource implications for our broadcasting system and services taking account of the Government's proposals in its Broadcasting Bill, the possible industrial benefits, and likely developments in Europe.²²

The Home Office Green Paper, *Direct Broadcasting by Satellite*, was published in May 1981. At the outset it stressed that it was not "a blueprint for action": its task was to

Home Office, Direct Broadcasting by Satellite (London: HMSO, 1981), para. 1.3.

²¹ Sir Harold Wilson, "Spin-off of the satellite revolution", *Financial Weekly*, 29/02-06/03/80, p.†. (Author's note: A large proportion of the articles from trade journals and newspapers have been taken from the ITC Library's extensive press cuttings collection. As, prior to the mid 1980s, it was not Library policy to stipulate from which page of a newspaper / journal a particular article was culled, in a small number of cases I have been unable to trace that detail. I have highlighted these instances with the use of the † symbol throughout footnotes and bibliography.)

examine the various opportunities that DBS had to offer rather than to make specific recommendations. It identified five distinct options for DBS, which it defined as follows:

A - that DBS should be given a full and early start, namely, a five-channel start-up in or around 1986;

- B that DBS should be given a full, later start (five channels by 1990);
- C that DBS should be given a modest, early start (two channels by 1986);
- D that DBS should be given a modest, late start (two channels by 1990); and
- E that there should be no progress on a DBS start-up in the foreseeable future.

Coming down in favour of a "positive approach", the study was to conclude that the limited, early start-up (C) was - probably - the best option to take.

The first objective of the report was to determine the logistics of any DBS operation: the costs of getting it, quite literally, off the ground. To begin with, there was the potentially prohibitive cost of the "bird" itself. The report based its estimates on two satellites which were then being designed by the European Space Agency, the European Communications Satellite (ECS), a medium-powered, telecommunications satellite which could be adapted to carry two DBS transponders, and the imaginatively titled Large Satellite (L-Sat), a larger version with the potential of carrying a five channel system. Costs for the adaptation and development of these satellites were put at £10 million for the ECS and £16 million for L-Sat; but these costs were dwarfed by the estimates for construction and launch (the latter to be carried out, it was assumed, either by the

European Ariane or the American Space Transportation System): these were put at between £27 million and £35 million for the ECS, and £40-60 million for L-Sat. With capital ground costs and annual operating costs adding a further £7 million, and taking into account the real cost of borrowing capital, and the returns needed for those who would be providing it, the study concluded that the true cost over the first ten years for a DBS service would be:

(a) for a two-channel system using an ECS-based platform, £14-16 million per channel per

year; and

(b) for a five-channel system using a L-Sat based platform, £10-11 million per channel per

year.23

Ways of reducing this cost were examined. The report suggested that "co-operation with another country / countries" might be a possible alternative, either by (i) a joint programme for the construction and development of DBS (a la the Franco-German bilateral project then in progress), (ii) the provision of a shared service with other countries - such as Ireland - who had the same orbital slot as the UK, or (iii) through sharing a "spare" satellite with such countries in the event of a calamity striking one or other country's operational model.²⁴

The report also discussed, and in considerable detail, the possibility of leasing transponders and ground facilities from a body "which is prepared to provide them", thus

²³ Ibid., paras. 4.14 - 4.27.

²⁴ Ibid., paras. 4.32 - 4.41.

making DBS considerably more attractive from a financial position. Indeed, it went on, were DBS to be broadcast on a satellite which provided "other telecommunications services", costs could be shared between the participating bodies. An alternative option, were DBS to be delayed until 1990, was to purchase a proven DBS system "off the shelf", although, the report concluded, this could well mean buying "from another country, and it could significantly reduce any opportunities which UK industry might hope to gain from a UK DBS system".25

It is clear that the primary concern of the report, and hence the driving force behind its inclination towards option (C), was that the UK might lose ground on its European neighbours were it not to pursue some form of early start-up: that the risks of delaying the project were outweighed by the need to keep up with the Continental Joneses. Besides, within Broadcasting Division, there was a perceived need to placate the Department of Industry - who wanted, in the words of one senior civil servant, "to see some action"²⁶. The DoI were also insistent that there should be some British involvement in the construction of the satellite - and the Home Office, recognising a possible convergence of broadcasting, aerospace and telecommunications interests, concurred in promoting this possibility. Likewise, the industries themselves were assiduous lobbyists for the cause. British Aerospace, the prime contractors for the ECS and L-Sat, provided a submission to the study which argued that a UK DBS system,

Ibid., para 4.45.
 Author's interview with former senior Home Office official.

As well as providing continued employment within the industry, would greatly improve its position in competing for this international market and hence increase exports of high technology equipment from the UK.²⁷

Estimates submitted to the study had suggested that costs for the reception equipment might be in the £150-£200 range "once volume production had been reached", but would in all probability be "a good deal higher" at the outset. With installation costs also be taken into account, it was felt that a number of viwers might prefer to rent the equipment - paying a fee of around £10 a month - rather than purchase it outright.²⁸

The next question which the study addressed was that of provision of services. Who would provide them, and indeed, what would be the nature of those services? Even at this early stage, the BBC submitted fairly extensive proposals to the study. It proposed that it should be allowed to provide two television channels: the first being a subscription service of feature films, sports and the arts, the second a series of "best of BBC" retransmissions. Of the other submissions, Granada proposed a subscription service along the lines envisaged by the BBC, while the Open University recommended an "educational" channel for the transmission of its own programmes.

The Home Office was in favour of the BBC proposals from the outset. It particularly liked the idea of a "best of" channel which would allow, for instance, shift workers to watch programmes they would otherwise be unable to see. The key problem, was, once again, finance. It was estimated that a DBS service broadcasting some fifty hours of programming per week would cost between £50 million and £100 million per

²⁷ Home Office 1981 op. cit., para 7.14.

²⁸ Ibid., paras 3.15-3.18.

annum. Accordingly, the study discussed three possible methods of funding: a special "licence fee" for DBS receiving equipment, advertising and subscription. The special licence fee was rejected out of hand as the sole method of funding: an initially small customer base would then be faced with an "unacceptably large" fee, which would scarcely promote the growth of the service. Similarly, it was likely that the potential for advertising revenue would not be great at the outset. On the other hand, it was felt that a subscription service, with monthly charges of around £5 per subscriber per month, might recoup costs in some four to five years.²⁹

Whitelaw announced that there would be a two month consultation period for the document. And while the broadcasters pondered what responses they might make, the Home Office continued to address another pressing concern: the possibilities offered by a broadband cable network.

Cable: ACARD, ITAP and the Hunt Report

In January, 1981, Margaret Thatcher appointed Kenneth Baker as Minister of State for Information Technology. The creation of the post was a significant achievement for those MPs who, like Baker, Chris Chataway and the late Airey Neave, had been pressing over the past decade for government to take a closer interest in IT and related matters.³⁰ It was also a personal success for Baker, who had succeeded in persuading Thatcher to take a direct interest in the matter. Those who worked closely with Baker at the time speak of his

²⁹ Ibid., paras 13.13 - 13.39.

Timothy Hollins, Beyond Broadcasting: Into the Cable Age (London: BFI Publishing, 1984), p. 51.

almost evangelical fervour as he galvanised the DoI: Alasdair Milne, the BBC's Director General, described him as "aflame"; one of the Broadcasting Division officials observed succinctly that "Kenneth Baker was information technology mad, to put it bluntly". 31

The creation of the post of Minister of State for Information Technology can be traced back to that unofficial pressure group of MPs, and to a 1978 programme in the BBC documentary series, Horizon, entitled 'The Chips Are Down', which the then Prime Minister James Callaghan happened, fortuitously, to watch: he was then prompted to arrange a viewing for the entire Cabinet. As a result, the CPRS was set the task of devising some form of "central machinery" capable of handling IT issues.32 Labour had earlier established, within the Cabinet Office, the Advisory Committee for Applied Research and Development (ACARD). Since its inception ACARD had worked closely with the CPRS - Professor John Ashworth, the CPRS's Chief Scientist, also sat on the Committee - by recommending which areas of research should be given priority.³³ At the end of 1979, ACARD undertook to set up a Working Group to examine the likely directions of IT developments, and the extent to which these developments were liable to be constrained. The Working Group met six times between January and May 1980, and submitted its report in September 1980. One of Information Technology's key conclusions was that the Home Office was not an "appropriate" department to regulate an expanding broadcasting industry, particularly with the advent of such services as teletext and viewdata. Its recommendation was that "the responsibility for regulation of broadcasting...

Hollins op. cit., p. 51.

Alasdair Milne, DG: The Memoirs of a British Broadcaster (London et al: Hodder & Stoughton, 1988), p. 111; author's interview with former senior Home Office official.

³³ Blackstone & Plowden, op. cit., p. 145.

should be exercised by a single Government Department".³⁴ As the document dealt solely with technical issues, it is not entirely clear whether such regulation was to include such matters as programme content: but certainly it was felt that the existing distribution of responsibilities was so diffuse and nebulous as to constrain the development of an IT programme. A "focal point" was required,

To improve awareness in government, to promote a programme covering both projects and publicity, to improve internal communications and provide necessary couplings, to avoid delays because of the rate of technological change, and to create a positive public consciousness of IT.³⁵

Rather than let the present situation continue, the report concluded, one Government minister and Department should be made responsible for co-ordination of policy.

Until a final decision was made on this last point, Adam Butler, a junior minister at the DoI, was temporarily given responsibility for IT matters. Kenneth Baker, from the backbenches, continued his assiduous promotion of the case for private investment in IT (inter alia, the software firm Logica, in whom Baker had business interests) and through a number of speeches and articles. ³⁶ In one, a "National Strategy for Information Technology", he proposed a ten-point programme in which the Government's role was to be "co-ordinator and catalyst". ³⁷ The programme reiterated ACARD's recommendation for the creation of a Minister for Information Technology within the Department of

³⁴ Cabinet Office, Advisory Council for Applied Research and Development, *Information Technology* (London: HMSO, September, 1980), para. 7.10.

is Ibid., para. 9.5.

³⁶ Kenneth Baker, The Turbulent Years: My Life In Politics (London: Faber & Faber, 1990), p. 57.

³⁷ Ibid., pp. 475-8.

Industry, and proposed an initiative, to be set up by the Departments of Industry and Trade, to sell British IT products abroad; a more concentrated space and satellite programme; and the involvement of industry within British research and development. Baker's advice was put into practice, and the following January he himself was given the task of implementing the programme. It was, Baker observed, "the first time that a minister had actually written out his own job specification before being appointed". By this time, the term "Information Technology" had become something of a catchall phrase, and Baker's brief reflected that, covering computing, electronics, cable and DBS. He also announced, with Thatcher's blessing, that 1982 was to be "Information Technology Year".

At the heart of Baker's vision of an information society was the creation of a nation-wide cable network, providing services ranging from television to home shopping, telephony to the delivery of training courses. Such a myriad service had recently become a possibility through the development of fibre-optic cables. In the more remote parts of the UK and other countries, or regions where off-air reception was poor due to geographical conditions, local authorities or local operators (frequently acting for one of the major companies such as Rediffussion) had since the late 1920s (for radio) and late 1950s (for television) "piped" signals via underground, twin-paired cables directly into the home in return for a small fee. The systems employed, carrying one channel per twin-paired cable, offered between four and six channels. In addition to BBC1, BBC2 and the local ITV broadcaster, this gave viewers the opportunity to receive programmes from an out-of-area broadcaster. (This was particularly useful for non Welsh-speaking viewers in Wales, who

³⁸ Ibid., p. 57.

could then tune into BBC West during those hours of prime-time viewing allocated to Welsh language programmes by BBC Wales.) But the 1970s had seen a significant drop in the numbers served by cable, thanks largely to an expanded transmitter network, and an increase in the efficiency of those transmitters. However, it was felt that the greater number of channels that might be offered by fibre-optics, and more immediately, by coaxial cable, could entice viewers to subscribe.

Baker repeatedly stressed that cable could be developed as much more than an entertainment service. But it was nevertheless envisaged that the expansion of cable would be entertainment led, along the lines of the American model. Initial growth in the US market was largely the result of deregulation of cable services in the early and mid 1970s. In 1972 a Report and Order by the Federal Communications Commission (FCC) lifted a cable ban which had denied operators access to the "top 100" urban markets, effectively barring them from 87% of the population. The Order also insisted that all services with more than 3,500 subscribers were to have a minimum 20 channel capacity.³⁹ However, while this enabled the cable providers to gain access to the markets, there was also the small matter of nation-wide programme distribution. The breakthrough came with the "open skies" policy initiated by the FCC in the same year and driven by the Office of Telecommunications established in the White House by the Nixon administration. This enabled commercial companies to own and operate domestic satellites (domsats). In 1975, Time's nascent subscription film channel Home Box Office (HBO) took the decision to lease a transponder on the first domsat, RCA Satcom 1. This would downlink lowpowered signals which could be picked up by a cable operator via a satellite dish and re-

³⁹ Hollins op. cit., p. 117.

distributed, via cable, to his subscribers. While the initial outlay for the operator was considerable - the dish required was large and expensive - their decision was backed by Teleprompter, the largest US multiple-systems operator, who ordered dishes for each of their systems. HBO did not look back. Shortly before they began broadcasting on the domsat they had a subscriber base of 57,000; by 1977 it had passed 1 million and, by 1983, 12 million. The rise of Ted Turner's Superstation, which joined HBO on Satcom I in 1976, was even more meteoric: an audience of 10,000 on its first day on the satellite had reached 26 million by 1983. While the need for redistribution via satellite of the three national UK channels within the UK itself was regarded as minimal, it was seen as having possibilities for British operators who might be keen on distributing to potential cable subscribers on the continent, or vice versa, for those British companies which might wish to utilise this form of delivery to create a large subscriber base for cable only channels along HBO lines.

Within the UK, the provision of services other than the main terrestrial networks was limited. Local community programmes had been offered by several cable operators on a trial basis in the early 1970s, but these soon ceased due to lack of finance. In November 1980, Whitelaw had announced that special licences had been issued to certain operators (including Rediffusion, Radio Rentals, British Telecom and Visionhire) to provide subscription services in various areas throughout the country. For both Home Office and operators, these were a means of testing the water, as one of the conditions for the licence

⁴⁰ Porter Bibb, Ted Turner: It Ain't As Easy As It Looks: The Amazing Story of CNN (London: Virgin, 1996), p. 100.

⁴¹ Hollins op. cit., p. 123.

as outlined by Whitelaw was that the licensees would be required to conduct research into viewers' take-up, and response to, the services.⁴²

With the promotion of cable systems very much in mind, Baker helped to engineer the formation of an Information Technology Unit within the Cabinet Office, which was duly announced by Thatcher in a written statement to the Commons in July 1981. The Unit was a four man team, a combination of permanent officials and personnel on secondment from the private sector and was headed by Brian Unwin, a former senior official at the Treasury. Perhaps the differences of opinion that would arise between the Home Office and the DoI had been anticipated: in any event, policy development now had the focal point recommended by ACARD. (It also had a former ACARD member at its heart - Roger Courtney, one of the ITU's members, had once been the Advisory Council's secretary.)⁴³ Broadcasting Division were rather cool about the move: one senior official reflected that

This sort of central initiative goes on all the time and it reflects the feeling somewhere that the departments need their heads banging together and that if only Number Ten ran it, it would be much better... It meant that there was one more lot of people we had to explain what we were up to, to.⁴⁴

At the same time, again on Baker's advice, it was announced that six businessmen were to be appointed as "IT advisers". Collectively, they were the Information Technology Advisory Panel (ITAP): Michael Aldritch, Managing Director of Rediffusion Computers; I

⁴² Howkins op. cit., para. 5.3.2.

⁴³ Ibid., para. 5.4.4.

⁴⁴ Author's interview with former senior Home Office official.

C Cohen, Managing Director of Mullard Ltd.; Tony Davies, Managing Director of Information Technology Ltd; Dr David Hartley, Director of the Cambridge University Computing Service; Charles Read, Director of the Inter-bank Research Organisation; and Colin Southgate, Chief Executive of Computer services Division, British Oxygen Co. Ltd. The Panel's *raison d'être* (outlined in Thatcher's original written statement) was to "ensure that Government policies and actions are securely based in a close appreciation of market needs and opportunities". 45

ITAP were asked to undertake a study on the potential role of cable systems, and a Working Group was set up to that effect, consisting of Read (as Chairman), along with Aldritch and Davies. The study was finally published in February 1982: the authors were convinced "that there are powerful economic and industrial arguments for encouraging cable systems in the UK. Furthermore, we believe that given the right conditions, these could be financed entirely from private sources."

The Panel were faced with the paradox that while they ultimately envisaged cable as "an essential component of future communication systems", progress towards the establishment of a national broadband infrastructure would initially be entertainment driven, à la the American model, in order to maximise the home subscriber base. ⁴⁷ In this respect, one pressing concern of the Panel was the falling number of subscribers to the existing network of twin-paired cable, and its potential impact on jobs in the industry. The steady decline in the number of subscribers (a drop of 140,000 over five years) was

⁴⁵ Prime Minister, written statement to the Commons, 02/07/81.

⁴⁶ Cabinet Office, ITAP, Report on Cable Systems (London: HMSO, February 1982), introductory letter to the Prime Minister.

⁴⁷ Ibid., para. 8.5.

expected to accelerate: an industry spokesman, giving evidence to the Working Group, anticipated a fall from 1.5 million to just 300,000 in a further five years, with the possible loss of some 5,000 jobs. Therefore, some incentive was clearly needed to bolster the industry. One such incentive could be the introduction of additional television channels not available off-air.

However, while it was anticipated that broadband cable would carry in excess of thirty channels, the existing twisted pair networks could carry only four to six. These were already filled by the national networks and, in some cases, a neighbouring ITV broadcaster. Clearly, there was a problem, particularly as the Panel were anxious that the "considerable investment" represented by the twisted-pair networks should not be wasted. Accordingly, they proposed that, to make space for additional channels, cable operators should be released from the requirement to distribute UK terrestrial services where off-air reception permitted (a rider ignored by most critics of the report). They stressed, however, that their use should be regarded "purely as an interim measure", providing a useful base of potential subscribers to a coaxial/optical fibre network. 49

Much of the Report's supporting evidence was derived from the developments in American cable since its deregulation. Notably, it emphasised that US customers were willing to pay in excess of £10 per month to receive additional services. "Cable systems", the report continued, "offer large business opportunities with good chances of profit. We see no need for any public funds to be used to establish them". 50 Thus, British Telecom, which could have served as a national carrier, was dealt with in summary fashion: technical

⁴⁸ Ibid., paras. 1.1 - 1.3.

⁴⁹ Ibid., para 4.10.

⁵⁰ Ibid., para, 5.16.

standards "should not pay undue respect to any integration into the national telecommunications network"; a dominant BT might risk a reduction in "commercial attractiveness"; and so on.

The Report dwelt extensively on the potential relationship between cable and DBS. Indeed, one of its key recommendations was that the Government should announce an early start on DBS. However, bearing in mind that the Group's remit was to determine the best means of establishing a wide-reaching cable network, the relationship was examined with the objective of how DBS might be harnessed to maximise the benefits to cable. For the purposes of the Working Group, DBS was no more than a means to an end.

The Home Office study had considered the possibility of community reception, but had concluded that, while it would (a) stimulate the growth of cable, and (b) allow transmission on a lower power - at, say 50 - 100 W rather than the 250 W needed for high-power, were it to be used as the sole method of reception, it would severely limit the availability of any nascent DBS service to the cabled areas, and would also remove the potential home market for individual reception. While the Working Group did not dispute the study's conclusion that high-powered services should be used for DBS, they felt that cable's "prospective contribution" had been overlooked. They were particularly critical of the Home Office costings for DBS. For example, they felt that they had been "too optimistic" on the probable cost of DBS satellite dishes and adapters. "Indeed", the Report continued, "the commercial success of DBS is fundamentally not in the hands of the providers of either the satellite or the programmes; it will be determined by the policies of rental companies and - if they are permitted to distribute DBS signals - of cable

⁵¹ Ibid., para. 4.4.

operators".⁵² The Group also believed that cable distribution would be cheaper than individual dish reception: it estimated the cost per dish (to the consumer, rather than, as the Home Office had done, to the manufacturer) at around £400, with another £100 for installation, and with additional expense likely to be incurred on maintenance. The BBC's initial 1978 survey, which had suggested that only 0.5% of homes would have difficulty mounting a dish, was called into question: a later study had put the figure at nearly 1 in 4.53

The partial nature of the Report's attitude to DBS is underlined in paragraph 4.13, which clearly emphasises the Group's concerns: "Should no action be taken now, and DBS services become further established through individual reception... the attraction of the further entertainment channels which cable could offer is likely to be seriously diminished". While the Group did "in fairness" acknowledge that the growth of DBS in conjunction with a decision not to encourage cable could create a large market for individual DBS dishes and adapters, their anxiety to promote a cable infrastructure overrode any concerns for satellite in any potential "relationship". For while the Report cited the US experience as an example of mutual co-operation, the analogy was false. In the US the "birds" were used merely as a means of transmitting to the head-ends and thence, via cable, to the home, but in Europe it was envisaged that satellites would be transmitting on high-power directly into the home. The Report was essentially advocating the simultaneous introduction of two competing media, and at a time when a third - the VCR - was just taking off.

⁵² Ibid., para. 4.5.

⁵³ Ibid., para. 4.7.

ITAP also examined the possible implications of cable for terrestrial television. In terms of income, it felt that the BBC would benefit, provided cable systems were permitted to distribute any future BBC DBS service; on the other hand, it could well eat into ITV's advertising revenue. There was also the question of whether the introduction of additional cable channels would lead to a reduction in the quality of programmes on BBC and ITV. The Report concluded that such a threat was not "inevitable":

The main offenders (in the US) are the national networks, and in the United Kingdom we see these - with the addition of DBS - continuing to provide a varied selection of programmes. We envisage that most of the other channels to be provided on cable systems would provide for more specialised or local needs, or would be devoted to information and data transfer services.⁵⁴

This argument was perhaps the least convincing of any put forward in the Report. To begin with, the analogy with the US was again false, as the American national networks were all commercial, and thus in direct - and ferocious - competition with one another in their quest to attract advertisers. Secondly, the statement that most cable channels would provide data transmission services ran contrary to ITAP's own admission that cable would initially be "entertainment led": the provision of data services was never anything other than a medium to long term objective. The possibility of UK cable channels going downmarket to compete for viewers - and of the national networks following suit - was not taken seriously. Similarly, while there was talk of local cable stations providing a

⁵⁴ Ibid., para. 6.17.

"community spirit", there was no discussion of how such stations - without the financial clout of a channel delivered nationally or internationally - might be funded.

Furthermore, while all members of the Panel were acknowledged experts in the computing and electronics industry, their combined experience of broadcasting was extremely limited. The Panel believed it had identified the most economic means of developing a national cable network, and of utilising this growth to the best advantage of British industry, but displayed little evidence of any perception of what impact such change might have on the existing broadcasting infrastructure, or indeed its implications for the nature of channels that might be transmitted through their anticipated network.

"We cannot stress too highly the need for speed." If a British cable network was to be constructed, the Group felt that it should begin at once. Freedom should be given to "entrepreneurial flair" in this process. Deregulation, along American lines, was the order of the day. The report's main recommendations (along with its concurrence with the Home Office's decision on DBS start-up) were that, first of all, the Government should announce - by mid 1982 - the "broad outlines" of its cable policy. Second, a statutory "broadcasting authority" should be established to oversee the running of cable systems. Third, cable operators and programme providers should be urged to set up an effective means of self-regulation. Fourth, the DoI should set up a working group to examine "alternative approaches to cable network design" and to define engineering standards. Finally, and ominously for the Home Office, the report voiced its concern over the "present split of regulatory responsibilities". In its conclusion the report had commented darkly on the "protracted process" that existed in the formation of broadcasting policy,

⁵⁵ Ibid., para. 8.7.

which was "wholly inadequate for the present situation". 56 It was evident which department was felt to be at fault.

The conclusions of the report, which was published in March 1982, were severely criticised by the Opposition. Dr Shirley Summerskill, Labour's Home Affairs spokesperson, objected in a Commons debate on 20 April that those on the panel were "natural disciples of the cable cause", while the arguments put forward were largely "commercial and industrial". 57 John Golding described the Report as a "bitter disappointment", and for Philip Whitehead it was "an essentially shoddy document". 58 Labour were concerned that, as seemed likely, the possibility of a common carrier might be rejected outright: John Garrett pointed out that "a coherent strategy inevitably leads to a national network, under public control, and not a myriad private ventures all setting up systems of their own". 59 Baker, however, was resolute in his support for the recommendations, stating confidently that "the recabling of the country will be as important for Britain as was the laying down of the railway network in Victorian England". 60

While the Minister for IT fielded questions on cable in the Commons, the development of policy remained very much the bailiwick of the Home Office. Under pressure from the Cabinet Office and the DoI, the Home Office attempted to resolve a number of the key issues that had arisen in the cable discussions. On 22 March 1982, Whitelaw set up an inquiry with the following frame of reference:

⁵⁶ Ibid., Summary, paras. 6 & 7.

⁵⁷ Hansard, 20/6/82, col. 180.

⁵⁸ Ibid., cols. 186 & 190.

⁵⁹ Ibid., cols. 226-8.

⁶⁰ Ibid., col. 238.

The Government's wish to secure the benefits for the United Kingdom which cable can offer and its willingness to consider an expansion of cable systems which would permit cable to carry a wider range of entertainment and other services (including when available services of direct broadcasting by satellite), but in a way consistent with the wider public interest, in particular the safeguarding of public service broadcasting; to consider the questions affecting broadcasting policy which would arise from such an expansion, including the supervisory framework; and to make recommendations by 30 September 1982.⁶¹

Lord Hunt of Tamworth, the former Cabinet secretary, was invited to chair the inquiry; his colleagues were to be Maurice Hodgson, the former Chairman of ICI and James Ring, Professor of Physics at Imperial College and a former member of the IBA. Jon Davey, then an Assistant Secretary in Broadcasting Division, was seconded to work as Secretary to the Inquiry. Naturally enough, their remit did not extend to an examination of Home Office competence to be responsible for cable. The department was in no hurry to work itself out of a job, particularly as the next step might well be to question its aptitude to handle broadcasting per se.

The Hunt Report was submitted to the Home Office on 28 September. Considering the relatively short time-span the Committee had been allotted, it was remarkably thorough. At the outset, it recognised the inherent dangers in the sudden growth of a cable network: "At its worst.. it could lead to a waste of resources, risks to privacy and a lowering of quality of broadcasting". 62 However, the Report continued, this was not in itself a reason not to proceed with the project: but it was to be a result of

⁶¹ Home Office, Report of the Inquiry into Cable Expansion and Broadcasting Policy, Cmnd. 8679 (London: HMSO, October 1982), para. 1. 62 Ibid., para. 4.

technological developments that a reassessment of the arguments against subscription needed to be made.

The Report concluded that subscription television delivered via cable should be regarded as "supplementary" to public service broadcasting, not as an "alternative or rival". Supplementary", the Report explained, meant that cable companies would be forced to obey the "must carry" rule, giving over four of their channels to the terrestrial services. (Even so, bearing in mind that by this definition ITV had been supplementary to the BBC, and that the rivalry continued unabated, the distinction seemed a little spurious.) Nevertheless, the Report was concerned that cable television should provide greater choice, particularly with its ability to cater for minorities and local groups: "It should be innovative, experimental and sensitive to local feeling". The question then arose as to how to regulate the nascent industry, and equally importantly, how to define it.

The report identified four distinct functions in the cable process, namely (a) the cable provider, who would install the physical infrastructure, (b) the cable operator, who would assemble and sell to the customers a package of cable services, (c) the programme provider (such as a television company), and (d) the programme maker. It felt that, of these, the key figure would be the operator: "The evidence we have received strongly suggests that the main commercial motivation lies in selling services to the public". Accordingly, the Committee concluded that "there are strong grounds for a formal system in which a franchise is granted for the operation of a cable system in a particular area". 66 It

⁶³ Ibid., para. 8.

⁶⁴ Ibid., para. 9.

⁶⁵ Ibid., para. 16.

⁶⁶ Ibid., para. 18.

was felt that the best method by which such a system could be operated was through some form of central body, and so the Committee proposed the formation of a Cable Authority to award local franchises on a competitive basis. It deemed that self-regulation would not be effective, at least throughout cable's early years: this was largely due to its argument that, given the high costs involved and the need for high penetration in a given area, a cable operator would require a local monopoly to consolidate its position, and, this being the case, an unregulated operator might be in a position to abuse that monopoly by mean such as inferior programming. Its recommendation was that the Cable Authority be given the power to regulate the cable services on a "light touch" basis: that is, a number of disciplinary measures would be available to it if a company failed to obey the terms of its franchise or received frequent complaints, but otherwise it was hoped that the Authority would be able to remain discreetly in the background. Lesser punishments that the Authority could inflict might include a company's temporary loss of its deregulated position, by being forced to submit, in advance, detailed programme schedules "until the cable authority was satisfied that (the operator) could be relied upon to meet his obligations without supervision". 67 Ultimately, the Authority would have the power to withdraw the franchise of, or halt transmissions from, persistent offenders.

Davey later elaborated on the rationale of placing the onus of responsibility largely on the operator:

Hunt proposed - and it was then embodied in legislation - that anything that reached the British viewer ought to be regulated and you could achieve that most effectively if you imposed the regulation at a point

⁶⁷ Ibid., para. 101.

closest to the viewer, and that point would be the cable operator, the local retailer. In that way you would control anything that he acquired from another UK programmer or indeed anything that he acquired from beyond UK jurisdiction and if you imposed the responsibility on the cable operator that would be all you needed to do.⁶⁸

It was also the belief of the inquiry that central and local government, and political organisations, should not be permitted to participate in the ownership of cable operators, while press, television and radio companies should be prevented from holding a controlling interest. And while it felt that the experience of overseas cable operators would be an invaluable aid in facilitating the growth of a network, it was of the opinion that "it would seem unacceptable for cable systems to be under foreign control": therefore, its recommendation was that such investment should be limited to a minority stake. ⁶⁹ It concluded, however, that there was "little danger of a monopoly" of ownership of cable franchises, nor, indeed, of one company owning a "substantial number" of franchises. ⁷⁰ Therefore, the Report declined to recommend legislation on this front.

With regard to the financing of potential channels, the Report proposed a combination of subscription and advertising: the fact that much of this advertising revenue would come from local advertising meant that ITV's advertising base would not be affected. Furthermore, it believed that there were insufficient grounds for laying down limits on advertising time at the outset. But pay-per-view as a means of income was ruled out. The reasoning behind this was that certain one-off popular events (such as pop

⁶⁸ Author's interview with Jon Davey, 01/09/95.

⁶⁹ Cmnd. 8679, para 26.

⁷⁰ Cmnd. 8679, para. 29.

concerts and sports) would generate considerable revenue for the cable companies involved, easily enough for them to bid enormous sums for those events and price the duopoly out of the market for television rights: additionally, cable's initially small base would mean that only a small proportion of the national television audience would have access to such events. There should be no imposition of a quota (as existed on BBC and ITV) limiting the amount of foreign material that could be shown, simply because it was not felt that cable could thrive in the short term under such a restriction. Nor were any regulations to be proposed on "range and balance": indeed, the Report continued, those allowed access to cable should be under no obligation to be impartial. Meanwhile, it was proposed that the use of decoders, which enabled householders to "lock out" certain censorship categories of films (and which had been implemented in the pilot schemes in areas such as Tredegar and Milton Keynes) would enable "X-rated" films to be shown on subscription channels.

In certain respects the Hunt report is as interesting for what it left out as for what it contained. While cable's community role was repeatedly stressed, no specific recommendations were made as to how such schemes should be implemented. "There should be a presumption", said the Report, "that the cable operator should accept responsibility for ensuring and financially assisting some community participation in cable programmes". The assumption that in the long-term, cable operators would not continue to rely heavily in low-cost acquired programming from abroad was also remarkable naive. And while the Report suggested that arrangements made by the cable operator for the

⁷¹ Ibid., para. 50.

⁷² Ibid., para. 71.

provision of community services would be taken into consideration in the awarding of the franchise, there was no indication of the relative importance of this criterion, nor were there any stipulations on, say, the requirement to provide a local service.

Furthermore, the Hunt report did not cover the possibility of a national carrier (as recommended by the Labour Party), as "it is inconsistent with the Government's policy on competition". The question of whether or not it might be more efficient or effective than a system wherein cable operators were also cable providers was therefore left unanswered.

Parliament was due to debate the findings of the Hunt Report on 2 December, and on 18 November Margaret Thatcher had held a meeting to finalise decisions on cable policy. It had begun badly when Whitelaw protested vigorously that he had not been informed of an ITU presentation at the start of the meeting. Matters deteriorated further when Thatcher became critical of Hunt's decision not to recommend pay-per-view. Whitelaw defended the decision, saying that pay-per-view might lead to the siphoning off of major sporting events from the BBC and ITV. "We have an appalling relationship with the BBC", he concluded, "and I have to take the brunt of that relationship. It is all very unpleasant and they have made it clear that pay-per-view is not acceptable". This case of the BBC tail trying to wag the Home Office dog left the Prime Minister less than impressed. She was also dismissive of Hunt's conclusions regarding broadcasting impartiality and of the possible availability of "X-rated" films. When Tim Raison protested that some of the best films he had seen fell into this category, Thatcher sweetly told him that he would be added to her list of ministers "who have said unfortunate things".

⁷³ Ibid., para. 22.

⁷⁴ Baker, op. cit. p. 88.

⁷⁵ Ibid

Whitelaw's objection was more pragmatic: he felt that his grandson would be far more capable of operating the electronic lock on the decoder than he himself would be. ⁷⁶

In the subsequent adjournment debate, the Hunt Report was duly castigated by the Opposition. Shadow Home Secretary Roy Hattersley, observing that the report had passed over the option of the national common carrier model, described it as "the most intellectually inadequate document of this sort that I have ever read". 77 But most Conservatives (and Liberals) welcomed the Report's findings, with several using it as a stick with which to beat the terrestrial channels. John Gorst did not want "a fourth channel that is composed of bad language, political bias and many other undesirable qualities" to be carried on a cable network, while Raymond Whitney observed that "the BBC has one or two things to answer for". 78 Sir Paul Bryan remained convinced that British television was the best in the world: nevertheless, he continued, in terms of choice, "the American viewer is better off than his British counterpart". He went on to list the selection of programmes available to a cable viewer in downtown Manhattan: "Five movies, three sports programmes, two plays, one ballet, one opera, one variety show, two documentaries, a soap opera, and three educational programmes, plus two news channels and a programme on cooking". 79 (To this his Conservative colleague Julian Critchley responded: "My hon. Friend has left out of his list soft porn, hard porn, and adventure, which I am told is the best of the lot.")80

Author's interview with Jon Davey, 01/09/95.

⁷⁷ Hansard, 02/12/82, col. 420.

⁷⁸ Ibid., cols. 412 & 468.

⁷⁹ Ibid., col. 429.

⁸⁰ Ibid.

But the debate revealed reservations on all sides regarding Hunt's decision not to recommend the imposition of a quota system limiting the amount of foreign material that could be screened on cable channels, although Raymond Whitney was confident that most material would be "locally produced" and that a quota system would be "irrelevant". For Austin Mitchell, however, this was merely part of a wider issue: namely, whether cable would provide sufficient top quality entertainment, and indeed whether "entertainment will be able to carry the burden that is being put on its shoulders by the Government's strategy". If not, he concluded, "the case for rushing ahead, and doing it so overwhelmingly in the private sector, collapses". 82

Baker had no such doubts. He outlined the Government's plans to grant twelve year franchises to "tree-and-branch" cable systems, and twenty year franchises to operators intending to utilise the "switched star" format. Tree-and-branch was the model, well established in the US, whereby the signal was transmitted from the head end along trunk lines, from which other cables branch off to serve different areas (say, a street), and subscriber links to individual households branch off in turn from these lines. The switched star model existed only in an experimental form. Using this method, the trunk line would carry the signal to a local switching point, serving hundreds of subscribers. This enabled channel selection to be performed at the switching point, meaning that each household would only require a small number of channels at a given time, and would give the system greater capacity to transmit other services, especially if the links used were optical fibres rather than coaxial cable. The downside of such a system was that the technology was

⁸¹ Ibid. 468.

⁸² Ibid., col. 470.

unproven, and costs were likely to be significantly in excess of those of the tree-and-branch system. Nevertheless, Baker was keen that such systems be employed in order to stimulate optical fibre development: hence the longer franchise for anyone prepared to take the risk.

During the debate, Baker laughed off suggestions of any divisions between the DoI and the Home Office over the speed, and direction, of policy development. "In my enthusiasm for cable", he said, "I am sometimes portrayed as dragging my right hon. Friend the Home Secretary kicking and screaming into the cable revolution. That is not just physically impossible; it is temperamentally unnecessary". Whitelaw, he said, was "enthusiastic" about the new technologies. This was manifestly untrue: quoted in Baker's own account of the November policy meeting, Whitelaw had made his position perfectly clear. "There could be no one more passionately against the whole concept of cable TV than me. I hate the prospect."

Information Technology Year 1982 was officially brought to an end at a conference held at the Barbican on 8 December. Thatcher herself opened the conference: she stressed the need for cable to proceed "as speedily as possible". Information Technology, she said "offers a helping hand: it should be embraced. We should think of it more like ET than IT". 85 (Kenneth Baker noted that Thatcher put the finishing touches to the speech herself.)

On 27 April, 1983, the White Paper, The Development of Cable Systems and Services, was published. Interestingly, while the Hunt Report had fallen solely under the

84 Baker op. cit., p. 87.

⁸³ Ibid., col. 481.

⁸⁵ Peter Large, "Thatcher pledge on 'decency' in cable television", Guardian, 09/12/82, p. 4.

aegis of the Home Office, Cable Systems was produced in conjunction with the DoI. A major factor behind this involvement would undoubtedly have been that while Hunt had concentrated on the regulation of any putative network, Cable Systems also dealt with matters such as network design and choice of cable material. It also enabled the DoI to make its presence felt in areas where it felt that Home Office was being overly delicate. The DoI thesis, argued Jon Davey,

was essentially that there were enormous industrial and commercial benefits here if only you, the Home Office, dismantled your carefully wrought broadcasting policy to allow carte blanche to cable systems, because all you needed to do was allow cable systems to provide pay television to their customers and they would seize the opportunity and it would be a wonderful business.86

Davey and his colleagues at the Home Office felt, essentially, that this argument was built on a false supposition. While the Home Office realised that they had to conceive a regime for cable, they believed that it was necessary to incorporate into it structures limiting its impact on public service broadcasting, and further, as one senior official put it, "people shouldn't be led up the garden path by the extreme claims, especially by Kenneth Baker, about universal cabling for every person being just around the corner".87

As might have been expected, *Cable Systems* adopted the bulk of the Hunt Report, with one or two notable exceptions. Paragraphs 110 to 116 dealt with pay-per-view. It was felt that the distinction made by Hunt, between subscription and pay-per-view, was artificial; furthermore, a general proscription on pay-per-view was both unnecessary and

Author's interview with Jon Davey, 01/09/95.

Author's interview with former senior Home Office official.

restrictive. Would it not be reasonable to allow events currently given little or no coverage on terrestrial television (such as overseas test matches) to be transmitted via cable and financed in this way; or programmes of specialist interest; or perhaps performances staged specifically for cable? The solution was couched in terms designed in an attempt to placate both broadcasting and industrial camps: "The Government shares the concern of the BBC and the IBA that cable should not lead to an impoverishment of the range and quality of programmes... Equally the Government is anxious that cable should not be hindered by unnecessary restrictions". Its proposal was therefore that pay-per-view was to be permitted, unless "an event customarily shown on one of the existing public service channels would as a result no longer be available for such a channel". The necessity to define such events with more clarity saw the White Paper muttering into its beard: "If in the last resort the Cable Authority and the broadcasters are unable to reach an agreement there may need to be a prescribed procedure for settling disputes".

In pay-per-view Thatcher had got her way: as she did with her rejection of Hunt's endorsement of a greater scope for "political" broadcasting, delicately pushed off the agenda ("People... may not immediately welcome the inclusion of more committed material on cable channels"), and of X-rated films (channels fitted with electronic locks were to abide by the same standards of taste and decency as applied to the BBC and IBA⁹⁰). But perhaps the most interesting of the Government's proposals concerned the "must carry" rule, for they finally displayed a clear attempt to stimulate, simultaneously,

⁸⁸ Home Office / DoI, *The Development of Cable Systems and Services*, Cmnd 8866 (London: HMSO, 1983), para. 115.

⁸⁹ Ibid.

⁹⁰ Ibid., paras. 140 & 136.

the growth of DBS and cable. They rejected the argument put forward by the Cable Television Authority, that operators should be free "to negotiate a financial arrangement" with the DBS provider. Sensing that this might result in the DBS provider being held over a barrel by the cable companies, the Paper instead agreed with Hunt's recommendation that any "free" DBS channels should fall under the "must carry" rule, but went further: additional subscription services should be offered by the operator "to those of his customers who wish to pay for [them]". 91

The BBC and DBS

In the event of any early DBS initiatives by the British Government, it was always highly likely that the broadcasting beneficiary would be one, or both, members of the terrestrial duopoly. Long before the Home Office had begun to concern itself with satellite broadcasting, the BBC displayed a considerable degree of foresight and began to draft provisional plans. After two Board of Management discussions, in May and July 1976, the decision was taken to taken to seek two DBS channels "for eventual use", if and when the Government chose to permit DBS to go ahead. The BBC subsequently commissioned a feasibility study which estimated the proportion of homes which might be unable to receive DBS by an individual antennae. This was done, apparently, by ascertaining which houses would be in sunlight at 3 p.m. on 13 October, at which time the sun would appear to be in the same position as the UK's anticipated satellite at 31°W. (Householders, it was

⁹¹ Ibid., para 129.

⁹² BBC documentation.

blithely suggested, could also make this check for themselves. The number who (a) took up the challenge, and (b) were lucky enough to find sunshine in mid-October has not been recorded, but is probably minimal.)

The results of the study were sufficiently encouraging for the BBC's Deputy Managing Director, Robin Scott, to prepare a paper for the Board in October 1979 outlining the reasons for BBC involvement in DBS, namely: the likely benefits that would accrue to UK industry; the need to fill the gaps in BBC coverage caused by the abandonment of the 405 line standard; the fact that the BBC was the national instrument of broadcasting; and that the IBA were bound to seek some involvement of their own, thus making it important for the BBC to begin intensive lobbying before the opposition. At that stage, Scott envisaged one of the proposed channels as a "pay" service, with the other seen as a long-term successor to BBC2. 93

Scott was one of satellite broadcasting's most passionate advocates within the BBC. Speaking on LWT's *Look Here* the following June, Scott said that:

The BBC would be very wrong if it did not go hell for leather for direct broadcasting by satellite... I think we want to look at it as an extension of communications which actually provides new things, but also in the process puts money into those who provide the existing bread and butter and jam of British television and enables them to expand their services.⁹⁴

In 1980, and to widespread surprise, Whitelaw appointed George Howard to replace Michael Swann as Chairman of the Board of Governors at the BBC. Howard was a

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⁹⁴ Quoted in Anon, 'Hell for leather for satellites says Scott', Television Today, 03/07/80, p. †.

flamboyant liberal, who could frequently be observed sporting brightly-coloured kaftans: an individual who most definitely did not embody the "one of us" criteria as demanded by Margaret Thatcher. The Prime Minister expressed her doubts to Whitelaw prior to the appointment - Howard had not been first choice for the post - but her Home Secretary, who had every confidence in Howard, did his best to assuage them. ⁹⁵ As soon as Howard learned of DBS, he warmed to the prospect. To Whitelaw's chagrin, he began to intensify BBC lobbying of the Home Office in an attempt both to chivvy them into the publication of their DBS discussion document and to ensure that it was the BBC, rather than the IBA, which was given first bite at the DBS cherry. One of Howard's more notable speeches on this theme was given at a Royal Television Society dinner in London on 17 November 1980: "(ITV's) regional, federal structure means that they are not particularly concerned with national coverage by satellite... There is a very real danger that we shall, in this country, miss the bus". ⁹⁶

At the same time, Alasdair Milne had asked Stephen Hearst, then Controller of Radio 3, to reactivate the BBC's Future Policy Group. In addition to Hearst, the Group comprised Brian Wenham (Controller, BBC 2), Monica Sims (Controller, Radio 4), Austen Kark (Deputy Managing Director, External Services), Chris Irwin (Head of Radio, Scotland), Michael Checkland (Controller, Planning and Resource Management, Television) and George Allen (Deputy Director of Engineering). The group met several times a year for dinner, and would bounce ideas off one another: as 1980 drew to a close, they were preoccupied more and more with satellite and cable, and a working party from

95 Author's interview with Viscount Whitelaw, 12/06/95.

⁹⁶ Anon, "What the BBC is hoping for from satellites", *Television Today*, 20/11/80, p. †.

the group was subsequently charged with providing the Home Office with more detailed proposals of a BBC DBS service in an attempt to push the BBC's case.⁹⁷

In truth, there was little doubt which authority would be given the first DBS channels. There was a feeling at the Home Office (as well as at the BBC) that, as the BBC had missed out on Channel 4, then it - rather than the IBA and the ITV companies should be awarded the first DBS licenses. If the "modest, early option" was then agreed upon, this would then leave the door open for the other half of the duopoly to become involved at some later stage. While the report itself hinted that this would be the case, the process whereby it was decided that the BBC should indeed be given the licences was distinctly clandestine. There was no formal submission: the decision emerged from a series of meetings between the Home Office and the BBC. By entrusting the DBS services to an existing broadcasting authority, the Home Office felt they would be likely to "minimise the risks to existing broadcasting services", and it was the firmly - but wrongly - held belief of the Home Office that, as the IBA were at that point busy with preparations for the start of Channel 4, then they would not wish for the additional burden of planning the structure of a DBS system. 98 A further argument subsequently used by one Home Office official to justify the decision was that as independent television was essentially federal in nature, composed of a number of franchise holders, it would take longer "to get its act together", particularly with regard to the financial aspect of the project, whereas the BBC was a single entity with the guaranteed cash flow represented by the licence fee⁹⁹. But while the sentiments behind the reasoning - the maintenance of broadcasting standards - were

⁹⁷ Author's interview with Chris Irwin, 11/12/95.

⁹⁸ Home Office 1981 op. cit., para 12.8; author's interview with Jon Davey, 01/09/95.

⁹⁹ Author's interview with former senior Home Office official.

wholly admirable, it also served to fuel the perception of some critics that the relationship between the Home Office and the BBC was too close - unhealthy even. The broadcasting closed shop would be perpetuated.

On 4 March 1982, the Home Office verdict - the "modest, early start" - was formally announced. Whitelaw delivered a statement to the Commons in which he cited "the need for early decisions if the industrial opportunities which DBS offers this country are to be grasped in good time". 100 Whitelaw was insistent that "DBS must develop in a way that is consistent with our existing broadcasting arrangements", and that such expansion should be carried out by one of the terrestrial broadcasters. As it was deemed by the Home Office that IBA plans for DBS were "less well advanced" than those of the BBC, and that, bearing in mind the regional structure of independent television, its participation "would be likely to involve legislation", the BBC was the preferred option, to be paid for by a combination of subscription and "supplementary licence fee" - but no advertising. 101 The Opposition's response was largely supportive, endorsing Whitelaw's choice of the BBC, although Dr Summerskill did query the scheme's cost-effectiveness. 102 The most severe criticism within the Commons came from the Conservative backbenchers, several of whom shared their leader's dislike of the Corporation: Sir Paul Bryan objected to "a plan that puts in the hands of the BBC the overwhelmingly larger proportion of broadcasting". 103 (Sir Paul Bryan, it should be noted, was also a director of Granada.)

¹⁰⁰ Hansard, 04/03/82, col. 414.

¹⁰¹ Ibid.

¹⁰² Ibid., col. 415.

¹⁰³ Ibid., col. 416.

The IBA had been anticipating the outcome for some time. Annoyed at their effective exclusion from the bilateral discussions, they had issued a news release on 26 February in an attempt to publicise their own DBS proposals, while a letter to the *Times* from Paul Fox, the Managing Director of Yorkshire TV and one of the leading advocates for independent television's involvement in satellite, hinted that the renegotiations of film rights for any BBC subscription service would reduce the licence-fee payers to "second-class citizens". ¹⁰⁴ (This drew a sharp rebuttal from Alasdair Milne, who insisted that any films shown on satellite would be made available to network television "after approximately the same time delay as present", and that the licence-fee payer would gain as a result.) ¹⁰⁵ Following Whitelaw's announcement, the sharp response from Brompton Road was that "the IBA hopes that there will be a Parliamentary debate about how the two channels are to be programmed and what their technical standards will be". ¹⁰⁶

The BBC had meanwhile called a press conference at which Howard, Milne (now Director General elect), Bill Cotton (Director of Development) and Aubrey Singer (MD, Radio and Milne's anointed replacement as MD, Television) unveiled details of the DBS plans. The first channel that they outlined was a subscription service, offering premieres of feature films, uninterrupted screenings of sporting events, and extensive coverage of the arts. The second, which had found considerable favour at the Home Office when Cotton had first raised the idea with officials the previous month, was tentatively entitled the "Window on the World". This, it was envisaged, would show high quality, pre-recorded programmes both from the BBC and overseas; this was the channel which was to be

Paul Fox, Letter to the Editor, Times, 02/03/82, p. 11.

Alasdair Milne, Letter to the Editor, *Times*, 04/03/82, p. 13.

¹⁰⁶ IBA Press Release, 04/03/82.

funded by the supplemental licence-fee. (Milne had felt that this, too, should be a subscription service, but had been overruled by the Home Office.)¹⁰⁷ At the press conference Milne stressed that "there [would] be no question of taking programmes off the existing networks"; Cotton, questioned on the damage that the operation might do to the BBC's finances, replied that "we are taking a very small gamble... It is a very fair risk, if it is a risk at all". ¹⁰⁸

But Cotton was never as enthusiastic about the project as Milne. While he initially believed that the film channel would be a "very, very strong commercial proposition", by the time that he became Director of Development he had already recognised the threat posed by the burgeoning market for video rental. ¹⁰⁹ Consequently, the introduction of a subscription film channel at that time appeared considerably less attractive. Additionally, the approaches made by the BBC to various American film distribution companies did not go well. Cotton was hoping for an exclusive "window" ahead of the rental trade, but the companies would not agree to this.

Programming was the least of the BBC's worries. On 5 November, while the cabinet were digesting the contents of the Hunt Report, a second document landed on Whitelaw's desk. This was Direct Broadcasting by Satellite: Report of the Advisory Panel on Technical Standards. In the immediate response to his announcement that the BBC had been awarded the first DBS channels, Whitelaw had been faced with a barrage of questions on the technical side of the operation, which culminated in Sir David Price asking him if he was aware "that the IBA is in many ways further forward than the BBC

¹⁰⁷ Milne 1988 op. cit., p. 110.

Anon, "Satellites: high hopes of an early profit", Ariel, 10/03/82, p. †.

¹⁰⁹ Author's interview with Bill Cotton, 01/06/95.

with its MAC transmission system", and expressing the hope that Whitelaw would not exclude it. 110 Whitelaw, clearly under-briefed and out of his depth, passed the buck: "It will be for the consortium that is providing the satellite to deal with technical questions. That is what will happen". 111 By the time of the adjournment debate on cable and satellite on 20 April, Whitelaw was better prepared and now made the necessary correction: the decision would be the Government's, but before such a decision could be made, it would be necessary "to have the benefit of independent, expert assessment". 112 This assessment, he subsequently announced in a written statement on 9 July, would be undertaken by Sir Anthony Part, a former Permanent Secretary at the department of Energy: his colleagues were Alan Day, Professor of Economics at the LSE, and Roy Griffiths, Professor of Electronics at Loughborough; Bernard Rogers would act as its Technical Assessor. Equally pertinently, Whitelaw announced that while the Committee would ultimately report to the Home Office, it would be set up in conjunction with the Department of Industry.

The brief of the Committee was straightforward: "To consider what technical transmission standards should be adopted for United Kingdom services of direct broadcasting by satellite". The panel were asked to consider not only the various technical and economic proposals of the systems themselves, but also "the implications of

¹¹⁰ Hansard, 04/03/82, col. 417.

¹¹¹ Ibid.

¹¹² Home Office/DoI, Direct Broadcasting by Satellite: Report of the Advisory Panel on Technical Transmission Standards, Cmnd. 8751 (London: HMSO, November 1982), para. 1.1.

the various options for the timing of the start of United Kingdom DBS services in 1986". 114

The choice of systems fell between proposals put forward by the Engineering Divisions of the BBC and the IBA. (A third proposition, from Plymouth Polytechnic, had been swiftly rejected.) The BBC's design was Extended Phase Alternation Line (E-PAL). This was a modified version of the PAL system which had been in use in the UK and on parts of the continent, including West Germany, since the mid 1960s. The problem with the original PAL was that, whereas the 5.5 MHz bandwidth it used had been fine for black-and-white transmissions, colour was a different story. Engineers had attempted to resolve the problem by transmitting the chrominance (colour) on a sub-carrier, and then interleaving this information with the luminance (black-and-white) in the signal. However, while this method was adequate in most instances, certain pictures requiring fine detail such as a check suit - would appear slightly blurred, and in some cases viewers would experience spurious, or cross-, colour, in the form of a "crawling dot effect". Extended PAL intended to remedy this situation by filtering off higher-frequency luminance into a separate part of the frequency band, giving the resulting picture an enhanced resolution when decoded. 115 The IBA engineers put forward a variant of the Multiplex Analogue Component (MAC) system. This functioned by separating out the chrominance (colour) and luminance elements in the signal by means of time division, removing such problems as cross-colour and cross-luminance. Furthermore, transmission utilising time division was envisaged as an ideal medium for the purposes of encryption, and, latterly, for any

114 Ibid., para. 1.3(e).

¹¹⁵ Ibid., para. 5.2.4. See also Barry Fox, "The Sky's The Limit", Video For Leisure, 06/82, pp. 4-5.

changeover to 1250 line high definition television (HDTV), which, it was anticipated, would occur at the end of the decade. Finally, the C-variant of MAC, developed by Tom Robson and his IBA team at Crawley Court near Winchester, provided the option of up to eight sound channels, and with it the possibility of simultaneous transmission in eight languages: indispensable, the IBA argued, were a pan-European system to be adopted by the EBU. 116

In an attempt to resolve the dispute, the members of the Panel, in conjunction with officials from the Home Office and the DoI travelled between the BBC's Research Department at Kingswood Warren in Surrey and the IBA Centre at Crawley Court, as respective teams of engineers ran through their spiels and gave successive demonstrations of picture quality. One exasperated civil servant later remarked that he "must have watched more test cards than had hot dinners". 117 It was eventually decided that the best means of deciding between PAL and MAC was through a comparative demonstration. This in turn led to objections that, should the tests be carried out at one or other of the broadcasting establishments, then the "home team" would gain an unfair advantage. But the logistics of moving all the equipment to a neutral venue was dismissed as impractical, and the matter was solved by drawing lots. 118 The BBC won, and, on 15 October, the tests were carried out at Kingswood Warren.

The comparative demonstration proved decisive. The Panel concluded that, in terms of picture quality, the MAC system was superior to both PAL and E-PAL.

¹¹⁶ W. G. Stallard, "C-MAC - A high quality television service for DBS", IEEE Transactions on Consumer Electronics, Vol. CE-29, No. 3, 08/83, pp. 403-6.

Author's interview with senior Home Office official.

Cmnd. 8751 op. cit., para. 6.1.

Additionally, the BBC themselves conceded - grudgingly - that there was no material difference between the costs of implementing either MAC or E-PAL, although in any event the outlay would be considerable. The Panel also took into consideration an EBU resolution, passed while the Report was being compiled, in favour of adopting the Avariant of MAC, while agreeing to "keep the door open" on C-MAC. 119 In addition, both the set manufacturers and the DoI had come down very strongly in favour of C-MAC from the very beginning, as it was seen to offer more development potential and greater opportunity to the electronics industry in general. Accordingly, the Panel's verdict was to recommend C-MAC on the grounds of compatibility and suitability (both for transmission and possible encryption purposes) and also for its "evolutionary" potential.

Bryce McCrirrick, the BBC's Director of Engineering, was naturally unhappy with the result, and immediately after Part's publication reported to the Board that the introduction of the MAC standard would make the cost of DBS unacceptably high for most people. 120 Nevertheless, McCrirrick's objections were overruled.

L-Sat and Unisat

Undoubtedly the most vexatious issue in the UK Government's attempts to promote a DBS service was the price of the "bird" itself: how much should it cost, and who should pay for it? At the outset, the Government - or at least the DoI - were confident both that the funding could be met from private sources, and that a DBS venture would, eventually,

lio Ibid., para. 8.10.3. BBC documentation.

pay for itself. But as more detailed costings emerged, the Home Office became less sanguine about the prospects. One of those who had worked on the report was quite blunt in his summary: "If you'd read between the lines, [it said] this is a complete waste of time: but if you're serious about this, what you should do is invest in raw technologies... But there was no appetite.. to spend any money at all". 121

But the irony was that, at a time when public spending was being vigorously cut back, the UK was providing subvention to a European DBS project. At a Technical Symposium in Stockholm in November, 1976, anticipating the outcome of the forthcoming WARC, the European Space Agency had unveiled proposals for a so-called (H-SAT) capable of carrying both a broadcasting "heavy" satellite telecommunications payload, and which, it was planned, would be taken into orbit on one of the test launches of the Agency's Ariane rockets, tentatively scheduled for October, 1980. 122 It was originally envisaged that the broadcasting payload would consist of two transponders, operating in the 14/12 GHz band, and transmitting at 450 W and 150 W respectively, with the higher powered transponder intended for DBS and its companion for community reception. These could then be utilised by participating countries, possibly on a time share basis, and according to the extent of those countries' investment in the ground segment, the satellite and associated facilities. 123 The additional payloads were to consist of a pair of beacons, transmitting at 20 and 30 GHz, for the collection of

¹²¹ Author's interview with senior Home Office official.

¹²² B. L. Herdan & G. Berretta, "The Ariane Large Satellite and its communications missions" in C. Rosetti & T. D. Guyenne, edds., Satellite Broadcasting: Proceedings of a Technical Symposium held in Stockholm on 22-24 November 1976 (Paris: ESA SP-122, 1977), pp. 29-34.

¹²³ B. L. Herdan, "The Mission and Experimental Programme of the Ariane Heavy Satellite" (London et al: Pergamon Press, 1978): paper delivered at the 29th Congress of the International Astronautical Federation, Dubrovnik, 01-10/10/78, p. 9.

propagation data; two 30/20 GHz transponders for communications experiments; and some form of electric propulsion engine for station-keeping tests. ¹²⁴ The EBU and ESA subsequently agreed on the orbital slot of 19° W: the most favourable slot for European countries, for which there had been much jockeying at the WARC, a contest in which the British delegates had been out of their depth, the slot going to Switzerland, France, Italy, West Germany, the Benelux countries and Austria (whose DBS plans at the stage were non-existent).

However, in 1979 work on the project was put on hold when two of the key players, France and West Germany, withdrew support and funding and began work on their bilateral DBS service. The project was subsequently reconfigured slightly: in effect, the aims remained more or less the same, one of the few changes being the name: Heavy Satellite became Large Satellite, or L-Sat. In addition, the propulsion experiments were dropped in favour of a proposal to transmit business services.

The go-ahead for L-Sat was officially granted in December, 1981, with British Aerospace being prime contractor for the development of the satellite platform, and GEC Marconi providing the electronics for the business services¹²⁵. An ESA paper, presented the following March, budgeted the total cost of the development program at \$490 million US: it added that "the bill will be met by the eight countries participating in the program according to their finally realised industrial shares of work". The largest single shareholder, with a 34.3% stake, was the United Kingdom: the British Government was

¹²⁴ B. L. Herdan & G. Berretta, "Utilisation of the Ariane Large Satellite for European broadcasting experiments", *EBU Review - Technical* No. 162 (April, 1977), pp. 3-15.

P. Bartholemé and B. Herdan, "The Large Telecommunications Satellite Program of the European Space Agency and its projections into the future", *Ekistics* 302, 09-10/83, pp. 337-344.

thus subsidising the satellite - whose footprint did not cover the UK - to the tune of some \$168 million. 126

The DoI case for providing subsidy for L-Sat was that the project was valuable both in its facility as a test satellite and in the comprehensive nature of the services that it would offer. But whether the Broadcasting Department was aware of the extent of the DoI subsidy is unclear. There had always been a certain amount of suspicion and concern within the Home Office at the DoI agenda; a fear that broadcasting interests might be overridden by industrial ones. Those worries were exacerbated when the Home Office was forced to act as a "marriage broker" between the BBC and those suitors vying for the satellite contracts. The Government's determination that the satellite to carry the DBS services should be British-made meant that, realistically, British Aerospace was the only UK company with the facilities to provide the requisite hardware. Knowing of the BBC's keen interest in DBS involvement, British Aerospace had approached the Corporation as early as October 1980 with a view to initiating discussions on satellite provision, suggesting a modified version of its ECS platform. In addition, GEC Marconi were keen to build the transmission equipment, and British Telecom to operate the satellite in orbit. As a means of strengthening their bargaining position, these three companies joined forces in a consortium called United Satellites, otherwise known as Unisat.

Progress in the initial negotiations between the consortium and the BBC proved slow. McCrirrick and his colleagues felt that Unisat were taking advantage of their effective monopoly and charging over the market rate - an accusation that would be

¹²⁶ Ibid. Other countries with major financial commitments to L-Sat were Italy (32.8% of shares), Netherlands (11.8%) and Canada (9%). Austria, Belgium, Denmark and Spain all had shares of less than 4% in the project.

levelled at them on numerous occasions over the next three years. Another concern of McCrirrick was that broadcasting specifications were taking second place to those of a data transmission payload that was also being planned for the satellite. 127 At the same time. Bill Cotton had been made aware that a number of US companies - most notably Hughes - were in the process of developing smaller, low to medium power satellites. which, they believed, could still be received by dishes compatible with the WARC specifications. It was therefore agreed by the BBC's Board of Management that no heads of agreement would be signed until satisfactory terms were reached. 128 Unisat responded with a "final offer" in July 1982, offering to lease two satellites at a cost of £11.6 million per transponder per annum. This offer received strong backing from Baker at the DoI, who was made aware of the BBC's reticence, and duly arranged a meeting between Milne and Unisat representatives at his office on 30 July. It was, said Milne, "essentially an armtwisting exercise". 129 Baker also made it clear to Milne that the Government would not permit the BBC to purchase a US satellite: the satellite would have to be British, and the only supplier currently in the market was the DoI-endorsed Unisat. Arm duly twisted, the BBC continued negotiations: but as Autumn wore on, the talks ground to a halt yet again. A letter from the consortium to Milne in November, expressing concern about the pace of negotiations, failed to provoke the desire response from the Corporation, and so, the following month, Unisat unleashed its thunderbolt. If the BBC did not signal its intent to proceed, then work on the satellite would cease immediately. 130 The threat was effective.

Anon, "Satellite makers could take the BBC for a ride", New Statesman, 03/06/82, p. 62.

¹²⁸ BBC documentation.

¹²⁹ Milne 1988 op. cit. p. 113.

¹³⁰ Peter Fiddick, "BBC's breakfast and satellite TV deadline", Guardian, 15/12/82, p. 8.

On 16 December, the Board of Governors unanimously endorsed the recommendation that the BBC should enter an agreement with Unisat for the lease of two channels.

This endorsement was viewed with some concern at the Home Office, particularly when it came allied with the BBC's assumption that any heads of agreement document would not be regarded as having any legal significance. Davey recalled "our eyebrows rising slightly" at this; and Milne's response, when informed of the Home Office worries, was distinctly blasé and largely unconvincing: a deal with Unisat was, he said, a necessary pre-condition to the BBC's being able to ascertain the true costs of the project. ¹³¹

The heads of agreement were duly signed on 7 March 1983: under the terms laid down by Unisat the previous July, the BBC would pay the consortium £168 million over seven years in return for the lease of two channels. This, in conjunction with programming costs, would set the BBC's anticipated investment in DBS in the region of £300 million. Despite signing on the dotted line, even the most sanguine members of the newly formed DBS Directorate at the BBC had to admit that the project would face many hazards before becoming reality. Not least among these was the feeling among set manufacturers that pan-European adoption of the C-MAC standard was, if not a prerequisite for commercial success, nevertheless of considerable importance: and there was a growing body of support on the continent which rejected the C-variant, on the grounds that it would require a greater bandwidth than the capacity of many existing cable systems. Now that Part had officially come out in favour of C-MAC, McCrirrick and the BBC's Engineering Division displayed ostensible support for the standard - travelling around Europe in concert with Tom Robson and the IBA engineers and lobbying the various

¹³¹ Author's interview with Jon Davey, 01/09/95.

broadcasters on C-MAC's behalf - but inwardly McCrirrick felt aggrieved that PAL had been spurned. Besides, why should the BBC risk losing millions on DBS if the manufacturers were not going to commit themselves? Davey viewed the matter from a slightly different perspective: the set manufacturers, he said, were willing to proceed, if only they could be given an assurance by the BBC that the service would be provided. Thus, having developed the policy framework, the Home Office were left largely in the background as the BBC and the manufacturers proceeded to argue at length over whether service chicken, or set egg, should come first.

Conclusion

In the General Election in June, 1983, the Conservatives were returned to power with a greatly increased majority of 144. The subsequent reshuffle also marked the end of Whitelaw's tenure at the Home Office. In a discussion with Thatcher in the early months of the year, he had learned that the Prime Minister was considering making him Leader of the Lords in the next Parliament. As no firm decision was made at the time, Whitelaw was re-elected as the member for Penrith and Border, only to resign his seat immediately in line with Thatcher's wishes. 133

Whitelaw's contribution to UK broadcasting is significant and praiseworthy. He oversaw the creation of Channel 4, and in the face of fierce criticism from Conservative detractors outraged at what they perceived to be an outlet for pornography and left-wing

¹³² Ibid.

¹³³ Whitelaw op. cit., p. 310.

bias, shrewdly kept his own counsel. The former Chief Whip knew that he would only inflame the anger of the right by engaging them head on: better to adopt the approach of Brer Rabbit, "lie low and say nothin", until the storm had abated, and in that way better serve the interests of himself, the Home Office and the broadcasting establishment. One notable example of Whitelaw's ability to operate behind the scenes was his attempt, prior to the announcement that the BBC would be awarded the two DBS channels, to dissuade George Howard from any involvement, arguing that the licence fee payer would suffer, the service was unnecessary, and so on. 134 And when Howard - and Cabinet - rejected his arguments, Whitelaw, ever the consummate politician, realised that DBS was likely to go ahead, and concurred: but maintained throughout the subsequent developments that broadcasting interests should be paramount.

Following his retirement from Government in 1988, Whitelaw offered an appraisal of his time in charge of broadcasting matters, and of his concern for the future:

I was well aware before I left the Government that my colleagues regarded me as a recalcitrant figure living obstinately in the past as far as broadcasting was concerned. This accusation has some truth in it, but it is not wholly correct. I am fearful of some of the ideas being put forward because I do not want to destroy a much-admired broadcasting system before we are quite certain of what we want to put in its place. I am also disturbed by talk of achieving higher standards in programmes at the same time as proposals are introduced leading to deregulation and greater financial competition, because I cannot believe that they are basically compatible. In any event, I find it hard to understand what is wrong with our present arrangements. ¹³⁵

¹³⁴ Tom O'Malley, Closedown? The BBC and Government Broadcasting Policy, 1979-1992 (London et al: Pluto Press, 1994), p. 81.

¹³⁵ Whitelaw op. cit., p. 291.

The criticism that his opponents levelled at Whitelaw's perspective was this: that in perpetuating a duopoly - albeit one that now had, through Channel 4, a greater input from independent production companies - you are thereby both denying other companies access to the management of the broadcasting infrastructure, and refusing the viewer his right to choose the programming he desires, rather than that foisted upon him by BBC or IBA: in short, the condescending, complacent "Auntie knows best" attitude could be maintained.

This was the argument put forward by Thatcher herself. "To use Benthamite language," she wrote, "the public broadcasters were claiming the rights of poetry but providing us with pushpin". She was also sneeringly dismissive of the Home Office support ("unfortunately... a ready advocate") for those broadcasters. The flaw in this argument, namely that (a) if, as she said, BBC and ITV programming is "indistinguishable from public programming", and (b) BBC and ITV provide "pushpin", then it follows that (c) commercial programming in a market-oriented system would also be "pushpin", was conveniently glossed over. The best one could presumably hope for would be a choice of pushpins: but it would not remedy any perceived shortage of poetry. Nor was this problem addressed to any significant extent either by the greatest adherents of either cable, or of non-duopoly DBS, throughout this formative period of DBS policy. Kenneth Baker has observed that the Home Office "guarded its broadcasting fiefdom jealously". The Considering the pressures that were being brought to bear, to press on with cable and DBS regardless, this was probably just as well. Ultimately, the struggle for control of this

¹³⁷ Baker op. cit., pp. 85-6.

¹³⁶ Margaret Thatcher, *The Downing Street Years* (London: HarperCollins, 1993), pp. 634-5.

particular "fiefdom" and the "creative tension" between the departments concerned seems to have reduced such opportunity as existed for reconciling broadcasting and industrial interests and producing a coherent, co-ordinated policy.

The debate over cable and DBS is a case in point. Only in Cable Systems was any attempt made to produce a policy that it was believed would be beneficial to both media namely, the decision to enforce "must carry" on cable of the BBC's putative DBS subscription channel, and even here there were objections from the cable companies, who felt that they would suffer financially as a result. The problem facing those companies was that, at the outset, they would be limited in the range of additional services that they could offer: in the event of DBS becoming established prior to the laying of a broadband network, then there would be little incentive to take up cable. The BBC, meanwhile, viewed cable as something of an irritating gadfly. They had been unimpressed with their own forays into the medium - they had participated briefly in the pilot subscription schemes prior to the Hunt Report - and wished to concentrate their efforts on direct-tohome reception. Besides, they shared Whitelaw's opinion that a multitude of services other than their own two anticipated DBS channels - would inevitably dilute the quality of broadcasting. Alasdair Milne's caution at the Barbican conference in December 1982 was in marked contrast to Thatcher's enthusiasm: "You can widen viewer choice over four networks," he observed, "and narrow choice over forty". 138 With cable and DBS, Kenneth Baker thought he had found a means of having his cake and eating it too: but the relationship was more uneasy that he had anticipated.

¹³⁸ Milne 1988 op. cit., p. 114.

The other key issue raised in the formation of initial policy was whether, as ACARD suggested, and the Broadcasting Department hinted, a UK satellite venture was a project worthy of public funding, or whether, as Baker and Thatcher hoped, it would go ahead with private money at its back. The former was always going to be unlikely under a Government elected with the commitment to cut the public sector borrowing requirement (PSBR). The latter was achieved only at the cost of introducing a monopoly satellite supplier in the form of Unisat: the antithesis of the competitive market so beloved of Thatcherites.

Furthermore, why was L-Sat, whose footprint would not cover the British Isles, deemed to be worthy of public investment, and the Unisat / BBC venture, which, if successful, would result in a British DBS project, ignored? The argument could be put forward that in constructing a satellite with the facility for pre-operational DBS, British Aerospace would have the benefits of experience when it came to constructing the satellite for UK use. This response is unconvincing, offered more as an excuse than an explanation, especially when one considers the Franco-German withdrawal from H-Sat *specifically* to concentrate on their bilateral venture. The British could have done likewise, had they so desired - but at that juncture, no DBS venture was on the horizon. It was left to the Department of Industry, latterly galvanised by Kenneth Baker, to pursue the subvention on behalf of its charge, British Aerospace. ACARD may have argued for public investment in a British DBS operation, but the Home Office response - the discussion document *Direct Broadcasting by Satellite* - came too late to engineer any move towards withdrawal from the L-Sat project, should such a move have been desired. And while "co-operation" with a

European neighbour was a possibility raised in the discussion document, the option received no active consideration at the time.

When the Conservatives were returned to power, the future of the planned DBS project hung in the balance. The BBC and Unisat might have signed heads of agreement, but the two sides remained deeply suspicious of one another. Thatcher's second administration witnessed a series of forced adaptations to policy as successive initiatives broke down but, ironically, each successive initiative moved closer to a model more amenable to market-liberals with the requirement of a greatly increased involvement for non-duopoly broadcasters in DBS. These will be the subject of the next chapter.

CHAPTER TWO Policy Into Practice, 1983-87

With the first Thatcher administration having seen the development of a policy framework for DBS, it was intended that the next three years would result in the implementation of that framework, and in the arrival of a two channel DBS service, run by the BBC, utilising a Unisat satellite. For reasons which will be elaborated upon in this chapter, this project was aborted. As a result, successive attempts were made throughout this period to breathe new life into the project, which necessitated considerable alterations to the original Home Office conceptions and designs for DBS development. These ventures were, respectively, a joint BBC / IBA project, a BBC / IBA project involving participation from non-ITV franchise holders (the Club of 21) and finally a system of awarding the DBS franchise to one of a number of competing consortia.

IBA interest in **DBS**

In March, 1983, the IBA submitted a memorandum to the Home Office. This stated baldly that the decision to award DBS to the BBC represented an "imbalance" between the Corporation and Independent Television: an imbalance which it was desirous of having corrected. (Lest there be any suggestion that the IBA wished to become involved purely on a "me too" basis, the statement was qualified with a citation of the qualities that the independent sector could offer DBS, notably greater choice and additional advantages to

British industrial interests.)¹ The best way to correct the imbalance, the memorandum suggested, would be through a phased allocation of channels, with one independent DBS channel launched concurrently with the two BBC DBS services, and a further two in 1990 or thereabouts.² And the most suitably qualified parties to provide the first independent service - a consortium of the existing ITV contractors. The IBA's argument that this should be the case was threefold: firstly, that those contractors had been assured that they would face no "IBA-generated competition" throughout the duration of their contracts; secondly, those companies' broadcasting experience would prove invaluable in allowing an early start-up to DBS; and thirdly, their participation would fit the Home Office blueprint of an extension of the terrestrial broadcasting system.³

While this argument had its merits, it was scarcely watertight, based as it was on a series of questionable assumptions and selective use of evidence. The first weakness was the IBA's certainty that it would be the body responsible for the regulation of independent satellite broadcasting: if that were not to be the case, then the initial case for involving the ITV contractors was immediately invalidated. Secondly, the memorandum ignored the fact that any contractors not involved in a consortium could find themselves competing for viewers (and hence advertisers) against other regional contractors. Thirdly, there was a growing faction which argued that the terrestrial duopoly ought not to be extended further, and that other independent companies should be allowed access to the market. Weaknesses notwithstanding, the memorandum served as an official statement of the ITV

¹ IBA, 'Appendix IX: Direct Broadcast Satellite Services' Annual Report and Accounts, 1982-83, para. 1.

² Ibid., para. 3.

companies intention to become involved in DBS - and of their irritation that the BBC had been given a head start.

The contractors themselves were warming to the idea. Prior to the sending of the IBA memorandum, the managing directors of all 15 regional contractors had met to approve a joint £65,000 downpayment to Unisat, to take out an option to use a transponder on one of its satellites. This was at a time when the Home Office was still pinning its hopes on the BBC venture, and when independent involvement in DBS, even in the medium term, did not figure too highly on their agenda. But the IBA and their contractors were persistent and effective lobbyists, and had gained the support of Patrick Jenkin, then Secretary of State for Industry. Their cause would shortly be bolstered immeasurably by the retirement of Whitelaw from the Home Office, and his replacement by one who was, in the words of Hugo Young, "a complete Thatcher creation".

Leon Brittan had been elected to Parliament in 1974. Made Minister of State in the Home Office on the Conservatives' return to power, he entered the Cabinet two years later, replacing John Biffen as Chief Secretary to the Treasury. This preferment raised a few eyebrows and a few hackles, including those of the then Financial Secretary Nigel Lawson, who had fancied the job for himself and said as much to Thatcher.⁵ The seemingly inexorable rise through the ranks was to reach its zenith immediately after the 1983 election, when the Prime Minister sought a Home Secretary more like-minded than Whitelaw. A former barrister on the right of the party, Brittan was perceived as a means by which a more obviously Thatcherite stamp might be impressed on Home Office policy.

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⁴ Hugo Young, One of Us (London: MacMillan, 1989), p. 335.

Margaret Thatcher, The Downing Street Years (London: HarperCollins, 1993), p. 309.

Collapse of the BBC DBS project

Brittan's appointment came at a time when the BBC's DBS plans were in turmoil. Despite the establishment of a DBS Directorate in January 1983, headed by Bill Cotton, and with Chris Irwin - a member of the Future Policies Group - as his deputy, progress over the past six months had been sluggish: while the choice of sites for any DBS operation had been narrowed down to either Newcastle or Elstree, discussions with Unisat remained problematic. David Webster, the BBC's US Director, wrote to Irwin and other in the DBS Directorate in early July, arguing strongly against involvement with Unisat, whose package he felt was uncompetitive and would be a potential disaster for the BBC. The questions posed by Webster were these: would there be a viable UK DBS industry, and, if so, was the BBC capable of succeeding in that industry? Webster's own answers to these questions were, in turn, "perhaps" (but only if a more attractive deal were put forward, ideally by another satellite supplier), and if the BBC could find a new "agility". Webster, who had observed the recent changes to the US broadcasting system at first hand, recognised that the years of duopoly had made the Corporation sluggish and complacent, and that it needed to adapt, quickly, if it was to succeed in the coming decade. 6

There was a growing sense of concern when the Board of Management met to discuss DBS on 4 July. Successive sets of financial predictions had led Michael Checkland, the Director of Resources, to believe that, under the current arrangements in place with Unisat, profitability would not occur until the end of 1992 or thereafter, by which time the

⁶ Author's interview with Chris Irwin, 11/12/95; author's conversation with David Webster, 05/96; Michael Leapman, *The Last Days of the Beeb* (London: Hodder & Stoughton, 1987), p. 207.

satellite transponders they were leasing would be worn out. At the meeting, Cotton therefore proposed a series of options which he thought might steady the ship. The first was to seek some form of financial assistance from the Government, but he felt that any such remuneration was unlikely. It was at this point that he raised the possibility of what was, to some at the BBC, a Faustian pact: some form of collaboration with the ITV companies. The advantages of such an arrangement would be twofold: firstly, it would mean that the financial risk would be spread and secondly, if, bearing in mind that the ITV companies had already provisionally booked space on one of Unisat's birds, this led to a three, rather than two, channel DBS service, then its appeal to the public would in all probability be greater. A variant on this proposal would be for the BBC and the ITV contractors to form a separate company and split the costs of the DBS operation 50:50. However, as Cotton admitted, the difficulty posed by a joint venture - as opposed to noncompetitive collaboration - was that there would almost inevitably be conflicting ideas within the BBC and independent management teams about how the project should be run. Therefore, a more workable solution might be to approach one or more companies who might wish to become involved in other aspects of DBS, such as prospective set manufacturers, and seek to form a joint company with them.

Reaction to the proposals was mixed. Bryce McCrirrick reiterated his belief that the project was no longer viable and recommended withdrawal, while Aubrey Singer, MD Television, was almost as pessimistic. There were also widespread reservations about the

Alasdair Milne, DG: The Memoirs of a British Broadcaster (London et al: Hodder & Stoughton, 1988),

Richard Brooks, "BBC may quit satellite race", Sunday Times, 17/07/83, p. 53.

prospect of attempting to involve the ITV contractors in any way, but Cotton repeatedly stressed that it would give the BBC increased bargaining power, particularly with Unisat.

These proposals were subsequently outlined in a paper which Cotton delivered to the Governors on 4 August. It was the first discussion on DBS attended by the Corporation's new Chairman, Stuart Young. A man in his late forties, Young was senior partner in the accountancy firm Hacker Young, and had chaired the losing bid for the independent breakfast television franchise the previous year; his brother David was one of Thatcher's "inner circle" of industrial advisors. There had been a feeling that Young might be more sceptical about DBS than his predecessor: in fact, the new Chairman was keen for the project to proceed - but not at the cost of bankrupting the BBC. 9 One of Whitelaw's last acts as Home Secretary had been to announce that a supplemental Royal Charter was being prepared for the BBC to borrow up to £150 million for the purposes of the DBS, a figure which could rise to £225 million subject to the permission of the Home Secretary. Young felt that these borrowing powers were all very well, but that if the venture failed to succeed then the BBC could be left with a sizeable hole in its accounts.

Fifteen days later, Milne, Cotton and Young met Kenneth Baker for a progress report. Baker had been retained in his post as Minister of State for IT following the General Election, but within the reconstituted Department of Trade and Industry (DTI). (At the same time, the DTI's bailiwick had been widened still further by prising away the Radio Regulatory Department from the Home Office.) At the meeting, Stuart Young reiterated both the need for a minimum of 250,000 sets to be in the market-place at the

⁹ Tbid.

¹⁰ Hansard, 10/05/83, written answers, col. 235; Home Office, Copy of Supplementary Royal Charter relating to the British Broadcasting Corporation, Cmnd. 9013 (London: HMSO, 1983).

time of launch, and the imperative that cable operators "must carry" DBS services in the agreed transmission standard, whatever that might be. But Baker declined to give a commitment.¹¹

The day before the meeting with Baker, on 18 August, Milne had lunch with Peter Laister, managing director of Thorn EMI. Milne had been struck by Cotton's suggestion that some form of company could be set up between the BBC and a set manufacturer, and accordingly Milne suggested to Laister that Thorn might care to become involved in such a scheme. The initial enthusiasm of potential manufacturers had been on the wane, as the previous month, in spite of intensive lobbying by the Home Office, DTI and UK broadcasters, the C-MAC standard had been rejected by both French and West German governments at a bilateral meeting in Bonn, who had argued that the bandwidth required for C-MAC was too great for it to be utilised on their existing cable networks. 12 Nevertheless, Laister's initial reaction was favourable, and subsequently meetings were arranged between the two parties with a view to preparing a business plan, including proposals for the composition of any future company. By early September, the discussions had developed to the point where it had been tentatively agreed that the BBC would handle such matters as programme production and acquisition, encryption, scheduling, and licensing; Thorn would deal with set manufacture and rental, cable outlets and film production; and the joint company would operate the transmission centre (finally confirmed as Newcastle) and plan the marketing strategy. 13

¹¹ Milne op. cit., pp. 115-6.

13 BBC documentation.

¹² Clive Cookson, "Europeans reject UK TV system", *Times*, 25/07/83, p. 2.

It had always been the wish of senior Home Office officials to leave options open for involving the other half of the duopoly in DBS, but not until the BBC service was up and running. This was not a point of view held by their new Secretary of State. Brittan was unhappy at the lack of a competitive element at any stage of the process, nor was he as enamoured of the BBC as his predecessor. Meetings at the Home Office with IBA representatives only served to reinforce his opinion that a further initiative needed to be taken to galvanise the process. On 16 September, he gave the opening address to the 1983 Convention of the Royal Television Society in Cambridge. In the elegant surroundings of King's College, Brittan delivered what turned out to be a mortal blow to the BBC's plans:

It has all along been the hope and intention of the Government that there should also be scope for an independent DBS project.... I am glad to be able to inform the Convention that it is the Government's intention today to include in next Session's planned legislation... provisions to enable the IBA to issue one or more contracts for a DBS service, if companies or consortia judge the opportunity to be one worth taking. These could, but need not, be companies with current ITV contracts. It will be entirely up to these companies to decide if they wish to apply. If all goes well the IBA could be in a position to invite applications in the latter part of 1984. All this, in principle and in detail, is of course subject to Parliamentary approval of the necessary legislation.¹⁴

Despite this significant concession to the IBA, which would place it on an equal footing to the BBC as far as DBS was concerned, the ITV companies were not entirely satisfied.

David Shaw, General Secretary of the ITCA, argued that Brittan's announcement did not

Leon Brittan, Opening address to the Royal television Society 1983 Convention (King's College, Cambridge) in 'Television Tomorrow: Costs and Quality', Cambridge Report (Cambridge: RTS, 1983).

wholly preclude the possibility of the three year gap between BBC and independent start ups remaining, which, if retained, would make the ITV companies think twice before investing.¹⁵

As the BBC was still coming to terms with the fact that it would, in all probability, face imminent, IBA-generated, competition for DBS revenue, the IBA themselves played their ace. They lodged a complaint with the Home Office over Thorn's potential involvement in any joint venture with the BBC: with Thorn owning 50% of the ITV contractor Thames, the IBA argued that this would cause a conflict of interests in any future competition.

A series of meetings with Thorn in October and November provided the BBC with a gloomy prognosis of the situation. There was, it was confirmed, no chance of any Government subvention for the project. In addition, the row over transmission standards now began to cause friction between the BBC and Thorn. Bryce McCrirrick felt that, with the decision of the French and West German PTTs not to endorse C-MAC earlier in the year, and the fact that existing VCRs were ill-suited to the MAC standard, the case for proceeding with PAL was overwhelming, the Part Report notwithstanding. Thorn's engineers rejected this analysis, and felt that the BBC - and E-Division in particular - had become "obsessed" with PAL. McCrirrick was eventually forced to back down once more. The BBC reluctantly settled on C-MAC, but insisted their agreement was dependent on Thorn's participation in a joint venture. ¹⁶ Throughout the negotiations, Cotton was somewhat irked by what he perceived as Thorn's ambivalence and relaxed attitude

¹⁶ BBC documentation.

¹⁵ Raymond Snoddy, "Satellite channels for ITV", Financial Times, 17/09/83, p. 1.

towards the venture. They were not prepared to make any assurances about sets: and as Cotton pointed out, unless there were x amount of sets "ready for sale on day one, you didn't stand a hope of beginning to make any dent whatsoever on your outgoings". Thorn's response to this concern was (according to Cotton): "Don't you worry, you put out the pictures, and we'll be there". This left the small matter of the IBA's objection. McCrirrick felt - with some justification - that this was merely an attempt to delay the BBC's satellite operation, and thus give any operation of their own time to "catch up".

As a result, the BBC attempted to persuade Brittan into backing the BBC-Thorn venture, while at the same time pressurising the IBA into dropping their objection. Irwin also raised the prospect of tactical "lodging". Since the BBC had been officially awarded the first two DBS channels, it was, he argued, entitled to use them as it saw fit: and if it saw fit to do nothing with them - or "lodging" - then it could so do, and just sit on its allocation. If any attempt was made to reallocate the channels, the BBC could then argue that it was, in fact, using the lodging period for further research into all facets of DBS.

The BBC meeting with Brittan proved futile. On 11 December, Laister told Milne that Thorn had decided that "they did not want to enter into a partnership". It was, he said, too high a risk. ¹⁸ The following day, Milne and Young told Brittan that the project could not possibly continue on the current terms. ¹⁹ Despite a last minute intercession by Baker and his new Secretary of State, Norman Tebbit, who attempted to get Unisat to lower their prices, the project was aborted.

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¹⁷ Author's interview with Bill Cotton.

¹⁸ Milne op. cit., p. 116

¹⁹ David Hewson, "BBC set to shelve satellite channels", *Times*, 12/12/83, p. 3.

The BBC / IBA Joint Venture

Immediately the BBC made its announcement that the DBS venture was unviable, it dipped its toes into the water once again. A statement issued by the BBC press office after the final breakdown of the bilateral BBC / Thorn talks said that "the BBC should continue to explore all possibilities which will lead to the setting up of a DBS system". 20

Among these possibilities was a joint venture with the IBA, as suggested in Cotton's paper to the Board of Governors earlier in the year. Despite the obvious differences between the two parties, such an approach became a probability once Leon Brittan had announced that he intended to allow the IBA to offer up two of the remaining three DBS channels for franchise. Cotton had, in fact, been laying the groundwork for some time, chatting informally to Yorkshire Television's Paul Fox as a preliminary to possible full-blooded talks between the organisations.²¹ While in public Fox had on several occasions excoriated the BBC for their intent to provide what he described as a "two tier" service (most recently immediately after Brittan's speech to the RTS), in private he was quite amenable to the idea. 22 Fox was, like Cotton, a pragmatist. The broadsides against the BBC had served their purpose, in that they had served to highlight potential weaknesses in the BBC's argument for providing DBS in advance of any other competitor. Ideally, of course, both sides would have liked the skies to themselves. But if monopoly was not possible, then duopoly seemed to be the best possible alternative.

David Hewson & Bill Johnstone, "BBC shelves plan for pay-TV", Times, 16/12/83, p. 3.

²¹ Author's interview with Bill Cotton.

²² Raymond Snoddy, 'Goldcrest seeks satellite channel', Financial Times, 19/09/83, p. 4.

This was certainly the perspective from which the BBC approached a joint venture with the IBA. Indeed, there was a sense that, now that the initial advantage over the IBA had been lost, the focus shifted to ensuring that within the context of any prospective venture they remained on an equal footing with the competition: thus the actual success of such a venture became a secondary issue. This was the essence of the analysis outlined by Chris Irwin, and was rather euphemistically described as Orderly Market Development. Irwin's rationale was as follows: as the IBA, and the larger ITV companies, had now made clear their intention to become involved in DBS, then it made more sense to join forces, and ensure that the project proceeded with the companies acting in concert. But if the BBC were to get out of DBS at some point in the future, their participation in a joint venture at this stage would leave their partners - the IBA - in an untenable position, and would in all likelihood mean that they, too, would be forced to abandon DBS.²³ Negative this may have been, but there was the strong suspicion that some - but not all - IBA thinking was running along similar lines, in that a joint project would at least stop the BBC "getting in first" and would extend the terrestrial duopoly to the skies.²⁴

Despite a certain sameness of thought, there was, naturally enough, considerable suspicion in both camps towards such co-operation. At a meeting on 22 December between representatives of the IBA and the BBC, Cotton admitted that there would be no viable market for DBS should that market be split by competition, and announced that the BBC was prepared to go back to the drawing board. Accordingly, he outlined a number of possible alternatives for a joint venture. At this point, as one BBC representative described

Author's interview with Chris Irwin, 11/12/95.
 A view expressed at the time by Richard Brooks. "ITV ultimatum over satellite", Sunday Times, 05/02/84, p. 53.

the scene, "ideological obstacles" to collaboration became apparent. The first model favoured by the IBA, of two BBC channels in competition with two IBA channels, was rejected by the BBC as unviable; the second, of a single IBA channel in competition with a single BBC channel, was opposed on both political and commercial grounds. Cotton's first proposal, of one BBC channel, one IBA channel - with harmonised scheduling - and a joint film channel, met with strong resistance from the IBA, and from John Whitney, their Director General, in particular. He expressed strong concern over the anti-competitive aspects of such a proposal; he had never shared the enthusiasm of those pressing for a celestial duopoly. And this was the nub of the problem. While some members of the IBA were prepared to go along with this, Whitney and others argued strenuously in favour of a "competitive dynamic" which would in addition serve to galvanise the project into action. Besides his personal desire for a competitive element, Whitney felt that the Government simply would not tolerate the extension of the duopoly. Cotton's alternative, collaborative development between the BBC and ITV over time, eventually to result in a joint four channel system, was rejected on precisely these grounds. The IBA finally proposed a compromise - collaboration on hardware but competition on programming. As this would in all likelihood entail work on C-MAC, which was, after all, a long-term IBA project, the IBA would be the prime beneficiaries from such an arrangement. The BBC representatives were not interested. It was not, all in all, the most auspicious of beginnings.²⁵

On 10 January Stuart Young met Lord Thomson of Monifieth, the IBA's Chairman. Despite the differences between their organisations, both Young and Thomson were keen that some form of rapprochement should take place, and Thomson, as a former

²⁵ BBC documentation.

Cabinet minister, recognised the realpolitik of the situation and was a key facilitator in the process. Their initial discussion centred around what form a service would take: responsibilities could be delegated at a later time. Young continued to press for Cotton's favoured proposal: that two satellites should be launched; there would be four channels, two on each satellite, shared by the parties involved. There would be a subscription film channel (shared by the BBC and IBA), two general entertainment channels (one for each group), and one "backup" channel should any of the transponders fail. But while Young and Thomson continued to thrash out the proposals, some members of the IBA remained cool towards the project. How, they asked, could the BBC hope to fund it, even with the borrowing allowances granted in the emendations to the Charter? Here was a company with no profits and no reserves - it was scarcely conceivable that it could handle the downside of even a successful proposition. The cosy duopoly were not proving to be the best of bedfellows.

At this juncture the Prime Minister's Office began to take a greater interest in proceedings. The DBS project was perceived to be "drifting" and there was a determination to correct this. In 1982 Margaret Thatcher had appointed Jeffrey Sterling, the Chairman of P & O Ferries, as a Special Advisor to the Department of Industry. Sterling was now called upon to supervise a Tripartite Working Group, composed of the BBC, IBA and ITV companies which would in turn be chaired by Whitney. In his role as supervisor to the talks, Sterling would thus act as a conduit between the Working Group and the DTI.

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²⁶ Bill Johnstone, "BBC - IBA talks on direct satellite project" *Times*, 11/01/84, p. 3.

²⁷ Author's interview with Andrew Quinn, 29/01/96; Dennis Barker, "Satellite TV plan leads to franchise demands", *Guardian*, 20/01/84, p. 4.

The choice of Sterling was reckoned on all sides to be somewhat peculiar. His knowledge of broadcasting matters was, to say the least, limited. But Sterling had recently displayed considerable adroitness in brokering an agreement between BT and GEC/Plessey, and it was hoped that he could perform a similar role in this instance. In addition, he was held in high regard by Thatcher, and had become a member of her coterie of advisors. The situation which greeted Sterling verged on the farcical: a venture, pursued through the reluctant co-operation of two rivals who distrusted one another and whose definition of failure was not the collapse of the project but losing a game of one-upmanship with the opposition. Indeed, his first task - accomplished with some difficulty - was to persuade Whitney that the task would be worthwhile, that a joint BBC/IBA venture was not anathema, and that the ITV companies should be allowed representation at the talks in their own right rather than having the IBA make their decisions for them.²⁸

By the time that all the ITV companies met on 6 February to discuss the plans prior discussions had involved only perceived independent "heavyweights" such as
Granada, Yorkshire and Thames - their doubts had been assuaged to a certain extent.
Besides, they reasoned, there were merits to such a system which, in addition to spreading
the costs, could provide leverage for a possible extension of their terrestrial franchises. As
these were due to be up for renewal at the end of 1989, an ITV company involved in DBS
could suddenly find its legs cut from beneath it with the loss of a franchise, thus potentially
putting not only itself but the entire DBS operation in jeopardy. So the suggestion was put
to the Working Party that terrestrial franchises should either be increased from eight to
fifteen years, or that they be made open-ended. This latter proposal was endorsed by the

Anon, "All parties round the DBS table", Cable & Satellite News, 27/01/84, p. 4.

IBA.²⁹ Granada were sanguine for other reasons. Should the service go ahead, their subsidiary, Granada TV Rentals, would almost certainly be pivotal in set distribution.

The parties involved had not given up all hope of obtaining some kind of financial aid. In a speech to the Broadcasters Press Guild at the end of January, Stuart Young proposed a £50 subsidy for every receiver (Thorn were now estimating probable set costs at between £400 and £500), and a "substantial tax incentive to help keep prices down". Only if these or similar measures were brought into place, he argued, would a DBS industry get off the ground in the first place.³⁰

His pleas fell on deaf ears. Of far greater concern to the Government was the lack of "competitive dynamic" of which Whitney had spoken. Whitney's progress report, delivered to Sterling on 14 February, was not entirely satisfactory to the P & O Chairman. The outline proposition from the Working Party was that a joint company owned 50% by the BBC, and 50% by the ITCA, would provide and operate a film channel and two other channels; that a regulatory authority, drawn from the BBC Board of Governors and the IBA members, would have overall responsibility for the channels and their uplink; that the services would be subscription based, with any advertising subject to IBA control; that the company/authority would have a limited life - probably the life expectancy of the initial satellite; and that Unisat would be looked to as the satellite provider. In addition, the Working Party made it clear that the venture would go ahead in the expectation that the Government would not authorise any additional DBS channels - from additional broadcasters - during its lifetime.

Dennis Barker, "Satellite TV plan leads to franchise demand", *Guardian*, 20/01/84, p. 4; David Hewson, "Joint satellite TV faces delays", *Times*, 06/03/84, p. 3.

³⁰ Peter Fiddick, "TV aid sought for satellite TV launch", Guardian, 25/01/84, p. 2.

This state of affairs had been gloomily predicted in a statement by the Institute of Practitioners in Advertising the previous week, who had long made clear their opposition to the extension of the duopoly. "If that happens", warned a spokesman, "the vested interests of the current ITV contractors will stifle the imaginative development of DBS, to the detriment of the emergent DBS and cable industry, as well as the viewing public". The IPA themselves may have had a vested interest in a new, commercial broadcaster entering the arena and introducing more competitively priced advertising rates: but there was a growing irritation with the IBA, extending well beyond the IPA, at what was perceived as an abuse of its position as the sole provider of television advertising.

Sterling, while realising the value of collaboration, felt that an additional stimulus was required, a view that was shared by Brittan at the Home Office. When Cotton and Irwin met with Home Office officials on 2 March, the possibility of participation by "third parties" was broached. This option had been in Brittan's mind for some time: firstly, he wished to introduce some kind of free market element into the DBS project, albeit on a considerably watered down scale from that originally envisaged, and secondly, he felt that there was a need to balance the considerable advantage that the ITV companies would gain from the extension of their franchises. The Working Party proposals had been drafted in such a way as to exclude third party participation from the operating company, which was not the Government's intention. Brittan's alternative suggestion was that those ITCA members who opted to participate, along with whichever third parties were thought desirable, should share the non-BBC 50% of the stake.

³¹ David Hewson, "BBC-ITV satellite scheme dismays advertising agencies", *Times*, 11/02/84, p. 3.

While the IBA apparently "acknowledged the validity" of Brittan's view, this was not to say that they were enthusiastic about it. Any division of non-BBC equity would leave the BBC as the largest shareholder in the DBS company. If the prospect of the BBC had made some ITCA members distinctly uneasy, its smaller - and therefore potentially more vulnerable - members were now positively mutinous. Kevin Goldstein-Jackson, Chief Executive of TSW, made clear his belief that it could be "financially disastrous" for DBS, should the BBC (dismissed in a derogatory manner by Goldstein-Jackson as "programme makers") be allowed to run the project. 32

Lord Thomson was more philosophical. In this outlook he was perceived by some at the BBC to have become isolated from others at the IBA, who were deeply resentful of the latest developments. But Thomson understood that the Government was set on third party participation: it was preferable to have them inside the tent rather than out. Besides which, their participation would provide the ballast of additional funding. Speaking to the Anglo-German Chamber of Commerce on 13 April, he acknowledged his preference for a competitive system, but continued:

It remains true that the economics have turned out to be chilling. The case for a period of relative monopoly for the two broadcasting organisations is that it stands the best chance of getting Britain into the DBS age.³³

³² Hugh Thomson, "ITV uproar over DBS proposals", Television Weekly, 06/04/84, p. 3.

³³ IBA News Release, "DBS up against hard economic facts - Lord Thomson, IBA", 13/04/84.

The "Club of 21"

On 8 May, Brittan revealed the amendments to Part II of the forthcoming Broadcasting Act that had been drawn up as a result of the Working Party's deliberations and the subsequent decision to grant third party involvement. Elaborating on his speech to the RTS the previous September, Brittan revealed that the IBA had been chosen as the broadcasting authority responsible for awarding DBS franchises. Each franchise was to last for twelve years, "in recognition of the fact that the successful applicant would bear the full responsibility for satellite provision". He stressed that rental money received from terrestrial television would not be allowed to subsidise the joint operation without specific consent from the Home Secretary. The franchises, however, would not be advertised for some three years, to allow the DBS service devised by the Working Party to become established. Brittan proceeded to notify the Commons of the current state of play in the joint project negotiations:

It is proposed that the joint DBS project will be provided by a joint company or consortium whose participation will be divided between the BBC and the independent sector. The BBC will have a half share of the project. The independent sector will be in two parts. One part, which I would expect to be at least a quarter of the project, would consist of those ITV companies wishing to take part. I stress that there will be no pressure or coercion. The companies must first decide for themselves, because their shareholders money will be at risk.

The other part of the independent sector would consist of other companies or organisations that express a wish to take part on the terms stated, and are judged suitable to do so. They might make up 20 to

³⁴ Hansard, 08/05/84, col. 751.

25 per cent of the total, but the proportions must remain flexible until we see the strength of those who wish to participate. It is in my view essential that an opportunity for participation in this important new broadcasting development should be given to those who do not currently hold ITV franchises...³⁵

The joint project, he continued, would have a maximum life of ten years (during the latter part of which it was intended that it should face competition from the putative franchised DBS channels), and would, like the aborted BBC project, use Unisat as its means of delivery. It would be regulated by the Satellite Broadcasting Board - a hybrid of BBC Governors and IBA members - which would be set up in "shadow" form prior to the decision of the consortium to seek formally the DBS contract.

One source of concern which Brittan covered in his speech was the threat posed to the ITV companies of franchise loss when due for renewal: "They suffer the particular disability of facing the risk of losing overnight their reason for existence". This risk to their ability to raise and service capital was, Brittan admitted, felt by those companies to be an insurmountable barrier to participation in an operation requiring considerable financial investment. Accordingly, he proposed the addition to the Bill of a provision removing from the IBA the obligation to advertise a franchise in 1989; any decision to do so would be at the IBA's discretion.

Brittan's proposals were received coolly by the Opposition. The Shadow Home Secretary, Gerald Kaufman, protested that Brittan had in effect announced "a completely new structure for broadcasting, on which there has been no consultation and no

³⁵ Ibid., col. 752.

³⁶ Ibid., col. 756.

discussion".³⁷ Kaufman and his colleagues were irked that what discussion had taken place had been confined to the BBC/IBA Working Group: there was a feeling that the debate concerning the structure of any satellite operating company should have taken place in a more public sphere. This was particularly true of third party participation, which had only been mooted - and discussed - between the Home Office, the DTI and the broadcasters over the past two months. During the course of his speech, Kaufman was also quick to castigate the Government for their failure to accelerate the cable-building programme. Curiously, this viewpoint was diametrically opposed to that offered by Shirley Summerskill two years previously, when Labour had argued for a more cautious approach.

Brittan's announcement received considerable coverage in the national press, but the venture was not to have the most auspicious of beginnings. The following evening, Alasdair Milne issued a press release raising doubts about the project's viability, and specifically about the transmission system (C-MAC) which was to be used. This, he felt, "could be outdated within three years by a competitive system with better picture quality". The press release seemed to represent a display of pique from Milne, still sore from the Part Committee's decision to choose MAC over PAL, and as far as the reputation of DBS was concerned, was remarkably ill-timed: a senior figure responsible for a relatively costly new product announcing - before it is even on the market - that it will soon be obsolete. As the BBC's partners wondered what Milne thought he was playing at, his colleagues attempted to defuse the row by issuing a counter-statement,

³⁷ Ibid., cols. 757-8.

³⁸ David Hewson, "BBC casts doubt on satellite project", *Times*, 10/05/84, p. 3.

euphemistically describing Milne's press release as an intention to "float ideas". Nevertheless, the incident served to illustrate the tensions that existed within the alliance. The fact remained that the BBC still viewed the ITV companies as the opposition, and that Orderly Market Development was a pragmatic exercise in damage limitation. The trouble was that Milne's tendency to act as a loose cannon was hardly helping OMD to fulfil its purpose.

The next step was for the IBA to advertise for the interested third parties. Applications would then be studied by the BBC before the IBA made recommendations to the Home Office: Irwin recalled later that the criteria that he and his colleagues were looking for were "financial robustness, blue chipness combined with the ability to be innovative". The detailed list of questions to which applicants were expected to respond included their expectation of, and strategy for, profitability; level of participation sought; level of expertise within the relevant fields; and possible reservations about the project. It could also be argued that a useful qualification was not to have crossed swords with either BBC or IBA members in the past. One of the first applicants to attract the attention of the BBC had been the Irish state broadcasting company Radio Telefis Eireann (RTE). The Irish DBS plans were at a similar stage to the UK's in that invitations had already been sent out to tender for firms interested in DBS participation. However, as in all probability the footprint of any UK system would cover the Irish Republic, and vice versa, competing DBS systems could arise, making either or both economically unviable. Some form of cooperation between the broadcasting organisations, therefore, made perfect sense. A

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³⁹ Author's interview with Chris Irwin, 11/12/95.

⁴⁰ Anon, "Contenders for UK DBS", New Media Markets, 23/07/84, pp. 2-3.

combined delegation from the BBC, IBA and ITCA had travelled to Dublin only days after Brittan's insistence on third-party involvement, to explore the possibility of bringing RTE on board, and on 16 May this initial discussion was followed up by a meeting between Irwin and George Waters, RTE's Director General. ⁴¹ Irwin had always regarded RTE's involvement as an attractive possibility. RTE was another public broadcaster, whose motives, Irwin felt, went beyond securing a direct financial return. They had also invested a considerable amount of time and money in DBS research. Irwin tentatively suggested that if RTE joined the consortium, then the Irish Government might drop its own DBS plans. Waters, who was extremely interested in the UK plans, thought that it might be possible to achieve this.

Some sixteen proposals, including one from RTE, were submitted by the end of June. Other proposals were received from Granada TV Rentals, which had recently bought Rediffusion's rental business; Thorn EMI; Premiere, the subscription cable channel (due to begin in the UK that September) in which Thorn was the majority shareholder; United Cable Programmes, owner of The Entertainment Network (Premiere's rival film channel); Virgin, which had recently expanded into film production and which held a shareholding in Music Box; Carlton, the communications company owned by Michael Green; S. Pearson, publishers of the *Financial Times* and owners of the film and TV company Goldcrest; Cable and Satellite Communications, a small company based in Essex which was "interested in software and receiving equipment"; Personnel Electronics Ltd, a company apparently set up solely with a view to taking part in the DBS project; Consolidated Satellite Broadcasting, a company grouping a number of UK independent

⁴¹ Richard Spandler, "Latest twist to DBS saga", Marketing, 08/03/84, p. 10.

television producers including Andrew Brown, John Hawksworth and John Gau (then chairman of the Independent Programme Producers Association), and in whose holding company, registered in the Bahamas, RTL had a majority stake; and from Nigel Ryan, a former ITN news editor was heading a submission from a group of independent television producers (again including Gau).⁴² Detailed submissions were also received from two private individuals, Derek Chapman and W J E Overington. Belatedly, the Atlas Leisure Corporation (a pub entertainment group), ScreenSport (the cable company now owned by Ladbroke, ESPN and W H Smith), and World Communication Ltd also submitted applications.⁴³

Naturally enough, certain applications met with more approval than others. The BBC had worked closely with Thorn during their initial foray into DBS, and despite occasional spasms of reticence, Thorn remained keen to play a part in whatever form of DBS project lay ahead. There was concern at the BBC, however, about Thorn's view that no shareholder should be granted 50% of the venture. The BBC's response was that this was non-negotiable, and that Thorn must accept this should their application receive further examination. Thorn reluctantly concurred. On 31 July, when in a written answer to the Commons Leon Brittan announced the five third-parties who had been chosen to make up the "Club of 21" (along with the BBC and the fifteen regional ITV companies), Thorn

⁴² Anon, "DBS/UK - There is a queue of 15 to join the BBC and ITV companies...", *New Media Markets*, 09/07/84, p. 2; Raymond Snoddy, "Satellite broadcast consortium announced", *Financial Times*, 01/08/84, pp. 1 & 36.

⁴³ Anon, New Media Markets, 23/07/84 op. cit.

were among them. 44 The others were Granada TV Rentals, Virgin, Pearson and Consolidated.

A number of the selections had provoked considerable debate within both BBC and IBA. Carlton Communications had the backing both of Stuart Young and Jeffrey Sterling. Stuart Young had close links with Michael Green - he was a cousin by marriage and had previously been Green's accountant - but Carlton's application had been less than favourably received when they refused to supply the IBA with full details of their plans for their participation in the project, arguing that other applicants "would become competitors" should Carlton be turned down. 45 Despite considerable pressure, they failed to make the final selection. Young himself was not impressed about the prospective participation of Virgin: he was a member of the board of British Caledonian, and the newly-formed Virgin Airlines was encroaching on Caledonian territory. According to one source, he had no time for Richard Branson. Nevertheless, Young's prejudices were overruled. Virgin were in. But it was arguably the choice of Consolidated that raised most eyebrows. Concern was raised in some quarters about the company being a "Trojan Horse" for RTL, especially when John Whitney's connections with the company were revealed - he had been a former partner in the company, together with John Hawksworth and John Pringle, but had sold his shares upon becoming DG of the IBA - were revealed. 46

The Club of 21 was an ill-fated project, over-specified and composed of reluctant allies. The Government had hung an albatross around its neck at the outset by once again

⁴⁴ In response to a question from the Conservative MP Michael Mates. *Hansard*, written answers, 31/07/84, cols. 222-3.

⁴⁵ Anon, "DBS talks start", Televisual, 08/84, p. 8.

⁴⁶ Anon, "UK DBS: Who is Consolidated Satellite Broadcasting?" New Media Markets, 20/08/84, p. 3.

insisting that Unisat be the satellite supplier. Several of those involved in the consortium, however, remained concerned that Unisat were charging over the market rate - concerns that were later to receive ample justification - and that they themselves should be allowed to choose the spacecraft manufacturer. Besides which, there was the problem of precisely how the various components of the consortium would fit together to form a working whole. When announcing the names of the successful third parties, Brittan had reiterated that the BBC would take a 50% stake, the ITV companies 30%, and the rest 20%. While it was felt that the most reasonable way to allocate ITV investment would be according to current Net Annual Revenue (NAR), thus giving Thames the greatest stake and Channel the least, the division of the third party stake posed considerable difficulties. ⁴⁷ In addition, these were companies who had until recently viewed one another, like Carlton, competitors for that stake. This had already become clear to the duopoly broadcasters by the time of their initial meeting with the other prospective DBS participants on 7 August. One BBC representative at that meeting felt time would have to be taken in which to build up mutual confidence, and that only at this point could commercially delicate information be exchanged. It was apparent that they lacked confidence in the BBC: there was a call from the independents that all decisions should require a two-thirds majority, rather than allowing the BBC free rein, while John Pringle, chairman of Consolidated, went even further, publicly describing the decision to allow the BBC a 50% stake as a "recipe for disaster". 48 The upshot of this atmosphere of mistrust meant that for the time being each

Shirley Fawcett, "Paying lip service to the great DBS dream", Satellite & Cable Television News, 09/84, pp. 39-40.

⁴⁸ Robin Shenfield, "Call for equal shares in DBS", Television Weekly, 17/08/84, p. 2.

of the partners would be responsible for their own figures, and with little or no exchange of information, the structure of the Club at its outset was nebulous to say the least.

Some representatives of the prospective participants - among them Andrew Quinn of Granada TV Rentals - had recognised the nature of the situation. As weeks went by, Quinn realised with a growing sense of unease that no-one had bothered to draw up a business plan: this in a venture that had been costed - conservatively - at £350m! On 20 September, he took matters into his own hands: he wrote to Bill Cotton and proposed that, for a fee, Granada would deliver a report in seven weeks. Quinn felt that, if the BBC agreed to the preparation of a business plan, the other members of the consortium would fall into line. 49 Cotton and the other members of the Club agreed at a meeting on 26 September. The meeting also established, somewhat belatedly, the Club's officers: Irwin was given the post of Chief Executive and Quinn became the project's co-ordinator. A subsequent meeting established the members of the Satellite Broadcasting Board's management - with Stuart Young, Sir John Johnston and Malcolm McAlpine representing the BBC, and Lord Thomson, Professor Alexander Cullen and Michael Caine, the IBA. Thomson was appointed Chairman.

Quinn had meanwhile been preparing his report along with his team at Granada Rentals, Dennis Flach, the marketing director of Granada Cable & Satellite, and Jeremy Sless, a business analyst. Quinn had commissioned the accounting firm Peat Marwick & Mitchell to provide the financial models on which the report's conclusions would be based. For the members of the Club, who met in plenary session on 18 December to discuss the report, those conclusions did not make pleasant reading, and confirmed the

⁴⁹ Author's interview with Andrew Quinn, 29/01/96.

worst fears of many. In essence, they were that under the constraints laid down by the Government - namely, that the consortium was obliged to buy a three satellite Unisat system - the project would be a financial disaster.

The research had provided three detailed predictions for year end subscriptions for DBS: a baseline model along with slow and fast growth scenarios. These had carefully taken into account what were perceived as existing competitors (video and cable) and potential threats (other satellite services, whether on any future UK DBS service or from foreign DBS). Of these, the report considered video to be "the most direct threat"; Granada themselves were extremely dubious about the success of a broadband cable network in the near future. With regard to other satellite services, it was felt that the appeal of channels from any proposed continental ventures such as the French TDF 1, the German TV Sat, and the Swedish Tele X, would be limited, simply because few (if any) of the services offered would be in English. The one danger the report perceived from any future UK (or Irish) DBS service would be their encroaching on an audience created by the Club's services, prior to its becoming a financially attractive proposition. Si

The putative DBS package (comprising equipment and programming) was priced for the purposes of the model at £20 a month, as NOP research for the study had revealed "considerable resistance" to paying more than this amount.⁵² Using the baseline model, it was estimated that, by the end of three years, some 1.4 million households would have subscribed to the service; the slower/faster growth models estimated 1.1 million and 2.5

⁵⁰ Granada Cable & Satellite Ltd., A Report and Outline Business Plan for the UK DBS Consortium, 30/11/84, appendix A.4.

⁵¹ Ibid., section 3.2.

⁵² Ibid., section 4.1.

millions subscribers respectively.⁵³ In all scenarios it was predicted that there would be some 3.1 million subscribers to DBS after ten years, or some 15% of all UK homes. Predicted income under the baseline model was some £12.7 million at the end of the first year of operation, passing £100 million by the end of the third year, and reaching £288.8 million by the end of year ten, at which point the consortium was obliged, under the terms laid down in the Cable & Broadcasting Act, to cease operation.

Considerable research into the preparation of schedules had been carried out by Jeremy Fox, son of Paul Fox and a producer with the independent programme makers Action Time. DBS 1, it was envisaged, would be the premium film channel: between 10 am and 8 p.m. this would carry 'U' rated programming, with Disney perceived as the major supplier; from 8 p.m. until 2 am films rated 'PG', '15' and - after 10 p.m. - '18' were scheduled, with some seventeen films planned per week. (Once a week these would also include was what delicately termed an "adult movie"). DBS 2, "The Family Channel", would carry soap operas and "lifestyle" programming - targeted specifically at women, cartoons and educational programmes for children, along with repeats of classic British series and music videos. The third, "Live Channel", was intended to feature breaking news from around the world, plus broadcasts from Westminster and key sporting events. (ITN had submitted proposals for a 24 hour news service, but Granada had expressed doubts both at its cost - £16.5 million - and its suitability within the framework of a three channel service.) ⁵⁴

⁵³ Ibid., section 14.1.

⁵⁴ Ibid., section 5.

While it was relatively easy to estimate the cost of programming on DBS 2 and 3 approximately £23 million in total - the economics of the film channel were made more difficult by the uncertainty of whether the Club would be able to obtain films at the same time as the "video window". The report concluded that some form of proposition to the major studios should be tried that aimed at matching that window. Granada calculated costs, based on a package of old/new and "interstitial" film material, mini-series and Disney at some £28 m in the first year, rising to £85 million by the end of the Club's tenyear lifespan.⁵⁵ These, in conjunction with operational costs (marketing, cash collection, insurance, overheads, etc.), put start up costs - without taking the cost of the satellite itself into consideration - at around £78 million. But it was the satellite costings that gave the members of the Club greatest cause for concern.

The report had obtained quotations both from Unisat and from Britsat, a company which had been set up early in 1983 by John Anderson, a former official at the DoI and freelance consultant. Anderson had, in fact, submitted proposals for a satellite system to the BBC in September 1983, having reached a provisional agreement with RCA and NASA for the supply of a low-powered satellite and a launch contract; he had subsequently approached, and aroused the interest of, a number of the companies which had vied for membership of the Club. 56 In addition, the report had commissioned the Canadian firm Telesat to prepare its own evaluation "as a basis for comparing quotations". 57 The results were startling. Unisat's proposition entailed a three satellite three transponder configuration on a ten year contract. The rental, payable annually in

⁵⁵ Ibid., section 5.9.

Tom Lloyd, "Britain's bid for the stars", *Financial Weekly*, 27/02/86, pp. 12-13. Granada Cable & Satellite Ltd., op. cit., section 6.1.

advance, would be £79.77 million. An additional payment of £20 million, non-returnable, was required within thirty days of signature of contract. Britsat proposed a two satellite, five transponder configuration on an eleven year lease, an annual rental of £38.5 million (paid quarterly in advance) plus £4 million paid annually in arrears for passing on tax advantages, and an advance payment of £2 million. Finally, Peat Marwick & Mitchell had derived estimates from the Telesat evaluation of £40 million per annum for a three satellite configuration and £30 million for a two satellite configuration. ⁵⁸

Taking each proposal in turn, and using the baseline financial model, the report expected that, should the Club opt for Unisat, then they would show a profit for the year by the end of Year 5, but it was estimated that over the ten year period the system would suffer a cumulative loss in the region of £163 million. At 12.5% interest, this figure skyrocketed to £1.08 billion! Use of Britsat, in contrast, predicted cumulative profits of £267 million and £44 million over the same time period at 0% and 12.5% interest respectively. The Peat Marwick & Mitchell extrapolation of Telesat figures proved similarly revealing: profits of £347 million or £196 million for a two satellite system, £251 million or £16 million for a three satellite system.

The report, naturally enough, concluded that "a contract should be placed with Unisat only if it is the outcome of a normal process of competitive bidding". It stressed the need for a cost-effective, "commercially attractive" schedule and close collaboration with set rental groups, and for a series of discussions between the consortium and the film studios, to establish "whether a supply of programme material can be made available and

58 Ibid., section 6.3.

⁵⁹ Ibid., section 14.4.

sustained at an attractive price". It recommended the adoption of the C-MAC "20/10" solution: this entailed a modification of the C-MAC chip to make it compatible with the French D2-MAC chip (which halved the data rate for the purposes of cable transmission); it regarded the solution as "most suited to high risk, short-life nature of the proposal", particularly bearing in mind the needs of European set manufacturers. Finally, the report proposed the extension of the ten year lifespan to fifteen years, the key factor being that in the event of a slow start, the current imposition could force the project to be aborted. 60

But the overwhelming problem was the burden of Unisat. It had been imposed on the Club with the Prime Minister's blessing - and now the closed shop of broadcasting found itself dealing with another closed shop. Stuart Young, for one, regarded the quotation to be of such magnitude as to be unviable. At the meeting, he found that the rest of the consortium were in complete agreement. The decision was unanimously taken to call for international tenders, and the following day Lord Thomson wrote to Brittan to inform him of this fact, highlighting the disparity between the Unisat figures and those of Britsat and Telesat.

Unisat were doing themselves no favours. The journalist Dennis Barker recalled soon afterwards that:

Of all the surreal experiences of my career... I rank high the task of trying to get Unisat executives to talk openly about what they were offering, why it had to cost so much, and why it was that much better than any foreign satellite alternatives.⁶¹

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⁵⁰ Ibid., section 15.

⁶¹ Dennis Barker, "Speaking openly on satellite", Broadcast, 21/03/86, p. 16.

Onisat's initial response to the report was a somewhat ambiguous statement from Managing Director David Gruneberg on the question of annual costs: "Eighty million is not the last word, it is in fact a planning estimate". Unisat reduced their price, but the reduction, to £73.11 million per annum, was considerably less than the Club had hoped for. An alternative proposal was mooted, wherein Unisat would build three satellites, launch two of them and operate telemetry, tracking and control (TT & C) on a fixed ten year contract, was priced at around £55 million per annum, but this also received a cool reception.

Their stance was causing a considerable degree of consternation on the part of the Government. While there was a certain amount of internal criticism within the DTI regarding the wholesale promotion of Unisat, the Departmental line - pushed strongly by Thatcher and Sterling - was to back the consortium as a prime example of how Britain could lead the world in IT. To this end, accusations were made by some DTI officials that comparisons made in the Granada business report between Unisat and other potential suppliers were unreasonable. However, there were also rumours that this resulted in friction within the Department between the IT and Space Divisions, due to what was now perceived as an undue "emphasis on ground jobs" at the expense of British Aerospace. The company was tiring of the protracted wranglings, feeling that Gruneberg was charging too high a price, and were prepared to break ranks with its consortium partners if necessary.⁶³

63 Ibid

⁶² Richard Brooks, "Low-cost challenger could topple satellite", Sunday Times, 13/01/85, p. 57.

The Club had continually made the point that if they were to use Unisat, then some form of concession should be made, and if Unisat were not going to lower their prices to any great extent, then it should come in the form of a Government subsidy. Their case was considerably strengthened when, in January, they ascertained the levels of UK funding for the pan-European Olympus project. This was the latest title for the experimental Large satellite (L-Sat) project agreed to in November 1981. The first satellite, F-1, was due for launch in mid 1987, and would carry two high power DBS transponders, one of which had already been made available to the Italian broadcaster RAI: the other was on offer to a planned pan-European DBS service. It was intended that a second satellite, F-2, should be in a state of partial readiness by the time of F-1's lift off, and to be ready for launch within fifteen months. The UK's shareholding in the venture had by now risen to 39%, helping to subsidise it to the tune of £120 million. Bearing in mind the Government's flat refusal to provide subvention for its own project, this seemed to the Club to be distinctly unfair. When they protested, the DTI responded by saying that they were under an international obligation to go ahead with the development. Irwin, writing to Stuart Young, felt that the DTI were being both defensive and disingenuous in the reaction to the Club's feelings about the funding of Olympus.⁶⁴

At this juncture, with negotiations stalling, Quinn came up with what he described as a "soft start" proposal as a means of cutting costs. He felt that the three satellite solution failed on two counts: firstly, expense, and secondly, that it would require "long term commitment to the major capital costs of such an enterprise". 65 He proposed instead

Letter from Chris Irwin to Stuart Young, 22/02/85.
 Satellite Broadcasting Board, DBS Position Paper 10.85.

that one satellite should be built initially, along with two payloads: a second satellite should be available within twelve months. This meant in effect that no backup satellite would be available in ellipse orbit should the first suffer a breakdown, but Quinn felt that it was worth the risk, even though this could mean a considerable break in the service. With TT & C sub-contracted out to ESA on an annual basis, this would put the initial capital expenditure in the region of £135 million, including insurance cover of £14 million.

Matters were not helped by the continuing discussions surrounding the imminent renewal of the BBC's licence fee. With revenue falling in real terms, the BBC were seeking an increase from £41 to £65, or an increase of 42%. This was patently out of the question. The previous autumn, at a Downing Street lunch, Thatcher had suggested an alternative: for the BBC to take "a little advertising". This attitude was shared by the Labour MP Joe Ashton, who in January had launched a Bill specifically with this in mind (it was rejected on a free vote by 159 votes to 118), and by Rupert Murdoch. As Ashton put his Bill to the Commons, the *Times* ran three successive leaders entitled "Whither the BBC?" For members of the BBC management, they did not make pleasant reading: the BBC was accused of "inefficiency, unaccountability [and] self-aggrandisement"; it kept up a "steady drumbeat of propaganda" to justify the licence fee, and the myth that programming on the BBC was really "free". Not only did the editorials conclude that advertising could indeed play a part in its financing: they recommended that a broadcasting commission be established and given the power to auction off the services operated by the

⁶⁶ Steven Barnett & Andrew Curry, The Battle for the BBC (London: Aurum Press Ltd, 1994), p. 24.

BBC. Alasdair Milne subsequently accused Murdoch of being directly responsible for the articles, a charge denied by the newspaper's editor Charles Douglas-Home.⁶⁸

As the date for the fixing of the licence fee came closer, Milne continued to push for the £65 figure. On 11 March, he issued a speech - at short notice - to the press:

The enormous care that has gone into this application is making, or should make, it very difficult for the Government to arrive at an arbitrary figure below £65 that is based on only one overriding assumption - namely that such a sum will not provoke too much opposition... There can be no doubt whatsoever that if there were a considerable shortfall the BBC would find itself compelled to make substantial cuts in both its radio and television services.⁶⁹

The BBC were horrified at the statement. In effect, what Milne was saying was that unless the BBC was awarded the £65, then they would pull out of DBS. Unfortunately for them, if Quinn's "soft-start" figures were correct, then the rest of the Club could well continue without them. This was a view shared at the Home Office, who were distinctly less than impressed by the threat. When BBC DBS representatives met with senior Home Office officials a few days later, they were informed that their participation in the venture might well not be necessary, or that their 50% stake could be "negotiated" downwards.

Unhappy with Unisat's negotiating stance, particularly in the light of Quinn's second report, Stuart Young went to the DTI to air his grievances. To his astonishment, he found that Norman Tebbit - who had only recently returned to work following severe injuries sustained in the IRA bombing of the Conservative Party conference - was unaware

⁶⁸ Steven Barnett & Andrew Curry, The Battle for the BBC (London: Aurum Press, 1994), p. 22.

⁶⁹ David Hewson, "BBC chief senses defeat on £65 fee", Times, 12/03/85, p. 2.

both of the degree of drift with the Unisat negotiations, and indeed of the extent to which the UK was subsidising the Olympus project. A subsequent meeting was then arranged for 16 April, this time between the members of the Board and Geoffrey Pattie (who had replaced Kenneth Baker as Minister for IT), in company with DTI officials. At the meeting the DTI reiterated their desire to see Unisat as the supplier, feeling that for the Club to adopt an alternative procurement policy at this stage - even one that involved British Aerospace as prime contractor - would set the venture back to stage one and involve considerable loss of face for the Government.⁷⁰

Thus, in early May, Andrew Quinn - whose business reports had not gone down well at the DTI - was asked to see Jeffrey Sterling at the P & O Office in Pall Mall over the Club's rejection of Unisat's latest offer. Sterling initially "harangued" Quinn, wanting to know why the Board was dragging its feet over the project. Looking round the office at the pictures of the Cunard liners, Quinn came up with an analogy that Sterling would appreciate: the reason that they were not going ahead, he replied, was the same reason that P & O wouldn't, if they could only buy their ships from Tyneside. Sterling took the point, but stressed that the project had to go ahead - with Unisat as the Prime Minister was keen for it to succeed. It was the "loss of face" argument once more. Nevertheless, Sterling agreed to speak to Unisat officials in an attempt to persuade them to offer a lower priced system.⁷¹

On 21 May, the Board members met with Gruneberg and the Unisat management team. At the meeting, Unisat proposed ten lease options, each offering varying degrees of

⁷⁰ Satellite Broadcasting Board documentation.

Author's interview with Andrew Quinn, 29/01/96.

management and operation. One option, for a two satellite, three channel system, was proposed at some £29 million per annum over ten years, but scaled down Unisat's share of costs - notably insurance - by a marked degree. But even at this reduced price, the Board calculated that the quotation was at least 70% higher than that offered by Britsat, when all the overheads had been taken into consideration, a margin that could be increased still further if Britsat were bypassed and the Board dealt directly with RCA.

By this stage it seemed that enthusiasm for the project within the Club was on the wane. Milne, who had actively promoted the idea when it was under the sole aegis of the BBC, now seemed to have lost all stomach for it: one colleague reported that he rarely contributed at meetings of the consortium. Cotton, ever the pragmatist, became less and less inclined to believe that the project would succeed. Young, probably its most fervent advocate at the BBC, was by now showing signs of the illness that would kill him the following year. Sensing that the Club was unlikely to receive any further concessions from Unisat, Irwin suggested a possible alternative: an "Anglo-French trade-off". The French DBS satellite TDF 1 was due to be launched in July 1986, and had spare transponder capacity. Irwin had been advised by ESA that the satellite's signal could be received in the UK, and proposed approaching the state-owned operating company, Television par Satellite, with a view to leasing transponders. The cost per channel, quoted at between £7.5m and £12.5 million per annum, compared favourably even with that of Britsat. Should the Club agree to make use of the spare capacity, Irwin felt that, in return, there was a reasonable chance of persuading the French to opt for C-MAC in its 20/10 variant as recommended in the Granada business plan - as the satellite transmission standard.

⁷² Ray Snoddy, "Unisat lowers price of direct broadcast system", Financial Times, 22/05/85, p. 8.

Accordingly, Ouinn and Richard Dunn, from Thames, flew to Paris for exploratory discussions with Jacques Pomonti, head of the TDF project. 73 But despite these discussions, the idea was not pursued.

The project was rapidly becoming a fiasco, and it was apparent that the moment of its collapse was imminent. The ostensible cause of the break-up was the DTI's decision, on 23 May, to allow individuals to receive broadcasts from the low power satellites such as ECS-1, via Satellite Master Antennae Television (SMATV). Under the terms of the 1949 Wireless and Telegraphy Act, only British Telecom, Mercury and licensed cable operators were allowed to install dishes for the reception of such signals. The use of SMATV had been advocated as long ago as December 1983 by the Economist, which had argued that so-called "back-door DBS" - home reception from a telecommunications satellite - would aid the growth of both cable and DBS.74 It was certainly true that something was needed to accentuate the growth in cable, which had been negligible since the initial eleven franchises had been announced in November 1983: only half a dozen of these were as yet operational. The cable companies had been particularly bruised by the decision in the 1984 Budget to end capital allowances, and were now seeking some means of consolidation, SMATV, they insisted, would be a temporary measure; sceptics argued that this would amount to sharp practice, as it would allow the companies to avoid the expense of laying the trunk cable. Nevertheless, the view that SMATV would provide the necessary stimulus was supported by Jon Davey, who had become the Cable Authority's Director General. The debate also brought into sharper focus the conflict that had existed

⁷³ Ray Snoddy, "Decision week for satellite TV", Financial Times, 07/05/85, p. 1; author's interview with Andrew Quinn, 29/01/96.

Anon, "Satellites in a spin", *Economist*, 17/12/83, p. 27.

from the outset between DBS and cable. With the exception of Andrew Quinn, who felt that the introduction of SMATV might help to create a market for DBS, the Board believed that low power reception could seriously damage their chances of producing a service that was economically viable.

A second - more pertinent - cause was the length of both terrestrial and DBS franchises. With the operational lifetime set at ten years, and bearing in mind the considerable cost of the venture (and particularly the initial outlay that would be involved), even the best case scenarios would not see the project creeping into profit until the second half of the decade, by which time it could well be facing competition from the remaining two DBS channels, and indeed from any putative Irish DBS service. This did not make it an attractive business proposition, especially where the ITV companies were concerned. While Brittan had removed the *obligation* of the IBA to readvertise the Channel 3 franchises in 1989, this was hardly the copper-bottomed guarantee that the smaller companies were looking for.

The last meeting of the Satellite Broadcasting Board was held on 8 July 1985. A number of its members expressed bitterness at the way that the British Government had insisted on the use of Unisat: one found it particularly strange in the light of the revelation that a mere 40% of Unisat's proposed expenditure would have gone on UK goods and services. Finally, the Board reported back to Brittan that the project simply could not go ahead.

Franchising DBS

The decision of the Satellite Broadcasting Board not to proceed with their DBS project had left the Government policy makers in a somewhat awkward predicament. The success of any future operation would depend upon the resolution of the two key problems encountered by the Club of 21, namely the dominant position of the BBC, and the monopoly position of Unisat. A combination of events was to remove both from any future DBS equation.

The first half of 1985 had not gone well for the BBC. The news that Michael Grade, the Controller of BBC1, had decided that the long-running series *Doctor Who* would be "rested" had provoked furious outbursts from the good Time Lord's considerable following across the globe - and from the tabloid press, which had duly heaped odium upon the heads of Grade and the BBC management. Grade had followed this up with a petulant threat to suspend broadcasts of the US soap *Dallas* after Thames had purchased the rights to the next series, an action which generated further adverse publicity and led to Grade being forced to climb down. Angered by TV-AM's refusal to allow the screening of extracts from an exclusive interview with Princess Michael of Kent, the BBC had simply pirated and aired a copy: the Governors issued a public apology. And within days of the Princess Michael interview, the BBC settled out of court in a libel action it had been contesting against a Harley Street specialist after allegations made on the consumer programme *That's Life*. The settlement cost the BBC £1 million.⁷⁵

⁷⁵ Barnett & Curry, op. cit. pp. 25-6; Leapman, op. cit., pp 273-6 & 291-3.

In the midst of this catalogue of public relations disasters, and within weeks of the sequence of Times leaders condemning waste and inefficiency at the BBC, the Government announced that it had set the licence fee at £58 - part of which would be held over until the outcome of an inquiry into future methods of funding the Corporation's future, by a committee headed by the economist Alan Peacock.⁷⁶ This left the BBC's finances in a relatively precarious position. The need for economy was made clear on 6 June when the accountant Michael Checkland was made Deputy Director General. The Governors' perception was, as Michael Leapman put it, that "somebody must rein in the programme people. The corporation had to operate in a more businesslike fashion."⁷⁷ Checkland and other senior management figures formed the 'Black Spot' committee, charged with finding savings in the light of the Government's refusal to grant a £65 licence fee. 78 It is interesting to note that this figure had been arrived at by the inclusion of a sum of £5.70 for "the enhancement and development of broadcasting services": Brittan argued for a freeze on such development until the publication of the Peacock Committee's report. 79 In such an austere environment, large scale involvement in DBS (and the expenditure that would result) began to lose its appeal.

In addition, throughout the summer of 1985, much of the BBC's time and energy was devoted to the preparation of a defence of its position as a publicly-funded broadcaster. This was in anticipation of an onslaught from the Peacock Committee: Margaret Thatcher's dislike of the BBC, and her predilection for its taking advertising,

⁷⁶ Chris Horrie & Steve Clarke, Fuzzy Monsters (London et al: Heinemann, 1994), p. 35.

⁷⁷ Leapman op. cit. p. 294.

⁷⁸ Barnett & Curry, op. cit., p. 26.

⁷⁹ Leapman op. cit. p. 284.

were well known, and there was the strong suspicion in BBC circles that the Committee would serve as precious little more than a rubber-stamp for her stated intent. Thus it was perceived that, financial considerations apart, to demand a significant role in DBS would increase prejudice against the Corporation, and in the current circumstances such a move would be foolhardy in the extreme. Instead, the decision was taken to concentrate on the supply of programmes to any prospective DBS service. 80

Secondly, Unisat was by now a spent force. There were almost as many ideological differences between the Unisat members as between the BBC and their independent partners in the Club. By the time that the Club was wound up, the atmosphere had degenerated to such an extent that co-operation was no longer deemed practicable. Furthermore, Unisat's overinflated prices had long since exasperated the Government, even if they were sceptical about the quotations offered by its potential competitors. In the light of the successive debacles of BBC and Club ventures, it appears that the Government came to the conclusion that any continued insistence on a monopoly supplier would be pointless should any further moves towards DBS be undertaken. One Home Office official, in conversation with a member of the Club management, opined at the time that "dirigisme without subvention was almost certainly bound to fail". But the provision of subsidy along Franco-German lines was never a realistic option. The pragmatic approach seemed to be that a DBS service that *might* opt for a British satellite supplier on the open market was better than no service at all - especially bearing in mind that the Prime Minister

See memorandum submitted by the BBC in Home Affairs Committee, Third Report, *The Future of Broadcasting*, (London: HMSO, 1988), HC-262-II, p. 26. The Corporation *did* set up a five man committee to look at the possibilities of external television broadcasting by satellite - see Anon, "World TV hitch for the BBC", *Broadcast*, 17/01/86, p. 2 - but this was envisaged as a long-term prospect.

81 Author's interview with Chris Irwin, 11/12/95.

saw DBS as a means to meet the need for greater competition in broadcasting, and of providing additional choices for viewers, advertisers and producers.

This approach was confirmed when, on 3 September, the IBA issued a news release, inviting approaches by organisations "interested in providing one or more television services". Sections 37-41 of Part II of the Cable & Broadcasting Act 1984 allowed for the IBA to offer twelve year franchises for the DBS services: it had simply been envisaged that this legislation would lie "dormant" for several years until the Satellite Broadcasting Board service was up and running. Regarding satellite provision, the release stated that "it is to be assumed that there would be freedom to consider proposals from suppliers either in this country or overseas". However, the release went on to reiterate the Government's opposition "to any proposal in which an overseas supplier was quoting prices which were less than cost in order to gain access to the British market"; furthermore, there was the assurance that "the nature and prospective size of the net industrial benefit to the UK" would be taken into consideration. Finally, the release reaffirmed the Government's commitments to the provisions of the 1977 WARC, and the C-MAC transmission standard. 82 It is clear, from the tenor of these stipulations, that in setting out its guidelines the Home Office were firing their parting shot at the wreck of the Club. The release is perhaps the most public display of their resentment at the way that the negotiations with Unisat had broken down: their belief that Britsat was a 'loss-leader' for RCA expansion; that the benefits of Unisat as an embodiment of "Great Britain Ltd." had been ignored by the Club. Both conclusions were highly contentious, but the Home Office remained aggrieved.

⁸² IBA News Release, "DBS: IBA Invites New Expressions of Interest", 03/09/85.

On 1 September Thatcher had made a number of key changes to her Cabinet. This was too late to have any immediate effect on any shift in DBS policy: rather, past errors in policymaking - whether real or perceived - were now catching up with those who were seen to have perpetrated them.

"Leon Brittan was the obvious candidate to be moved: however unfairly, he just did not carry conviction with the public." At the Home Office, Brittan's weaknesses, his sensitivity and lack of presentational skills, had left him over-exposed to criticism in such a high profile position. The way in which Brittan had allowed the DBS project to drift into fragmentation was symptomatic of his inability to impose himself at the department across the spectrum of its responsibilities. Although he was apparently allowed to keep "his order of precedence in the Cabinet list", this was of little recompense: Thatcher herself admits that Brittan was "shaken" at what was an obvious demotion - to the DTI. Now, ironically, Brittan would view any manoeuvrings towards a DBS system from the other side of the fence - but only for a short while. His downfall was soon to come about in a case with uncanny overtones of the Unisat / Britsat rivalry, but one which would become far more notorious, and which clearly demonstrates how much DBS policy was at odds with the market-liberal approach espoused by Thatcher.

The UK helicopter manufacturers Westland, which had run into financial difficulties, wished to accept a take-over bid from the American company Sikorsky, rather than - as was the proposal of Defence Secretary Michael Heseltine - agreeing to what amounted to a wholesale subsidy of the European helicopter industry by the National Armament Directors (NADs). Thatcher's stance on this issue - deriding Heseltine for

⁸³ Margaret Thatcher, The Downing Street Years (London: HarperCollins, 1993), pp. 418-9.

"effectively ruling out the company's preferred option", her belief that "the Government must not seek to prevent any particular solution..: it must be for the company to decide what to do" - contrasts markedly with her Government's stern faced rejection of the Club's plea for market forces to be allowed to operate. ⁸⁴ Both situations resulted in ignominy for Brittan: in the first case, demotion; in the second, resignation. He had been placed in an intolerable position, accused of collusion with Thatcher in an attempt to discredit Heseltine and subsequently of having misled Parliament.

Brittan had been replaced as Home Secretary by Douglas Hurd, formerly Northern Ireland Secretary and, prior to that, Brittan's deputy at the Home Office. There was a certain amount of relief amongst broadcasters at the news - Hurd, once Edward Heath's political secretary, was a leading figure on the consensual wing of the Conservative Party. One of his first tasks would be to decide whether to proceed with some form of DBS. By the time that Brittan tendered his resignation on 24 January, the IBA had sided through some 20 submissions and reported on their findings to the Home Office. Among those who had replied to the IBA's invitation were former Club members Virgin and Granada, along with such luminaries as Rupert Murdoch's News Corporation and Michael Green's Carlton. Britsat had also provided the IBA with a report, produced in association with CEI, Ferranti, Mullard and Thorn, under the leadership of Celltech chairman John Jackson. The general impression that the varying submissions provided was that, with the restrictions on satellite supplier lifted, there would be a considerable interest in applications for a DBS licence. Hurd was satisfied.

⁸⁴ Ibid., p. 427.

On 20 February 1986, the IBA issued a news release announcing its plans to advertise for contractors to provide up to three television services via DBS. Within days, possible contenders were making their interest known to the public. Both Granada and Virgin confirmed that they would be putting together bids, as did John Jackson, who had created a holding company - Direct Broadcasting Ltd - for the purpose.

The franchise for the three channels was advertised on 4 April, and requested that bids be submitted by the end of August: potential applicants could send off to the IBA for specifications. Gradually, the competing consortia began to take shape. Chris Irwin had been sent the invitation to tender by friends at the IBA: Irwin read the invitation and thought that, since he knew a fair amount about DBS, why not take a whirl? He proceeded to round up a group a friends and colleagues: Gunnar Rugheimer, General Manager of Programmes at the BBC, Stan Edwardson, the retiring Head of the Carrier Systems sections at Kingswood Warren, Paul Ormerod from the Henley Centre, David Blake, the Home editor of the Times, and Marianne Neville-Rolfe. Blake's wife and a Deputy Secretary at the DTI.85 Having assembled this provisional team to devise a business plan, Irwin knew that big guns were required to provide financial backing. He and Blake therefore took the plan to Pearson, who expressed an interest and suggested that he work with Lazards for a month. The results clearly demonstrated to Pearson that, while it seemed as though investment would be worth their while, it would not be an operation that they could undertake on their own. National Satellite Broadcasting (NSB), as the Irwin / Blake proposal was provisionally titled, would need additional clout.

⁸⁵ Author's interview with Chris Irwin, 11/12/95.

At much the same time that Blake and Irwin were drawing up their business plan, Virgin and Granada had decided to join forces, and Central had gone in with them. Then, following meetings at Granada's Golden Square offices in early August, the Pearson / NSB and Granada / Virgin / Central teams agreed to pool their resources, and the combined bid was renamed British Satellite Broadcasting, or BSB for short. There had, after all, been a great deal of contact between their respective members during the Club dealings, and despite the project's unfortunate demise, considerable mutual respect remained. Both they and other consortia had also made tenuous approaches to Yorkshire Television, but with a public flotation imminent, the company ruled out any immediate investment in DBS. 86 However, Derek Lewis of Granada managed a notable coup by bringing in Amstrad, the rapidly expanding electronics firm owned by Alan Sugar. Michael Green, as Raymond Snoddy relates in his biography, carefully drew on his extensive range of business and family contacts to assemble a formidable group - DBS UK. This was based around Carlton, and also contained the merchant bankers Hambros and Robert Fleming. LWT, Saatchi & Saatchi, the electronic retailers Dixon, and Columbia Pictures. James Lee, the former Chairman and Chief Executive of Goldcrest, formed a partnership with Robert Holmes a Court's Bell Group International. The Bond Corporation and Tiny Rowland's Lonrho teamed up to form SatUK. Finally, John Jackson had persuaded a number of companies to invest in his consortium, including British and Commonwealth Shipping, Cambridge Electronic Industries (of which Jackson was a director and Chairman elect). Electronic Rentals, Ferranti and Sears. Jackson was also a director of Satellite Television (SATV), a News International company which operated the cabled Sky

⁸⁶ Anon, "Yorkshire holds fire on DBS decision", Broadcast, 15/08/86, p. 7.

Channel (see Chapter Three). His SATV connections gave him the opportunity to persuade Rupert Murdoch to join the consortium.

Throughout August, the respective parties began to sound one another out over the desirability, or otherwise, of "getting into bed" together. Irwin had talks with Jackson, but his overall impression was that there was "not much mileage" in any collaboration with DBL.87 While Jackson's company proposed to adopt a scheme that ensured that no individual shareholder would be able to hold more than 10 per cent of the shares, and while the News stake in the holding company currently stood at just 6.25 per cent, Irwin remained cautious. 88 He felt, even at that stage, that it was a "front operation" for Murdoch⁸⁹. It was just inconceivable that Murdoch would not seek to control the consortium. He had similar doubts over the DBS UK consortium: entertained at dinner at the London Weekend building, he and his colleagues were handed a piece of paper detailing what he described as not so much proposals as statements of fact: Michael Green would be Chairman of the company, he would have so many share options, and so on. Secondly, Irwin was worried that Green was proposing a DBS service that would derive its income entirely from advertising: from Irwin's viewpoint, such an approach was simply not viable. This was also the sticking point when Green met Jackson to discuss the possibility of their consortia joining forces. He had already persuaded Murdoch to back his subscription based project, and hoped to do the same with Green. But Green was unmoved.90

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⁸⁷ Author's interview with Chris Irwin, 11/12/95.

⁸⁸ DBL DBS franchise application, 10.2.

⁸⁹ Author's interview with Chris Irwin, 11/12/95.

⁹⁰ Raymond Snoddy, Greenfinger: The Rise of Michael Green and Carlton Communications (London: Faber & Faber, 1996), p. 101.

A few days before the bids were due to be submitted, BSB ran into problems. At a meeting of the Central Board on 27 August, Jackson, who was Central's deputy chairman and Ladbroke's representative on the board, vetoed their participation in the franchise bid. The risks to Central, he objected, were too great; potential profits might only occur in the long term. In the face of this opposition, both from Ladbroke and D C Thomson, David Justham, the company's Chairman, reluctantly acquiesced. Bob Phillis, the Chief Executive, was devastated but could do nothing: Ladbroke and Thomson accounted between them for 40 per cent of the shareholding. Jackson's arguments for the non-participation of Central did not apparently hold true for the DBL holding company, in which his personal stake at the time stood at 25 per cent. Andrew Quinn, who stepped into the breach as project co-ordinator when Central withdrew, then spent a frantic twenty four hours searching for a company willing to invest in the franchise. Fortunately for Quinn and BSB, Anglia agreed to put their name to the bid at short notice. The following day, 29 August, five bids were delivered to the IBA's Brompton Road offices.

What is immediately noticeable about the bids is their marked similarity in terms of channel structure: all offered at least one general entertainment channel; all but DBS UK - which envisaged a service funded wholly by advertising revenue - offered a subscription film channel. It was clear that the determining factor would be the quality of programming that those channels might offer, and whether the revenue streams forecast by the bidders would support such programming. And, as had been the case with the Club of 21, certain "blue-chip" companies would be more favourably received than others.

⁹¹ Raymond Snoddy, "Central TV quits DBS consortium", Financial Times, 28/08/86, p. 6.

The BSB bid had insisted that the company's "fist axiom" was that the "service must be programme-led". 92 The risks involved - failed launch, satellite malfunction, slow take-up - would be considerable, but assuming that the service was up and running, then programming would be the "decisive factor". Accordingly, priority would be given "to supplying programmes that first of all attract a large number of viewers in the early days and secondly sustain their loyalty". 93

For the first time, a certain degree of substance had to be given to previously rather vague outlines for prospective DBS channels, competition from other bidders having concentrated the applicants' minds. Granada had been impressed with the work that Jeremy Fox had done for Quinn's business plan for the Club of 21, and he was brought in to help with draft schedules. BSB proposed that one transponder should be shared between Screen, a subscription service which would show feature films, and Disney, which would "hope to exploit the great reserves of Disney films and deploy, in association with BSB, their natural British partners, the Disney entrepreneurial genius". ⁹⁴ (Fox had prepared this channel on the back of a few phone calls to Disney, who had expressed an interest but refused to negotiate until the franchise was secured. ⁹⁵ Nevertheless, the hyperbole was impressive.) The second channel, NOW, while drawing to some extent on the concept of CNN, differed in that it promised more than news and analysis: NOW would feature pop-concerts, sporting-events, royal-occasions: "Everything will be live... everything will be now or now-oriented". ⁹⁶ The channel would also feature

⁹² BSB DBS franchise application, 29/08/86, p. 5.

⁹³ Ibid., pp. 8-9.

⁹⁴ Ibid., p. 9.

⁹⁵ Ibid., appendix 1, p. 8.

⁹⁶ Ibid., p. 12.

short news bulletins on the hour throughout the day. The final transponder would be occupied by Galaxy, "a continuous panorama of pure entertainment", a drama and light entertainment service which would provide the opportunity "for the viewer to switch on in the absolutely certainty.. that he will find what he is looking for". 97 (BSB were not keen to hide their lights under bushels.)

Quinn was very keen to stress the "new money" aspect of DBS. But it was also felt that there might be some initial resistance to the idea of subscription. Accordingly, both NOW and Galaxy would be available "free", supported by advertising. And while the ITV companies had expressed their concern to the Peacock Committee about the effect that proposals to introduce advertising on the BBC would have on their own source of funding, BSB were up-beat about the prospects. Their application stated that they were satisfied that, by the time of launch, some £150-200 million of advertising revenue would be available for their service without adversely affecting ITV's total sum, and that, in addition, theirs would be in a more advantageous position to target certain specialist audiences. Thus BSB's bid stressed that its financial plans were based on an eventual 50/50 split between advertising income and subscriptions to Screen. 98

When Chris Irwin had analysed the quality of competition that the BSB bid would face, he was quietly confident. DBL saw its role as a formulator of programme policy, but not a programme provider: it felt that it was "impracticable" for the DBS contractor to programme all three channels, and proposed that a "significant" amount of channel time, including sold advertising, would be sub-contracted out in the form of "programme

⁹⁷ Ibid., p. 13.

⁹⁸ Ibid., pp. 16 & 17.

streams" in which DBL would maintain overall editorial control. ⁹⁹ The main problem with this approach, as Irwin saw it, was that it would devolve risk control to key suppliers. Failure in one such area (e.g. programming or advertising) could then rebound on others. The decision of Green and DBS UK to rely wholly on advertising meant that it was relatively weak in financial terms. NBS had only the backing of the Bell Group, a "disqualified person" under the terms of the Cable & Broadcasting Act. As for SatUK, Irwin felt that it simply lacked all credibility, displaying a lack of technical knowledge, relying on "incredible forecasts" for revenue, and providing a programme schedule of "trans-oceanic pap". ¹⁰⁰ Helpfully, SatUK had provided in its application examples of such fare as would be on offer on its Film Channel. These ocuvres ranged from *Strange Brew* ("A mad genius at the local brewery threatens to distribute a beer that has such an effect on the drinker that he will obey without question") to *Private School* ("SYLVIA KRISTEL - also to be seen in this month's *The Nude Bomb* - plays the sex education mistress"). ¹⁰¹ "And there's more!" proclaimed the headline. Irwin was apparently less than impressed by *The Nude Bomb*.

Irwin's analysis reflected the thinking of the IBA, when its members met to study the applications. Neither the SatUK nor the NBS bids ever stood a realistic chance of acceptance. Nor, for rather different reasons, did that of DBL. Both Home Office and IBA were desirous of blocking any Murdoch involvement in the UK satellite project: at the formal IBA interview for the franchise, John Jackson was specifically asked whether DBL

99 DBL DBS franchise application, 29/08/86, 1-6.

¹⁰⁰ Author's interview with Chris Irwin, 11/12/95.

SatUK franchise application, 29/08/86: HVC advertisement within application.

was a mother ship for Sky. 102 He denied this, even though the DBL application made it plain that Sky was likely to be offered one of the three channels should they win the franchise. In the end, it came down to a straight fight between BSB and DBS UK. The IBA disagreed with the DBS UK position - represented at the interview by LWT's Rod Allen - that there was not a market for subscription television. They were also unimpressed by the programming schedule that Carlton and LWT had put together, which was more populist and less innovative than BSB's. On 11 December, the applicants - along with a substantial media presence - gathered at Brompton Road, and were informed by Lord Thomson that the franchise had been awarded to British Satellite Broadcasting.

As the members of the winning consortium celebrated, the losers considered their future. Alan Bond of SatUK wasted little time, calling Granada within minutes to ask about the possibility of investing in the company. Michael Green, who had refused to attend the post-announcement press conference, began to make brief enquiries about the possibility of co-operating with continental DBS operators. And four days later, at a DBL shareholders' meeting, the company decided that it would "explore other means of offering a service". 104

BSB - early development

Throughout the first months of 1987, there were a number of imperatives for BSB. Key among them was the raising of additional capital. Alan Bond's involvement brought

¹⁰² Snoddy 1996 op. cit. p. 102.

Peter Chippindale & Suzanne Franks, Dished! The Rise and Fall of British Satellite Broadcasting (London et al. Simon & Schuster, 1991), pp. 13-14.

Tessa Curtis, "Satellite runners-up to press on with plans", Daily Telegraph, 16/12/86, p. 19.

another £50 million; the French conglomerate Chargeurs, which in association with Finivest had recently won the licence for France's fifth terrestrial channel, agreed to a £24 million stake; the publishing company Reed, who had at the last minute joined the DBS UK consortium, now transferred to the victors with an investment of £20 million; the clothing chain Next, and London Merchant Securities, both came in for £10 million; Invest International Holdings for £5 million; and Trinity International Holdings, for £2 million. Despite the large scale of Bond's investment, giving him over 22% of the shareholding, he was forced to accept that, under the terms of the 1984 Cable & Broadcasting Act, he would be unable to have more than 19.9% of the voting rights.

The choice of satellite constructor was also a matter of some urgency. When the bids had been put together, the respective agencies contracted by the various consortia had sent out specifications to potential suppliers. In all instances, Hughes, Comsat and British Aerospace emerged as the front runners to supply the successful bidder. The satellites which Comsat were offering for around £46 million had been designed to US DBS specifications and as such, the BSB management decided, were not fit for the UK project. Ultimately the choice came down to Hughes or British Aerospace. In June 1987, it plumped for Hughes, ordering two H-376 satellites at a cost of £200 million. The man who arranged the deal was Graham Grist, appointed as Acting Chief Executive of BSB in March. Grist, formerly finance director at Balfour Beatty, had obtained a notable saving

¹⁰⁵ Colin Brown, "UK's BSB looks to £200 million launch figure, investors join queue", Screen International, 25/04/87, p. 33; Chippindale & Franks, op. cit., p. 15.

John Hazelton, "BSB set to finalise £200 m deal for two satellite launch", Screen International, 06/06/87, p. 27.

for BSB in that the consortium would not be required to provide any insurance for the launch: this would be financed by a loan from Hughes to BSB, non-repayable in the event of a failed launch. Naturally, both British Aerospace and the unions cried foul: the award went against the spirit of the original IBA franchise specifications concerning "net industrial benefit" to the UK. Where Hughes had won over British Aerospace had been its decision to finance the launch insurance: British Aerospace had argued that for it to agree to such terms would have made it "the biggest investor with no guarantee of profitable returns". Alan Sapper, General Secretary of the ACTT, had gone further, arguing that the Government should have provided the finance: "this kind of money falls out of the Government's pockets".

Thirdly, there was the need to find a suitable Chief Executive. The Board of BSB had decided that the position should be filled by a marketing man rather than a broadcaster: someone to sell the idea of satellite broadcasting to the public. Their choice was the Chairman and CE of Saatchi, Anthony Simonds-Gooding, whose eighteen months at the helm of the global advertising agency had seen the company's share price more than double. He was perceived as the ideal candidate to drive the concept of DBS into the British consciousness and maximise its potential. Simonds-Gooding admits to knowing "absolutely nothing" about BSB when he was first approached by head-hunters GKR. 110 Nevertheless, when he was filled in by members of the BSB board, the challenge intrigued him. He arrived to find a skeleton staff in place, for in addition to Grist, BSB's founders

Anon, "BSB looks for capacity on TDF-1", Interspace, 09/06/87, pp. 1-2.

109 Ibid.

Chris Hughes, "Post Election Lobby over 'poached' deal", Television Today, 11/06/87, p. 19.

Author's interview with Anthony Simonds-Gooding, 16/05/96.

had appointed channel heads: Bob Hunter, a former News at Ten editor, at Now; Andy Birchall, who had worked extensively in cable television, at the subscription Movie Channel; and Gunnar Rugheimer, who had helped prepared the franchise with Irwin, Blake, and others, at Galaxy. Finally, to chair the company, the BSB founders had recruited Sir Trevor Holdsworth, the president of the CBI.

But even before Simonds-Gooding's appointment, one key member of the original consortium had withdrawn. Alan Sugar, concerned at the use of untried D-MAC technology, decided that here was one venture not worth his investment.

Conclusion

What is particularly striking about the DBS initiatives which emerged throughout this period is the marked drift away from the belief, prevalent in the Home Office, that broadcasting expansion would be best served by those who had delivered it for nearly sixty years, towards the Thatcherite model of maximising the competitive elements in any given situation. Drift rather than shift, because there is a peculiar lack of any cohesion between the policy strands, the absence of any directional thrust among players and policy makers alike: for example, the eventual outcome - the award of the franchise to BSB - is not in any way an evolution of previous policy, but a case of "fourth time lucky" after previous attempts had either been aborted or deemed to be politically unacceptable. Certainly the legislation had been planned for such a contract as early as September 1983 - witness Leon Brittan's speech to the RTS - but it had been anticipated that such legislation

would be "dormant" until one of the other ventures had planted the seeds for DBS success. Nevertheless, because of those policy failures, the opportunity was presented for the venture to become distinctly more market-oriented. Thus, when the BBC negotiations with Unisat broke down, and they sought to enter a joint venture with the IBA, Leon Brittan rejected the proposals on the grounds that it would not only extend the influence of the duopoly, but that such close collaboration between the two broadcasters would be an unhealthy development. The Government's solution was to introduce elements beyond the broadcasting establishment: but those companies who then applied were subjected to an extensive screening process by the duopoly, and no company could participate without their agreement. This project failed, again largely because of the intransigence of Unisat, but also because of the sheer incompatibility of the participants. Firstly, as has been stated, the duopoly were natural rivals, with outlooks that were at times diametrically opposed. Their key objectives were, first, the preservation of the duopoly status, and second, to prevent the other member of that duopoly from stealing a march on them. Thus the success of the venture was to its participants a largely secondary affair. Secondly, the decision to give the BBC 50% equity in the project seems puzzling. Even with the extra borrowing powers that had been granted to them, the BBC would have struggled to raise the necessary amount of financing, making the abort scenario all the more likely - but, as we have seen, abortion would have been preferable for the BBC than to see the ITV companies forge ahead without them.

But the Unisat negotiations, combined with the revelations about the Olympus funding, are probably the most lamentable demonstration of the communications

breakdown between the Government departments involved in policy making. The funding for Olympus had been approved by the DoI in November 1981, some six months after the publication of the Home Office DBS study. One senior Home Office official subsequently remarked that, in essence, for DBS to succeed, investment in "raw technologies" was required: in this he was echoing the ACARD paper's conclusion that a UK broadcasting satellite was worthy of "public purchasing". Instead, £120 million was invested for a majority stake in a pan-European project. Was the decision to refuse subsidy to UK DBS a case of double standards? Possibly, but more likely a case of inter-departmental confusion over priorities. As there was never any push from the Home Office for the satellite to be located in the British orbital slot, the only department to have any interest in the venture was the DoI, who duly managed to obtain the subvention. While the DoI's claim that they were contractually bound to honour that subvention is correct, the money thus used could arguably have been used to further the aims of broadcasting strategy as a whole - rather than just the industrial aspect - had policy been co-ordinated at an early stage.

In this light, the Club's request for the opportunity to buy a satellite on the international market seems even more reasonable, particularly bearing in mind the increased competitive element on the broadcasting side. The primary reason for refusal - that the Thatcher Government was pushing Unisat as a prime example of successful British industry - was simply not good enough. Unisat's prices were not competitive. While the Club were, by and large, using Britsat's quotations merely as a bargaining tool - there were grave doubts about the Thomson TWTAs utilised by the RCA satellites - there

is no question that a system, whether in a two or three satellite configuration, could have been procured at a considerably lower price than Unisat's¹¹¹. That the sheer scale of the potential costs were not uncovered until November 1984 is an indictment both of Unisat, in their reluctance to provide detailed quotations at the outset, and of the Club, who failed to ask for them at that stage.

Why were Unisat's costs so high in comparison with their competitors? One possible explanation is offered by Steve Maine, latterly Head of Broadcast and Visual Services at British Telecom: he felt that UK DBS was "essentially an industrial project with a cost base that had effectively been built by engineers designing the system" Thus, rather than have the scenario whereby the revenue stream determines the specifications of the satellite, Unisat had created one in which those who would lease or buy the system were placed in the invidious position of having to find additional revenue. Additionally, of course, having been placed - by the Government - in a position of considerable bargaining power as monopoly supplier, there was also the considerable suspicion that the Unisat's prices were artificially inflated.

But perhaps the most significant aspect of these successive attempts at DBS is that they served to indicate the decline of the BBC's domination of the British broadcasting structure. Whitelaw had given it priority over the IBA; Brittan offered parity. By the time that Brittan was replaced as Home Secretary, it had disappeared from the DBS equation. In large part this can be ascribed to the need for retrenchment following the rejection of a claim for a £65 licence fee. At a time when the BBC was seeking to preserve its core

¹¹¹ Author's interview with Chris Irwin, 11/12/95.

Author's interview with Steve Maine, 28/11/95.

activities, the provision of a DBS service would have been regarded as peripheral: indeed, evidence given to the Home Affairs Select Committee in early 1988 stated precisely that. 113 Furthermore, this retrenchment was carried out in a political environment which was distinctly hostile, an environment fostered and nurtured by the Prime Minister herself.

Chris Patten, Head of the Conservative Research Department at the time of the 1979 General Election, had told Margaret Thatcher that her refusal to appear on a BBC head-to-head debate with then Prime Minister Callaghan would make the Corporation "very unhappy". Her response was to say that "If it makes them unhappy, let's refuse". 114 Margaret Thatcher's complete detestation of the BBC stemmed from a variety of causes. While Thatcher claimed to be in favour of "impartial and objective" broadcasting, she did not feel that such impartiality or objectivity should be extended to the coverage of terrorists, Argentinean dictators or left-wing activists - if indeed they were to be given airtime at all. In March, 1979, one of her closest colleagues, the Shadow Northern Ireland Secretary Airey Neave, had been assassinated by the Irish National Liberation Army (INLA). Four months later, the BBC broadcast an interview with an INLA terrorist, which contained a lengthy discussion of Neave's murder. This, closely followed by the alleged co-operation of a BBC film-crew with republicans during the filming of a roadblock in the village of Carrickmore, left Thatcher both upset and outraged. Additionally, more recent BBC treatment of Northern Ireland - this time a programme in the Real Lives series,

¹¹³ "After careful and extensive study the BBC has concluded that it does not seek to be involved in the management or financing of ... new distribution technologies. They are nor germaine to our core business: the provision of a national service offering a breadth of programming of high standard in the most cost-effective way." Home Affairs Committee, Third Report, *The Future of Broadcasting*, vol. 2: Minutes of Evidence and Appendices, 262-II (London: HMSO, 1988) p. 26.

¹¹⁴ Horrie & Clarke, op. cit., p. 9.

which featured an interview with leading republican Martin McGuinness - had led to a further furore in Downing Street, Alasdair Milne being brusquely summoned from a fishing holiday in Helsinki to explain himself, with the result that the programme was not broadcast at the time. Similarly, its coverage of the Falklands War had, she felt, not been sufficiently patriotic in nature. In short, the BBC were not "one of us". (Denis Thatcher, whose views were known to mirror those of his wife, was apt to expound at length on the "pinkoes" in Broadcasting House, once declaiming to the BBC's political editor John Cole that "Of course, everybody at the BBC's a Trotkyist". 115)

Margaret Thatcher's criticism of the Corporation did not end with her perceptions of its political stance. She was aggrieved at what she saw as the numerous "gentlemen's agreements" between the duopoly broadcasters, and in particular their ability to keep prices down by not bidding against one another for such things as coverage of sporting events and major foreign programmes. Instinctively, she sought a means of introducing market forces into the equation, and with that intention in mind had entrusted Peacock with the task of examining the financing of the BBC, hoping that he would (a) recommend the introduction of advertising on the BBC, and (b) the abolition of the licence fee, two measures which, she believed, would result in net benefits to both advertiser and viewer.

But what of broadcasting interests? After all, those same "gentlemen's agreements" that she loathed nevertheless meant that the broadcasters retained more money to spend on additional programme production. This was not an argument that cut much ice with Thatcher. In her view, the oft-trumpeted interests of broadcasting were in effect those of the broadcasting establishment. Her objective was that DBS should

John Cole, As It Seemed To Me (London, Weidenfeld & Nicolson, 1995), p. 346.

challenge those interests: hence the decision for the IBA to allocate DBS through a franchising process. Even this alternative was not fully satisfactory to her, for the IBA, as a broadcaster itself, was perceived as "too close" to the ITV contractors. This was one reason, perhaps, why Thatcher's enthusiasm for the British DBS project - as anything other than a hypothetical stick with which to beat the BBC - began to wane, once its industrial benefits to the UK proved to be negligible. Particularly when there was an alternative venture, run by one of her favourites, in the offing. The origins of this venture, Sky, and of its successful alliance with SES, will be discussed in the next chapter.

CHAPTER THREE Practice Into Policy, 1981-88: The History of Sky

The preceding chapters have dealt with the UK's Government's attempts, firstly, to develop a policy framework according to the stipulations laid down at the 1977 WARC and, secondly, of putting that policy into practice by granting successive broadcasters, both individually and collectively, the opportunity of setting up a DBS service. It seemed that, with the granting of the DBS franchise to BSB in December 1986, the Government's objectives would finally be achieved.

But at the same time it was also felt - most strongly in the Department of Industry - that DBS should proceed in conjunction with the introduction into the UK of a broadband cable network. And certainly with Kenneth Baker's aim of creating a "wired society", the priority at the DoI/DTI seemed to lie in using DBS as a means to an end. Meanwhile, the reservations expressed both by would-be providers of DBS service, and indeed the Home Office, served only to reinforce the impression that the two media were potential competitors, and that such competition could result in the failure of both, particularly bearing in mind the original conception of cable as being "entertainment-driven". This resulted in a stance wherein Government papers were either equivocal (Hunt) or partisan (the ITAP report), the stance usually being dependent upon the extent of DoI/DTI involvement. The upshot was that in the early 1980s, and despite the tentative moves towards DBS, there was a general lack of clarity, cohesion and direction to cable and satellite policy, notably in terms of differing perceptions of what level of

"entertainment" would be acceptable to the regulating bodies as a means of accelerating cable growth.

But the UK - and Continental - Governments which attempted to put their respective cable and satellite policies into practice had failed to appreciate the extent to which their *national* programmes could be affected by developments at a *transnational* level. Thus, to understand the reasons why policy ultimately developed as it did, it is necessary to look beyond those national programmes to a transnational satellite venture which emerged while British DBS policy was still being formulated. This chapter will therefore begin by covering the history of the development of this satellite broadcaster, initially known simply as "Satellite Television", then, after its purchase by Rupert Murdoch, as "Sky": the first European television service to utilise satellites as a means of transmitting programmes to cable head-ends across the continent.

The next significant development in transnational satellite broadcasting would be the emergence of a DBS delivery platform owned by a consortium of Luxembourg banks - SES/Astra - which would operate at power levels considerably lower than those stipulated at the 1977 WARC, and - critically - on non-DBS frequencies: thus avoiding the need to minimise "overspill" and therefore enabling it to broadcast across Europe. The second part of this chapter deals with the formation of SES/Astra; its run-ins with various European governments and organisations anxious to protect their putative DBS services; and of its commercial deal with Sky, which would enable that broadcaster to become a direct competitor to the British DBS service - thereby handing national legislators the problem of

how to reformulate policy in the light of what would become known as "non-domestic DBS".

Brian Haynes and the birth of "Satellite"

In 1978, Brian Haynes was working as an independent producer on the Thames current affairs programme *TV-Eye*, when he was assigned to visit Atlanta to film an interview for a programme entitled "Live by Satellite" with Ted Turner, the flamboyant, charismatic owner of SuperStation, one of the first (and most successful) of the US channels to transmit via satellite. Such channels as Turner's were downlinked from the satellites to head end antennae throughout the country, which then distributed them via local cable networks. As the price of these receiver dishes fell, so the networks carrying SuperStation grew, and Turner's stock grew with it. During the course of his visit Haynes became convinced that the procedure could be emulated on the other side of the Atlantic, by utilising the existing cable systems on mainland Europe.

As he continued to research into the possibilities of such a system, Haynes acquired a reputation as a leading authority on, and enthusiast for, satellite television. He was employed as an "advisor" to Harold Wilson's Interim Action Committee, and when, in April 1980, a Swiss newsgroup expressed interest in setting up a DBS operation, Haynes came on board as an executive. He was brought in by Thames, whose majority shareholder Thorn was involved in the exploratory talks along with British Aerospace and EMI. British Aerospace expressed an interest in providing the necessary hardware, while

¹ See Chapter Two for a fuller background to SuperStation and HBO.

Thames was envisaged as providing a large programming block. Even under the restrictions imposed at the 1977 WARC, which required countries to minimise overspill, the Swiss footprint would be fairly extensive: in addition to Switzerland, it would cover Northern Italy, Southern Germany and parts of France. It was envisaged that the planned three-channel service (in the French, German and Italian languages respectively) would be funded by advertising: however, the project would require considerable initial investment. To this end, the holding company behind the venture, TELSAT, had made a proposition to the Swiss Government to allow up to 45% participation from other European companies and individuals (in order to, as the proposition delicately phrased it, "reinforce the European / pluralistic character of the stations").²

Lord Brabourne, the film producer, non-executive director of EMI and a member of the consortia's management, duly approached David Berriman at Guinness Mahon to see whether the firm would be prepared to act as merchant bankers to the operation.³ Berriman attended a board meeting in Switzerland, and Guinness Mahon were retained; but according to Berriman, the negotiations "dragged on interminably", besides which, matters were complicated by the merger of Thorn and EMI. Haynes then proposed a different approach to Berriman: why not use a telecommunications satellite to provide television signals? While DTH broadcasts of the kind planned in Switzerland would not be feasible - as telecommunications satellites transmitted at around 10 W, antennae several metres in diameter would be required to receive their signals - such an approach could follow the American model and downlink to head ends at local community stations.

³ Author's interview with Sir David Berriman, 08/02/96.

² M. Trappe-Diemand, "TEL-SAT - a Swiss Proposition to Europe" (Tel-Sat, 26/11/81).

And Haynes had a particular satellite in mind. He knew that British Telecom had been using the Orbital Test Satellite Mark Two (Mark One having exploded a rather inglorious 74 seconds after lift-off) for test television signals on a point-to-point basis since its launch in May 1978.⁴ At the International Broadcasting Convention at Wembley that September, pictures of Leonard Parkin reading the news were uplinked to the OTS-2, downlinked to the Post Office's Goonhilly Downs centre in Cornwall, and thence transmitted to the ITV network.⁵ The satellite had a capacity of 4500 telephone circuits and 2 television channels - one of which had since failed. This meant that any putative television service delivered on the OTS ran the risk of being blacked out irrevocably should any fault develop with the remaining channel, a risk exacerbated by the relatively low life expectancy of the satellite.

There were two significant problems to be overcome if Haynes' dream was to become a reality. The first was funding. Guinness Mahon, in conjunction with Barclays, agreed that they would provide founders' capital for the project, and on the back of this Satellite Television plc (SATV) was registered at the end of 1980. But the £200,000 that the banks were prepared to put up - in the form of unsecured loan stock - was well short of the £4 million. Haynes anticipated that the company would require for start-up. To assist in the raising, Berriman brought across a young entrepreneur, David Ciclitira, on secondment from Guinness Mahon. Ciclitira found that a young, enthusiastic and willing team had already been assembled by Haynes - but noticed straightaway that the commercial aspect of the operation had been neglected. Things had reached such an

⁴ Graham Wade, "Space Invaders", Corporate Video, 05/82, pp. 59-68.

⁵ Anon, "Satellite link helps ITV liven news", Financial Times, 26/09/78, p. 10.

impasse that at one early meeting, Michael Peterson, the Barclays representative on the board, expressed serious doubts as to the possibility of raising the money. 6 Nevertheless, Ciclitira, in conjunction with stockbrokers James Capel, succeeded in the task. He persuaded Derek Thomson to commit DC Thomson to £500,000, and obtained similar sums from Ferranti and Ladbrokes; James Capel brought in money from the Alliance Investment Trust and Foreign & Colonial. Smaller, but significant, investment came from, among others, Capital Radio, Philips Electronic, the Belgian cable company S. A. Radio Public, the Dutch cable operator Delta Tele Distriputie, and the Italian publisher Mondadori. 7. By the end of 1981 eight industrial companies and eighteen institutions had invested the requisite £4 million in the form of unsecured loan stock.8

The second problem lay in gaining permission to relay the service. While British Telecom were leasing the television channel on the OTS - and thus any deal would have to be done in the first instance through them - the agreement of the other European PTTs, via Eutelsat, would be required before any links could be established with other countries. Above and beyond that was the added complication of then receiving approval on a regional - and sometimes local - level, depending on the legislation of the country involved. The first country that Haynes had approached, naturally enough, was the UK. The SATV letter, outlining their plans to utilise the OTS and downlink across Europe, produced a state of mild panic at the Home Office in the summer of 1981. Barely had their own, tentative ideas on the future of DBS been published, when along came counterproposals which, if put into practice, could throw them into disarray. Jon Davey recalled

Author's interview with David Ciclitira, 07/02/96.
 Graham Wade, "Costly trail-blazing", TV World, 03/83, pp. 35 & 40.
 Anon, "Satellite Television", Financial Times, 09/01/82, p. 14.

that "it came... as a bit of a shock to us to realise that somebody could actually do that without getting any kind of official approval or licence from any UK authority or anyone else if they were to go to British Telecom to ask for the satellite facilities". In addition, and much to Home Office chagrin, their own report had already dismissed the possibility of such channels as Satellite as unlikely: now they were faced with the problem of precisely how to deal with one. There was also the issue of whether to act in advance of the ITAP report into cable, which had only recently been commissioned. Under these circumstances, the Home Office inclination was to reject Haynes' request, at least for the time being. The DoI, however, showed interest in the SATV venture. In the end, a compromise was reached: Haynes was told that he could uplink from the UK, but not downlink to a UK audience. The Home Office was satisfied.

Elsewhere in Europe, Haynes' proposals were initially greeted with a mixture of suspicion and hostility. Barbara Lodge, SATV's Director of Communications, had begun making approaches to a number of Scandinavian cable companies, and this had already raised the hackles of a Norwegian government which was fiercely protective of its public broadcasting system and virulently anti any service funded by advertising: their Minister for Education and Religion was moved to issue a statement making clear his opposition to any British move to buy time on the satellite.¹²

As Lodge and Haynes quickly found out, this was the stance taken by the majority of the European nations. In the late 1970s and early 1980s, European broadcasting was

⁹ Author's interview with Jon Davey, 01/09/95.

¹⁰ Home Office, Direct Broadcasting by Satellite (London: HMSO, 1981) para. 14. 2.

Torin Douglas, "The satellite space race is set for early take off", Marketing Week, 02/10/81, p. †.

¹² Anon, "How satellite dishes are 'becoming sexy'", Observer, 22/03/81, p. †.

predominantly public service, frequently run along lines similar to the BBC. Thus in most cases national broadcasting services were limited to two or three channels, funded largely, or else entirely, by licence fee. The instances where some advertising was permitted, as was the case in West Germany and the Netherlands, it occurred in "blocks", the placement and length of which were strictly controlled: it was forbidden on Sundays, public holidays, after 8 p.m., and could not appear within the programmes themselves. Hence, Lodge found that her reception was somewhat icy. After protracted discussions, a compromise was reached: Norway would permit Satellite to downlink provided that the signals were encrypted, and could be decoded only by the cable companies. So Ciclitira was sent off with the task of finding a company capable of manufacturing decoders at realistic prices.

The company he finally chose was Oak Communications, an electronics firm based in Los Angeles. The Orion-C encoder/decoders that the company manufactured operated on both sound and picture: the pictures were scrambled by rearranging the time and amplitude elements, while the sound would be digitally encrypted and then inserted into a line synchronising pulse. However, the encoders were designed to operate on the US 525 line NTSC system, and required some elaborate, time-consuming tinkering to adapt them to the 625 line PAL system in use in much of Western Europe. Haynes was profoundly irritated by the whole business, feeling that the decoders were "needless", since it had never been his intention to beam pornography and violence into the Continent. He had a point, and the concession was effectively a sop to the governments concerned. But

Winfried Schulz, "Public Service Broadcasting in the Federal Republic of Germany", in Jay G. Blumler & T. J. Nossiter, *Broadcasting Finance in Transition* (New York & Oxford: OUP, 1991) p. 261.

Ron Jones & Mark Williamson, "Scrambled TV from space", Satellite TV News, Autumn 1982, p. †.

¹⁵ Letter from Brian Haynes to the author, 01/12/95.

those governments were determined to establish an element of control over the service: were the Norwegians to become unhappy with the content of Satellite, they could instruct the companies not to decode the signals.

There were more pragmatic reasons for Eutelsat to allow the service. The OTS was nearing the end of its natural life, but the European Space Agency still required funding to operate it in its declining years, funding which Haynes was willing, and now able, to provide. Accordingly, in September 1981, Eutelsat granted permission for an initial point to point link, to Malta, to go ahead. This Haynes performed purely for test purposes, both in terms of establishing whether the system actually worked and, equally importantly, as a legal precedent in his efforts to break into the Western European markets.

Meanwhile, Ciclitira and Amanda Cuthbert, SATV's Head of Programming, had been assiduously pursuing potential sources of broadcast material. This in turn led to the problem of acquiring programme rights: until that time, rights had been sold on a country by country basis. Ciclitira's audacious solution was to draw a large circle on a map representing the OTS footprint, which ranged from Helsinki in the North to Tunisia in the South, and ask broadcasters for programme rights within that area for a thousand dollars an hour. Their initial response, Ciclitira recalled, was that he was insane. There was a similar reaction from the unions, who played up when word of the proposals leaked out: here was a company suggesting that programmes be broadcast across the continent; actors and musicians used to substantial repeat fees from national television, would be getting little or no remuneration! Again, it was Haynes' somewhat off-the-wall approach that

¹⁶ Author's interview with David Ciclitira, 07/02/96.

enabled the project to succeed: he repeatedly stressed that Satellite was an experimental service - a low budget operation that simply could not afford to pay traditional royalties. But in the future, he promised, actors would be able to look forward to considerable returns. Nevertheless, while the unions conceded this point, SATV's budget did not extend to the production of original programming. For the time being, Satellite would be dependent on repeats. Ciclitira secured a deal with Metromedia that brought in programming such as *Fantasy Island* and *Starsky & Hutch*; Cuthbert and John Rowe, a friend and former colleague of Haynes' at Thames who had been hired to act as programming consultant, together did deals with Yorkshire (netting them *Hadleigh* and *Raffles*), London Weekend (for the sitcoms *Please*, *Sir!* and *On the Buses*) and Granada.¹⁷

The company had by now moved into Craven House, the Carnaby Street residence of the facilities and production house Molinaire. Molinaire were viewed as a potential useful ally because of their good working relationship at the time with the technicians' union, the ACTT: with a shoestring budget, SATV needed to keep industrial disputes to a minimum. Lodge had succeeded in signing up several cable companies - in Norway and Finland - by the end of 1981, and Haynes had hoped that point-to-point links to these areas might be in place by this stage, but problems with the decoders had delayed this.

Now that the company was firmly ensconced in one location, the hunt began for a Chief Executive. Berriman initially approached Nigel Walmsley and John Whitney, then Managing Director of Capital Radio, but they declined. ¹⁸ He then turned to Bob Kennedy,

Anon, "Satellite launch delayed again - but not for long", *Television Today*, 15/04/82, p. 13; author's interview with John Rowe, 10/10/95.

¹⁸ Anon, "Whitney turns down satellites", *Marketing Week*, 23/10/81, p. †; author's interview with Sir David Berriman, 08/02/96.

MD of the Canadian-owned Standard Broadcasting. Kennedy's experience in radio and television was considerable. After a long stint at BBC Radio, he had served as the IBA's Senior Officer in ILR for five years before moving to Standard. Now aged forty-four, he was perceived as the ideal candidate. 19

One of the first steps was to convince advertisers that utilising the service would be worthwhile. It was given a cautious welcome. The IPA had long railed against the high cost of advertising on terrestrial television, and satellite seemed to offer the eventual hope of breaking the domestic monopoly, if and when it was allowed back into the UK. Naturally, the larger international groups were the first to move in. Haynes held discussions with McCann-Erickson, bringing in Coca-Cola, Esso, Gillette, Kodak, Levi and Martini; Saatchi's, who had thoughtfully taken a small stake in SATV, brought in Schweppes, who secured the first commercial. "Spots" ranged from ten to thirty seconds, and could be booked in bundles ranging from a single spot to ninety, with the cost per spot falling away as the number booked increased. Thus, a single thirty second spot cost £500; fifteen of ten seconds, £2,438; ninety at thirty seconds, £20, 250. As a further inducement, advertising was offered free until total audience reached 200,000. The free trial proved popular, and by April 1982, the month of the planned launch, advertising was 75% "sold" for the first three months. "I

The launch of the service, which had originally been intended for Easter Monday, was postponed as the OTS had to be moved 5 degrees East, so that its successor, the

19 Anon, "Caution: Satellites Ahead", Variety, 13/01/82, p. †.

²⁰ Torin Douglas, "Satellite TV ready for lift-off", *Marketing Week*, 25/09/81, p. †; author's interview with David Ciclitira, 07/02/96.

S.F., "Satellite TV programmes Europe", *Broadcast*, 19/04/82, p. 22; Anon, "Satellite TV for end of month launch?", *Marketing*, 22/04/82, p. †.

European Communications Satellite (ECS 1) could be moved into its former berth in the Clarke Belt. 22 It was rescheduled for 26 April, and at 7 p.m. BST, 144,000 homes in Norway and Finland had the opportunity to tune into something distinctly different from the fare served up by the public service broadcasters. Cuthbert and co-presenter Sally Harrison, both dressed up to the nines in high collared spangled jackets, hosted the first gala evening of Satellite from the cramped basement of Craven House, which had been decked out in a fetching shade of pink for the occasion. The style was vaguely reminiscent of Eurovision, whose most widely recognised contribution to cross-cultural fertilisation was the annual song contest which regularly plumbed the depths. Then, as Cuthbert and Harrison completed their introductions in English, Finnish and Norwegian, viewers were treated to music of an altogether less anodyne nature, a concert from Montserrat featuring the rock group The Police, followed by an episode of LWT's acclaimed drama A Bouquet of Barbed Wire. The evening was, all involved concluded, a great success.

But problems, both technical and otherwise, beset the company virtually from the outset. The service suffered from numerous teething problems, not least of which was the occasional tendency to get blown off the transponder. This would result in frantic telephone calls to the European Space Operation Centre (ESOC) at Darmstadt in West Germany to find out what was causing the problem. More often than not the interruptions were caused by pirate broadcasters, who had aimed their transmitters at the OTS and were operating at a greater power than Satellite. And by the time that Darmstadt had rectified the problem, or the pirates had ceased their activity, the two hour window which Satellite

²² Anon, Television Today op. cit. 15/04/82, p. 13.

occupied would frequently have expired.²³ On one occasion when the signal from the satellite was lost, it transpired that one of the unmanned repeater stations between London and Martlesham in Suffolk (from where the signal was eventually uplinked) had developed a fault, which required the duty engineer to cycle several miles to deal with the problem before the evening's entertainment could resume. (It subsequently emerged that the cause of the problem was that a cable had slipped into a puddle and shorted.)²⁴

Relations within the company were also somewhat strained. Less than three weeks after the service went on air, Bob Kennedy resigned abruptly after a meeting with the board. In a statement to the press, Berriman would say only that "things didn't work out as planned", and that no new appointment was planned. Ciclitira became de facto Chief Executive in his stead. His immediate task was to expand Satellite's potential audience, and to this end, in conjunction with Haynes and Lodge, he turned to Switzerland. It proved an easier market to crack than he had anticipated. In September, the Zurich town council permitted the local cable company to receive Satellite, bringing another potential 93,000 viewers to the channel. By Christmas, 1982, the total number of connections to the service had reached 360,000.

But the greatest prizes of all lay in the Low Countries, and particularly Holland, with its high penetration of cable. The trouble was that the Dutch remained resolutely against Satellite, citing its commercial nature as a reason to keep it out: while the Dutch 1967 Broadcasting Act permitted a limited amount of advertising, this was strictly within

²³ Interview with John Rowe, 10/10/95.

²⁴ Pat Jessup, engineer at Molinaire, interviewed by William Shawcross on *Satellite Wars*, Channel 4, 26/03/95, 2100-2200; author's interview with Amanda Cuthbert, 16/11/95.

Richard Addis, "Kennedy quits Satellite TV post", Marketing Week, 14/05/82, p. 4.
 Anon, "Satellite TV gets its biggest market so far", Television Today, 02/09/82, p. 11.

the confines of public service broadcasting; all broadcasters should be non-profit-making (a criterion which SATV fitted at the time, but not through choice).²⁷ Thus a number of the Dutch cable companies already took the Soviet Gorizont service, as it qualified as a public service broadcaster.²⁸ The second line of the Dutch argument ran thus: if the government of the service's country of origin will not permit that service to downlink, then why should we? Ciclitira had no answer.

Of greatest concern to Ciclitira was the alarming way that the channel was eating up the £4 million that the investors had put up. Neither he nor Berriman had imagined just how difficult it would be to get the money from their advertisers, again simply because the agencies were used to buying time on a country by country basis. Thus, the multinationals would have allocated a budget to each of their national companies, to be given to the local advertising agency. This meant that SATV would have to chase round all the national agencies in an attempt to persuade them to contribute to the advertising costs, attempts which were not always successful. There was also the delicate problem of contrasting advertising regulations, which multiplied as Satellite moved into different countries. In France, you could not advertise margarine, as such advertisements might affect the butter industry. In Holland, by contrast, butter was off-limits. In Belgium, margarine could be advertised - but only provided it was shown in a square pack, so that it would not be confused with butter packs (which were oblong). When Berriman began making overtures to the Austrian government, he was faced with the problem of the "bloody dwarves".

Denis McQuail, "Broadcasting Structure and Finance: The Netherlands" in Jay G. Blumler & T. J. Nossiter, *Broadcasting Finance in Transition* (New York & Oxford: OUP, 1991), p. 147.

²⁸ Anon, "Satellite TV Ltd", Time and Space, 08/82, pp. 31-32.

Austrian advertising regulations forbade the use of children, with the result that the nation's vertically-challenged actors were in great demand as child-substitutes.³⁰

Programme content also led to difficulties, although not from the much vaunted bugbears of sex and violence. Rowe had arranged a deal with London Weekend that enabled Satellite to show the highlights of English First Division football games, a deal that proved remarkably successful at first. A number of astute and enterprising Norwegian garage owners, predicting that their compatriots might well be drawn to the skills of Manchester United and Liverpool ahead of the dubious delights of local teams, installed giant television screens on their premises and turned them into drive-in parlours.31 It was at this point that Satellite fell foul of UEFA, European football's governing body. Under Article 14 of UEFA's statutes, a member association could only allow transfrontier broadcasts of football matches with the express permission of all other member associations into whose countries those matches are broadcast. The Norwegian Football Association were not prepared to give this permission, and protested to their counterparts at Lancaster Gate. The English FA in turn got in touch with Satellite, insisting that they halt the broadcasts. Subsequent meetings between the two parties were to no avail. If Satellite were to continue to show the matches, the FA would bring pressure to bear on LWT over the terrestrial rights, which would hardly endear Satellite to one of its key suppliers.³²

There was some cause for celebration. In early February, Haynes was granted use of a transponder of the ECS 1, to begin transmission the following year prior to the

David O'Reilly, "Why ad-men fear dwarfs of Austria", Sunday Times, 12/12/82, p. 15.

³² Author's interview with John Rowe, 10/10/95.

³¹ Anon, "UK Satellite TV Ltd Pulls Viewers, Blurbs in Scandinavia", Variety, 13/10/82, p. †.

anticipated breakdown of the OTS 2. This would ensure that satellite had a means of transmission for several years to come. Whether the service would have enough money to survive until then was another question. The following month, Haynes made a plea for a further investment of £10 million. He went on to say that "it will be several years before the audiences are commercially significant, so we won't be running on business principles until about 1986". 33 As shots in the foot go, it was not a bad effort. Potential investors were seeking short-term returns, and Haynes' statement, although honest enough, was hardly the ideal advertisement for attracting new money. The original investors, initially won over by Haynes' bubbling enthusiasm and their own visions of an untapped milchcow of international TV advertising, had been less than impressed to see their money disappearing at a rate of knots. Nor were they entirely happy with the way that Haynes were running the operation. Haynes was a brilliant visionary, but they felt that this former TV producer was not holding the managerial side together as tightly as they would have wished³⁴. As Guinness Mahon, Barclays and James Capel passed round the hat, the industrial shareholders shuddered. Ladbrokes, one of the first to be approached, would say only that, "We will look at it. We're not obliged to take it up."35

They did not.

From "Satellite" to "Sky"

Haynes' admission that SATV would lose money in the short-term had not dissuaded one potential investor. Rupert Murdoch had first moved into satellite broadcasting at the start

³³ Tim Brooks, "Satellite Television in £10m cash plea", Campaign, 11/03/83, p. 4.

³⁴ Author's interview with Sir David Berriman, 08/02/96.

³⁵ William Phillips, "City goes into orbit", Broadcast, 04/04/83, p. 28.

of the year, having done so on the advice of his New Media Development Group, set up by Murdoch in August 1982 to examine the possibilities that might be offered by cable, satellite, and IT in general. He had already bought a majority shareholding in Inter-American Satellite Television Incorporated, which was leasing five transponders on a private communications satellite owned by the IBM subsidiary Satellite Business Systems (SBS) and due to be launched in November: Murdoch envisaged that the service -Skyband, which was provisionally scheduled to begin in June 1984 - would consist of two movie channels and one channel each for sport, news and music. Murdoch had heard that SATV were in some difficulty: although his preference was for DBS rather than cable, he nonetheless believed that there was some mileage to be had in investing in a relatively cheap satellite service that was already up-and-running, and that Satellite would be a useful compliment to Skyband. In March 1983, he approached Berriman at Guinness Mahon, using Lord Goodman as intermediary, and then dispatched two members of his New Media Group, Gary Davey and Malcolm Tallantire, to see what they thought of the company.36 Both were suitably impressed, and gave Murdoch a favourable report on their return. Murdoch then informed Guinness Mahon that he would be "smuggled in", alone, to see the company for himself. He toured the company's premises, and examined their programming schedules with great interest. He hit upon one show entitled Window on the World, and asked Rowe what it was about. Rowe replied that it was a series of foreign documentaries. Murdoch cut him short: what SATV had really done, he said, was buy "a load of crap and give it a good title". Rowe was mortified, feeling that this was hardly that

William Shawcross, Rupert Murdoch: Ringmaster of the Information Circus (London: Chatto & Windus, 1992), p. 277; author's interview with David Ciclitira, 07/02/96; author's interview with Sir David Berriman, 08/02/96.

best footing on which to start, but Murdoch had continued: "Don't worry. We do exactly the same thing in Australia".³⁷

Murdoch was satisfied with his visit, and subsequently proposed to Berriman that he would inject £5 million for a controlling interest in SATV. At first, Berriman was not too impressed. He felt that such a deal would undervalue SATV, and accordingly he approached Ernest Harrison, an old friend and Chairman of the electronics giant Racal, to see if he was interested. Harrison was, and in conjunction with the encoder manufacturers Oak he put forward a bid that matched Murdoch's. Meanwhile Ciclitira, unsure of the seriousness of Murdoch's approach, and seeing that the venture was in danger of falling apart, had decided that the best move might be to organise a consortium willing to inject some cash into the ailing company. To this end he made approaches to a number of US companies, and after due deliberation a number agreed to club together, among them Warner, Paramount and Viacom.³⁸

At the decisive board meeting on June 28, the members were split, with Haynes, Cuthbert, Lodge, Thomson and John Jackson - representing Ladbrokes - all opposing the Murdoch bid. But both Berriman and Ciclitira, in spite of their having been instrumental in putting the other bids together, felt that Murdoch was the safer bet. They were joined in their support by Lord Romsey, and ultimately managed to persuade Thomson, Jackson and the representatives of the other industrial companies, to back Murdoch as well.³⁹ It

³⁷ John Rowe, interviewed by Shawcross on Satellite Wars, op. cit.; author's interview with John Rowe, 10/10/95.

³⁸ Author's interview with David Ciclitira, 07/02/96.

Author's interview with Amanda Cuthbert, 16/11/95; author's interview with David Ciclitira, 07/02/96; author's interview with Sir David Berriman, 08/02/96; Richard Belfield, Christopher Hird & Sharon Kelly, *Murdoch: The Decline of an Empire* (London & Sydney: Macdonald, 1991), p. 160.

was subsequently announced that they had unanimously approved the appointment to the board of Murdoch, Brian Horton, News Corporation's Director of Development and another member of the Think Tank, and Gerald Long, Managing Director of Times Newspapers, following a cash injection that gave News 65% of the company. In the meantime Gary Davey would be "parachuted in" to make an assessment of the changes that would need to be made.⁴⁰

By the time that Murdoch arranged a meeting with the SATV board at his split-level office at Gray's Inn Road, Davey had reached his conclusions. The SATV management was top-heavy, cumbersome and inefficient. The meeting was an eye-opener for some of the Satellite staff. They sat on the lower level of the office, Murdoch and Horton on the upper level. It had been made clear from the outset who was in charge. To begin with, Ciclitira, Cuthbert and Lodge, who had been appointed executive directors the previous October, would all have to resign from these positions, along with Brian Haynes. In their place Murdoch wished to appoint a single executive - Patrick Cox, formerly the London vice-chairman of CLT's Radio Luxembourg. It was also made clear that other key appointments - Murdoch men - would be made: Davey himself would come in as Head of Television Services. Nevertheless, Cuthbert, who was shell-shocked and found the meeting a "disgusting" experience, was given the title of Head of Presentation and given the brief of looking after children's television. 41 Ciclitira remained as acting CE until Cox's arrival in September, at which point he became General Manager under Cox. On reflection, he felt that they hadn't done too badly. Murdoch now effectively owned the

⁴⁰ Author's interview with Patrick Cox, 22/03/96.

⁴¹ Author's interview with Amanda Cuthbert, 16/11/95.

company, and was under no obligation to keep any of them. Lodge became Head of European Network Development, which in essence reprised her role before the take-over. But she was unhappy with the new regime, and resigned at the end of the year. One of her last triumphs was to effect a deal with the French PTT, enabling Satellite to be received within the 1,027 private rooms of the Meridien Hotel in Paris. (Although the French Government was careful to forbid SATV from connecting to televisions in the hotel's lounges and cafes, to protect unwary citizens - in the words of one of that Government's Ministers - "from the rubbish turned out by American TV".) But arguably Haynes was hit hardest. In a interview with Television Weekly shortly before the meeting with Murdoch, he had cheerfully announced that:

"I can leave the day-to-day business to other people... I'm a bit like an inventor - I work in spasms. I'm still a director of Satellite and as soon as there is something to do, I'll do it". 44

But in Murdoch's company there was no role for someone who worked in "spasms". Without his directorship, Haynes opted to clear his desk straightaway. Satellite was no longer his baby.

Overnight the company was transformed. From a skeletal staff, it expanded to employ several hundred people; hours broadcast increased from two to five; and the injection of cash meant that the company could now afford to buy new programming. Ciclitira completed a new and more extensive deal with Metromedia, while Murdoch

⁴² Author's interview with David Ciclitira, 07/02/96.

⁴³ Jack Gee, "British company in satellite breakthrough", *Electronics Weekly*, 09/11/83, p. 15.

⁴⁴ Anon, "'I've not quit SATV', says founder Haynes", Television Weekly, 05/08/83, p. 3.

managed to twist a few arms and enabled SATV to get some material from Paramount, Orion and CBS. This had been a significant achievement, for all the US "majors" had a policy of not selling products to broadcasters who were "deliberately transmitting across national frontiers". ⁴⁵ Cox also felt that the entire image of the company was in need of a revamp, and suggested that the generic name - Satellite - should be abandoned. Its successor was chosen with the utmost pragmatism.

In November 1983, Skyband announced the indefinite postponement of its network. Murdoch's thinking, as William Shawcross has pointed out, had been premature. His plan had been to deliver the service direct-to-home: but the SBS transponders, operating at 20 W, would require a dish of between one and 1.2 metres diameter. These were both too large and too expensive for home consumers. In addition, Murdoch, like the BBC, had failed to negotiate a deal with the film studios, perceived to be essential for the success of any DBS service. Overall, the resulting package looked to be an unattractive investment compared to cable, which at that time was consolidating its position in the US. So Murdoch had little option but to abort the project⁴⁶.

Amongst the detritus left over from Skyband were a set of graphics that had been commissioned especially for the fledgling network. Waste not, want not, thought Cox, and he asked Murdoch if he minded if they used the name.

"No, no," replied Murdoch. "Save some money."47

⁴⁷ Author's interview with Patrick Cox, 22/03/96.

Patrick Cox, "Legal Implications of Pan-European TV Channel in Stephen de B. Bate, ed., *Television by Satellite - Legal Aspects* (Oxford: ESC, 1987), p. 95; author's interview with Patrick Cox, 22/03/96.
 Anon, "Murdoch's star move", *Marketing*, 08/12/83, pp. 33-36; Shawcross op. cit., pp. 274-5.

On Cox's suggestion, the suffix -band was dropped. Satellite had become Sky Channel.

The next key move, as far as Cox was concerned, was to gain permission to downlink into the UK. This was not because they anticipated rich rewards from the British cable market, but simply because this had been one of the provisos laid down by the Dutch before they would permit a downlink in their own back yard. Crucially, Murdoch possessed the financial credibility - and influence - that Haynes had lacked. There were other factors in their favour. In February, an EEC Commission memorandum ruled that Article 59 of the Treaty of Rome (which dealt with freedom to provide services) was applicable to SATV. Additionally, recent elections in Holland had left the Liberals holding the balance of power in a coalition government with the more reactionary Christian Democrats. It was generally felt that this new government would be more willing to deal with SATV, particularly should the UK government alter its stance. Further discussions were duly held between the SATV management, the Home Office and the DTI. Kenneth Baker was persuaded that Sky Channel would provide a boost to the nascent UK cable industry and accelerate his dream of the "wired society", and the Home Office, despite certain misgivings, were finally persuaded to let Sky in.

But arguably of greater importance was the fact that in their White Paper on cable, published in April 1983, the Home Office and DTI had now finally established a policy framework. While the Paper acknowledged SATV's existence almost in passing ("a[n] ... experiment has for the past year or so been conducted by a British company in certain

⁴⁸ Bob Reynolds, "The satellite threat hovers over Holland", *Radio Magazine*, 11/82, p. †; Brooks op. cit. 11/03/83.

European countries"), it conceded the right, in principle, of cable companies to install television receive-only (TVRO) stations, provided that it had previously been established that the incoming signals would not interfere with the terrestrial microwave networks. ⁴⁹ Such programming as was transmitted in this way would then fall under the jurisdiction of the Cable Authority - but it would be the responsibility of the cable operator to ensure the programme content did not violate the terms of the franchise. ⁵⁰ With regard to the stipulations in the Paper that dealt with advertising and "taste and decency", Sky had - since its earliest Satellite days - deliberately adhered to IBA guidelines, even going to the extent of bringing in Peter Woodhouse, a former Head of Advertising Control at the IBA, as an advisor. ⁵¹ And with the Government's admission that "in the early years cable operators may need to use a significant amount of overseas material if cable is to get going", it would have been invidious to block Sky. ⁵²

The White Paper had proposed to authorise the issue of a small number of licences for cable systems on a pilot basis, and on 25 November 1983 Leon Brittan announced the names of the successful applicants: Aberdeen Cable Services; Cabletel Communications (covering Ealing); Clyde Cablevision; Coventry Cable; Croydon Cable TV; Merseyside cablevision; Rediffusion Consumer Electronics (Guildford); Swindon Cable Services; Ulster Cablevision (Belfast); and Westminster Cable. The decisions to grant the licences - lasting twelve years - prior to the establishment of the Cable Authority, and to allow existing cable companies to carry additional services, provided that their networks had

⁴⁹ Home Office / DoI, *The Development of Cable Systems and Services*, Cmnd 8866 (London: HMSO, April 1983), paras. 157 & 158.

⁵⁰ Ibid., paras. 150 & 162.

⁵¹ S. F., "Satellite TV programmes Europe", *Broadcast*, 19/04/82, p. 22.

⁵² Cmnd 8866, para. 123.

spare capacity, had met with some resistance in the Commons; no less a figure than Lord Hunt was to echo these concerns when the Cable and Broadcasting Bill went before the Lords for its Second Reading on 19 December.⁵³

The SATV management, by contrast, were delighted. Cable companies which were in a position to do so could now pre-empt the legislation and offer Sky Channel much earlier than either party would have envisaged: it was duly announced that Sky would begin broadcasting to a test audience in Swindon in January 1984.⁵⁴

There had been cable services in Swindon since 1928, when a radio relay system was run through the area to facilitate better reception. The first television transmissions had begun in the early 1960s, when Rediffusion had laid down coaxial cables, on the tree-and-branch model, throughout the town. Swindon Cable Services was owned by Thorn EMI - who also had substantial holdings in the Coventry and Belfast franchise winners - and the company's 3.7 metre diameter dish, which had cost them some £2,000, was located at the Thorn complex on Shrivenham Road: this was in turn connected to their head office on Swindon's Hawkhurst Estate, from whence the signals would be relayed. It was planned that work on a new broadband system would begin in June 1984: until that time the company planned to upgrade a number of the existing systems by installing wideband amplifiers, effectively doubling their capacity. 55

Thus, on the evening of 16 January, some 10,000 viewers in Swindon became the first in the UK to witness the delights that Sky Channel had to offer. Following the launch

⁵³ Hansard, 19/12/83, cols. 512-16.

⁵⁴ Author's interview with John Rowe, 10/10/95; author's interview with Patrick Cox, 22/03/96

⁵⁵ Anon, "Swindon first to secure Sky Channel programmes", Satellite & Cable Television News, 02/84, p. 38, author's interview with Tony Dukinfield, 22/11/95.

party, hosted by the singer Kate Bush, those viewers were treated to repeats of *Fantasy Island* and *Charlie's Angels*, and a sports show featuring American football. It was not an instant success. Indeed, for one family, the highlight of the evening was "seeing American and Scandinavian advertisements for such products as Snickers, better known to Swindon consumers as Marathon bars". 56

For Cox, in putting together a schedule with Gary Davey, Richard Platt, and Jim Cruthers - another of Murdoch's advisors seconded to Sky - had hit an immovable object. This was Equity, which now protested loudly about its members' loss of earnings should Sky distribute British-made programmes via cable. The ITV companies that had previously supplied material caved in, and Sky was left with a number of gaping holes to fill. Furthermore, Murdoch was not prepared to pay out much additional money, either to produce new programmes in-house or else to commission them from independent companies. Whatever was to fill the holes would have to be made on an extremely "lean and mean" basis. So Cox, who had served his time at Radio Luxembourg, decided that pop music would be as good - and popular - a way as any. He recruited DJs from Radio 1, whose normal television exposure only amounted to the occasional stint on the BBC's Top of the Pops - Mike Read, Gary Davies, Pat Sharp and Tony Blackburn. Ciclitira and Davey were responsible for devising the cornerstone of this pop output: Skytrax. Looking for a set, Ciclitira heard that Pinewood were selling off old scenery at knockdown prices: he came away with a set from the sci-fi horror film Alien and ran it up as a backdrop in a studio off Whitfield Street.⁵⁷ By July, and in spite of the difficulties with Equity, British

⁵⁷ Author's interview with David Ciclitira, 07/02/96.

⁵⁶ Colin Hughes, "Satellite TV gives way to 'The Street'", Times, 17/01/84, p. 3.

programming accounted for some 53% of Sky's output, nearly all of which were programmes such as Skytrax. 58

Much of Sky's music programming that was broadcast throughout the first four months of 1984 was made in collaboration with a newly-formed consortium made up of Virgin, Yorkshire Television and Thorn EMI's Cable Programmes Unit. All had originally planned music channels of their own, but opted instead to create Music Box. In July 1984, Music Box became a channel in its own right, transmitting, like Sky Channel, via the ECS 1.59 By October, an additional four cable channels had come into operation in the UK: with all ten transponders on the ECS 1 booked in advance, their respective operators bought time on the Intelsat V satellite, positioned at 27.5 degrees West and with a slightly weaker transmission power of 10 W.60 Two of these services were subscription film channels: Premiere and The Movie Channel. Premiere, launched on 1 September, had grown out of Cinametal, a service offered by Thorn during earlier cable trials. The Movie Channel had begun life in March as The Entertainment Network, but had changed its name at the launch of Premiere. It was co-owned by the UIP Pay TV Group (comprising MGM / United Artists, Paramount and Universal), the rental firms Visionhire and Rediffusion, Plessey, and the Rank Organisation. They were joined by ScreenSport, whose majority shareholder was the American cable channel ESPN, and Thorn Cable's third venture, the Children's Channel. 61

⁵⁹ Robert Hutchison, Cable, DBS and the Arts (London: PSI, 1984), p. 35.

Anon, "Sky - more hours, live shows, docs, series and sport", Television Today, 19/07/84, p. 14.

Andre Goodfriend, "Satellite Broadcasting in the UK", in Ralph Negrine, ed., Satellite Broadcasting: The Politics and Implications of the New Media (London & New York: Routledge, 1988), pp. 144-75. Hutchison op. cit., pp. 37-8.

Sky itself continued to reach greater audiences across Europe. By the end of August 1984 Sky was available in over 1.7 million homes, in large part helped by the decision, taken with considerable reluctance, of the Dutch Culture Minister to permit Sky to downlink into the Netherlands.⁶² (In official circles it had been hoped that the Home Office would continue their veto on Sky downlinking into the UK, thus enabling the Dutch Government to maintain their own objection. Shortly after Jon Davey granted Sky permission to downlink, he was taken to one side by a senior Dutch civil servant who accused him of "stabbing them in the back".)63 And by mid 1986, at the time when Murdoch and John Jackson, as Direct Broadcasting Ltd, applied in vain for the UK DBS franchise, availability had been increased to 6.47 million homes across the continent. But it continued to lose money. Losses in the fiscal year 1986 amounted to more than £5.76 million, taking SATV's cumulative losses above £20 million. An irate Murdoch made a formal complaint to the EC about the ITV companies' refusal to supply Sky with programming from their archives - it was, he felt, an abuse of their dominant trading position.⁶⁴ This refusal was also due to the decision of those companies to launch their own cable service, SuperChannel, composed almost entirely of "golden oldies" from their - and the BBC's - archives, such as The Goodies, Doctor Who, Benny Hill and Van der Valk. This service was launched across Europe - via the ECS-1 - in January 1987. As a result, Sky was forced to retain its diet of acquired US and Australian programming. This diet continued to attract adverse comment abroad - Amanda Cuthbert was dispatched to Norway at short notice to fend off complaints that the US cartoon Masters of the

⁶² Ibid., p. 35.

⁶³ Author's interview with Jon Davey, 01/09/95.

⁶⁴ Maggie Brown, "Murdoch complains to EEC", Guardian, 27/06/86, p. 2.

Universe was corrupting the young - and ridicule in the British press. ⁶⁵ Football coverage continued to be a contentious issue. In January 1986, Sky had begun broadcasting highlights of Italian matches. The French FA emulated their Norwegian counterparts and protested with a series of telexes, possibly alarmed that viewers in some of the 20 000 French households with access to Sky might prefer the Italian game. However, the Italian FA took the pragmatic view that the revenue generated from television coverage took precedence over UEFA camaraderie and unplugged the telex machine. ⁶⁶

The continuing losses led to a what was termed a "restructuring of management". Jim Styles was brought in as Head of Sales: an Australian veteran of nearly thirty years in television, he had first worked for Murdoch at Channel 9 in 1958. Shortly afterwards, he became Managing Director in place of Cox, who in turn became Deputy Chairman under Cruthers. At the same time, Ciclitira left, to join the former MD of Carlton, Mike Luckwell, at the Parallel Media Group, a company specialising in sports marketing and media promotions.⁶⁷

Throughout 1987, Murdoch became disillusioned with the European side of the venture. Cox and others managed to convince him to sell a percentage of the company. At one point, it appeared that Group Bruxelles Lambert, the majority shareholder in CLT, might take a 30% stake in the company, but this came to nothing.⁶⁸ But Murdoch made a severe miscalculation when, in an address to the Securities Institute of Australia in

⁶⁵ Author's interview with Amanda Cuthbert, 16/11/95.

⁶⁶ Author's interview with David Ciclitira, 07/02/96.

⁶⁷ Jonathan Arnold, "Can Styles keep Sky out in front?", Media World, 10/86, p. 10; Raymond Snoddy, Greenfinger: The Rise of Michael Green and Carlton Communications (London & Boston: Faber & Faber, 1996), p. 96.

⁶⁸ Anon, "Sky stake 'very fluid'", Sunday Telegraph, 05/04/87, p. 24.

Sydney, he announced that a percentage of News Corporation's stake in SATV would be sold. The *Wall Street Journal* subsequently pressed News for details of the intended sale, and a News spokesman revealed that the company intended to sell between 25% and 33% of SATV shares at a cost of between £30 million and £45 million. ⁶⁹ Philips and Hambros, who had been involved in tentative negotiations with News for the stake, were alarmed at the fact that the talks had been made public, and more specifically at the prices that Murdoch was asking: as Cox succinctly put it, "The Dutch don't like Dutch auctions." The talks collapsed.

As an interim measure, the SATV directors proposed repaying the company's overdraft via a further rights issue⁷¹. While this was taking place, Murdoch commissioned the consultants CSP International, with a view to finding what would be the best means of delivery with which to proceed with a television service, and what would be the best means of financing it. Their study rebutted Murdoch's own belief - by now very much in the minority - that an advertising funded service would be the optimum, in favour of a subscription service, and that, with the UK DBS franchised off, Murdoch should seek to lease at least four of the five transponders on the bird owned by Atlantic Satellites, who had won the Irish DBS franchise in December 1986, and offer a package largely consisting of films and sports. Murdoch concurred, and duly approached the Irish Government. But the response of the Irish was cool - Cox said that they wanted "a million dollars just to talk". At which point Murdoch was approached by Marcus Bicknall, Commercial

⁶⁹ Anon, "News Corporation to Reduce Share in Sky Channel", Wall Street Journal, 09/09/87, p. 3.

⁷⁰ Author's interview with Patrick Cox, 11/03/96.

Anon, "Satellite Television cash call", Times, 19/09/87, p. 25.

⁷² Ibid.

Director of Société Européene des Satellites, who offered a deal that appeared to be considerably more attractive.

Coronet and SES / Astra

In early 1983, Clay T. Whitehead wrote to a number of European governments and broadcasting organisations with a proposition. Whitehead was a former head of the US Office of Telecommunications, and as such had been responsible for implementing the "open skies" policy under the Nixon administration. Now he was in charge of the Galaxy satellite project at Hughes Aerospace. Hughes had been the first company to sell outright, rather than lease, transponder capacity to interested parties, while retaining ownership of the satellite platform. Whitehead believed that it might be possible to begin a similar project to Galaxy in Europe, whereby US-built telecommunications satellites with a transmitting power per transponder of around 60 W would be used to distribute television channels, both via cable and direct-to-home, across the Continent. When he informally sounded out the BBC, the response was cool: Bryce McCrirrick told his colleagues that a satellite operating on such a low power would be unsuitable for DBS; besides, the transmitting power was well below that stipulated by the WARC agreement. But the reply from the Grand Duchy of Luxembourg was much more encouraging, and Whitehead travelled to Luxembourg with the detailed plans of his project.

Initial negotiations were carried out in great secrecy, as Whitehead dealt directly with Pierre Werner, then Minister of Communications and - felicitously - Prime Minister

of Luxembourg. Plans were filed with Intelsat in Washington and the International Frequency Regulating Board in Geneva for a twenty-transponder satellite. Coronet. 73 When details of the plans emerged at a Eutelsat meeting in November, there was uproar. The French had always viewed a successful GDL satellite venture as detrimental to their own: the decision was therefore taken to engage in bilateral discussions with the Luxembourg government to offer Radio Television Luxembourg two channels on TDF-1. These negotiations were facilitated by the French Government's stake in CLT, RTL's controlling company. This arrangement was also supported by the Eutelsat secretariat, as, should the negotiations succeed, they would undoubtedly kill off any chance of Whitehead's Coronet going ahead, thus preserving the WARC accord. While the discussions continued - with a key sticking point for CLT being the cost of transponder rental - both Eutelsat and the French Government launched an astonishing series of attacks at Whitehead and Coronet. Louis Mexandeau, the French Minister for Culture, witheringly dismissed the project as "Coca Cola satellites [which would] attack our artistic and cultural integrity"; President Mitterand went further, promising that "the French Government would do everything in its power to obstruct the Luxembourg plans in order to protect the integrity of French borders and French television culture". 74 The campaign appeared to have paid off. In October, 1984, agreement was reached between the French and Luxembourg governments. CLT would take two channels: one, in German, would reprise the terrestrial service - RTL Plus - which CLT had recently begun operating in

⁷³ Eli Noam, Television in Europe (New York & Oxford: OUP, 1991), p. 301.

⁷⁴ Bill Johnstone, "Europe competes for satellite broadcasting", *Times*, 05/06/84, p. 23; William Shawcross, *Rupert Murdoch: Ringmaster of the Information Circus* (London: Chatto & Windus, 1992), p. 278.

conjunction with the German media company Bertelsmann (who had acquired a 40 per cent stake in RTL); the second would be in French, and produced in association with a number of French broadcasters: this would give CLT a monopoly on the French advertising market of unscrambled TV broadcasts. In return, the Luxembourg government agreed to put on hold for a minimum period of five years their plans for a satellite financed by advertising. Whitehead himself was furious. Throughout the summer, Coronet had held a series of discussions with a dozen or so European media and industrial concerns, including Thorn, Phillips, Rediffusion, and indeed Bertelsmann, with a view to their investing in the holding company, and had been hopeful of raising the necessary funding - some £7.2 million - to get his project off the ground. But with Luxembourg following the French line ever more closely after the 1984 elections, which saw the retirement of Werner and his replacement by the less Americanophile Jacques Santer, Whitehead and Hughes felt they had little option but to pull out.

One of the most revealing reactions to the collapse of Coronet came from Andreas Caruso, Director General in Eutelsat:

I felt that Coronet was not good enough for Europe. Coronet was American money, using an American satellite, with an American launch vehicle, to bring American programmes to Europe.

I do not understand those who are investing money in private initiatives in this business. I think that they are making a big mistake.⁷⁸

⁷⁵ Anon, "French sound out U.S. partners in DBS", *Variety*, 20/02/85, p. 47; Noam op. cit. p. 302; Jeremy Tunstall & Michael Palmer, *Media Moguls* (London & New York: Routledge, 1991), p. 18.

¹⁶ Raymond Kuhn, "Satellite Broadcasting in France" in Ralph Negrine, ed., Satellite Broadcasting: The Politics and Implications of the New Media (London & New York: Routledge, 1988), p. 186.

⁷⁷ Raymond Snoddy, "Thorn EMI in talks on low-cost rival to DBS", Financial Times, 18/06/84, p. 6.

Raymond Snoddy, "Thorn EMI in talks on low-cost rival to DBS", Financial Times, 18/06/84, p. 6.

Andreas Caruso, interviewed by Ian Spear in "Eutelsat's 'exclusive responsibility", Media Week, 07/03/86, p. 32.

The kind of language exhibited by the Eutelsat D-G and the senior members of the French Government would seem to indicate an almost pathological hatred of all things American; it serves to illustrate the robustly *dirigiste* attitudes of their respective organisations. However, Mitterand was soon to make a costly miscalculation.

In January, 1985, he announced the imminent creation of two additional commercial terrestrial television networks. This would therefore deprive CLT of the monopoly on advertising that it had been promised. As a sweetener, therefore, CLT were given to believe that they would be awarded the contract for one of the channels. But in November it was announced that La Cinq would be awarded to a consortium of Jerome Seydoux's Chargeurs, and Silvio Berlusconi. CLT had bid in concert with News Corporation: Mitterand made it plain that their application had been rejected because they had gone in with "One of the major audio-visual magnates from across the Atlantic". 79

Mitterand's initial announcement of the creation of the two channels had led the Luxembourg government to reconsider its position, and in March 1985 the Coronet project was reformed as Société Européenne des Satellites (SES), financed by a consortium of Luxembourg bankers. Crucially, with Whitehead having been paid off for the use of his ideas, the money involved in the project was European. SES spent its first six months engaged in feasibility studies. It then made the first step towards competition with TDF by purchasing a \$90 million, sixteen-transponder satellite, Astra, from RCA. 80 It received its first paying customer shortly afterwards. The Swedish conglomerate Kinnevik

Quoted in Tunstall & Palmer, op. cit., p. 137.
 Anon, "After Ariane", Connections, 27/09/85, p. 3.

took a stake in SES, and booked one of the transponders under the name of the Scansat Broadcasting Group (SBG) for Scandinavian language transmissions.⁸¹ The following February, SES received a further boost when the GDL parliament passed a law which allowed the Luxembourg government to grant a loan equal to the equity raised by the consortium, up to a maximum of \$75 million.⁸²

While Whitehead was no longer involved in the project, he continued to speak in its support. At an RTS Conference at the NEC in Birmingham in April 1985, he had argued that "it is irrelevant to the programmers... exactly how the final link to the customer is made... What is important is that all varieties of delivery be allowed to come into play"⁸³: the specifications that required high-powered satellites for DBS were spurious, and should be abandoned. Andrew Quinn, speaking at the same conference was sceptical: "Dishes... bigger than 45 cm. will be a serious inhibition to the growth of a mass market on the grounds of cost and ease of installation". ⁸⁴

Nevertheless, the SES project raised some alarm bells at the IBA. Could a telecommunications satellite be successful in transmitting directly into the home? If so, then adherence to the WARC stipulations would be foolish in the extreme. To this end, Crawley Court carried out a series of tests, simulating the quality of the broadcast signal from transponders of varying power (namely 200 W, 100 W and 20 W) to dishes of 45 cm, 90 cm and 120 cm diameter. The test results indicated that, while reception was good

⁸¹ Henrik Broberg, "A market-oriented approach to satellite transmissions" in *Proceedings of the International Communications & Broadcasting Conference held in London, December, 1985* (London: Online, 1985), pp. 217-223.

⁸² V. Peter Liska, "Astra: Closer To Reality", Satellite Communications, 10/87.

⁸³ Clay T. Whitehead, quoted in Rex Winsbury, RTS Conference report, NEC Birmingham, 16-18/04/85, pp. 25-7.

³⁴ Quinn, ibid., p. 29.

across the country with a dish size of 90 cm and a transmitting power of 100 W, or a dish size of 45 cm and 200 W, quality became poor - even at the centre of the footprint - with a transmitting power of 100 W and a 45 cm dish; with a 20 W transponder, the signal became almost unwatchable even using the 1.2 m dish. Curiously, no tests were performed using the anticipated Astra specification of around 50 W: but the results had more or less assuaged the doubts of the IBA, and - temporarily at least - of those who, later in that year, began to weigh up the pros and cons of applying for the British franchise in the wake of the Club's collapse.

In April 1985, SES had hired Marcus Bicknall as its Commercial Director. Bicknall, a former manager of the rock group Genesis, had latterly been Head of Marketing for the Music Box cable channel. Bicknall was faced with the task of drumming up custom from broadcasters who had yet to be convinced of the efficacy of the system that SES were offering. For the first eighteen months of his employment, little support was forthcoming. Then Bicknall made the breakthrough. Steve Maine, the Head of Broadcast and Visual Services at British Telecom, was marketing transmission capacity to programmers, and became interested in the opportunities offered by the SES Astra project. By the mid 1980s the programming sector was booming: but opportunities in the UK were limited because of the slow growth in cable, and accordingly the UK based programmers were looking for overseas markets. Maine recognised that, as he put it, "this drive to internationalise programming presented an opportunity for BT to enlarge its focus", both in terms of selling to European markets and of attracting to the UK those

⁸⁵ IBA, "Studies of DBS reception using a cheap receiver with various transponder powers and receiving dish diameters", undated but probably mid. 1985.

production "vagrants" who might have established their companies in any one of a number of EC countries. ⁸⁶ With cable failing to provide an adequate means of delivery, the SES proposition, with the possibility of multi-channel direct-to-home transmissions, seemed ideal. Meetings with SES at the end of 1986 strengthened his beliefs. In March 1987, BT signed an agreement with SES to lease eleven of the sixteen transponders on Astra, to be sold on to programme suppliers. To facilitate transmission, it was also announced that the company would be building a new earth station at its Isle of Dogs complex. ⁸⁷

But British Telecom was at that time the only privatised telecoms operator in Europe, a state of affairs which meant that its goals were somewhat different from those of its fellow members in Eutelsat, which were all state monopolies. While Maine had obtained, as he saw it, a sorely needed outlet for custom, he was at the same time in violation of the Eutelsat treaty. Members were pledged "not to authorise any systems which threaten the organisation". With the Eutelsat F-2 satellite due for launch the following year, it seemed as though Astra might become a competitor. But Eutelsat had been mollified to a certain extent by BT's decision, announced at the same time as their deal with SES, to lease up to eight transponders on the F-2, which would also be sold on to programme suppliers. And while some of the PTTs felt obliged to oppose SES as a matter of principle, the more pragmatic attempted to build bridges to prevent a serious split occurring within Eutelsat. It was therefore proposed that SES should lease its

⁸⁶ Author's interview with Steve Maine, 28/11/95.

⁸⁷ Jonathan Miller, "Telecom joins in satellite TV race", *Times*, 12/03/87, p. 3; Raymond Snoddy, "BT signs deal on satellite TV leasing", *Financial Times*, 12/03/87, p. 6.

⁸⁸ Rosemary Hughes, "Satellite Broadcasting: The Regulatory Issues in Europe", in Negrine op. cit., p. 71

⁸⁹ Miller 12/03/87 op. cit. p. 3.

transponders to Eutelsat, which would then lease them back to SES, but at a small profit. When it was pointed out that such an arrangement could well violate the Treaty of Rome, an alternative was suggested: namely, that SES and Eutelsat could coexist via "coordination" of systems. This would, in effect, allow Eutelsat to veto any of SES's deals which it felt might adversely affect its position in the market. ⁹⁰ In the event, while Eutelsat endorsed Astra in November 1987, no such arrangement was officially agreed, largely because some of the PTTs' more perceptive members gradually realised that, in all probability, the number of programmers wishing to book transponder space would be considerably in excess of their own ability to provide it.

It had always been SES's intention to utilise the European space programme, Ariane, to launch their bird, and the company had provisionally booked a slot on flight V27, due in September 1988. However, the Ariane programme was at the time going through a difficult period, with a number of flights failing due to engine problems.⁹¹ This led to Bicknall briefly sounding out representatives from McDonnell Douglas and General Dynamics about a possible replacement, should the failures continue.⁹²

In January, 1987, Richard Dunn of Thames - the one ITV company not to participate in SuperChannel - was suitably impressed and persuaded his board to take a 5% stake in SES at a cost of £3.5 million. This brought the total raised by that stage - including the GDL Government loans - to a total of £70 million, still some way short of

Anon, "Eutelsat changes course on Astra, but approval likely to be given next week", New Media Markets, 16/09/87, p. 3.

Anon, "Astra lead over BSB is cut as Ariane says launches will resume in August", New Media Markets, 27/05/87, pp. 7-8.

⁹² Anon, "Astra launches US backup bid", Screen, 08/08/87.

the £125 million that was required.⁹³ But while a number of companies expressed an interest in leasing transponders, only Kinnevik had so far signed a deal. Robert Maxwell entered into discussions concerning the possible leasing of three transponders, but declined to make any commitment. A more likely customer appeared to be the DBS UK consortium, thwarted in its bid for the British franchise, which joined forces with Thames in commissioning a feasibility study for a service, transmitted via Astra, along the lines of that which Michael Green had originally planned in his submission to the IBA. (Green remained, like Murdoch, an unreconstructed believer in an advertising-funded service.) Under the terms of a business plan drawn up by the consortium, Carlton, Dixons, the Saatchis, LWT and Thames would each put up £10 million towards the project. But the plan was never put into practice. There was still the perception amongst a majority of UK broadcasters - and would-be broadcasters - that the SES project was, as one put it, "too much of a lightweight to sign up with". 94 Besides, the asking price, £3.7 million per transponder per annum for a five year lease, was deemed by the broadcasters to be somewhat excessive. The IBA themselves had rejected Bicknall's overtures point blank; as Astra did not meet the specific requirements of the 1977 WARC, there could be no question of its franchise winner utilising its transponder capacity. 95 It was therefore in this setting that Bicknall approached News Corporation.

Murdoch and his colleagues were initially sceptical. They had declined a Whitehead invitation to invest in the Coronet project, and were rumoured to be

⁹³ Marta Wohrle, "The sky is the limit", *Broadcast*, 23/01/87, p. 22.

⁹⁴ Unnamed UK broadcaster quoted in Anon, "What's Wrong With UK DBS?", Interspace, 13/07/87, p.

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&</sup>lt;sup>95</sup> Anon, "Supplier hits at IBA DBS plans", Media Week, 14/11/86, p. 3.

considering the possibilities of Eutelsat's ECS-F-2 satellite, which was believed to have a wider audience reach, and to be less expensive, than Astra. ⁹⁶ But there were doubts about the efficacy of the F-2 as a DTH satellite, besides which Bicknall hinted that the asking price might be negotiable.

In addition, the announcement, in December 1987, that Murdoch had successfully obtained the EBU contract for Eurosport, meant that News were in urgent need of transponder capacity. For some time an EBU committee, under the chairmanship of Alan Hart, the BBC Controller of International Relationals, had been considering a possible means of providing a pan-European sports channel. At the time, only some fifteen per cent of the material shot by Europe's national broadcasters at sporting events made its way to the television screen, largely due to lack of programming space on their existing networks. A channel wholly devoted to sport would provide an outlet for the remainder, allowing greater coverage of events such as tennis tournaments and athletics meetings, and would also represent a greater return for the broadcasters' investment. As the committee saw it, there were two further reasons for the creation of such a service. The first was that a pooling of the resources of the public broadcasters would strengthen their hand in negotiations for the rights to sporting events, and secondly, if they did not provide a sports channel, then in all likelihood another broadcaster - such as Mark McCormack's TWI - would fill the vacuum.⁹⁷

The initial problem was the raising of sufficient capital to get the service off the ground. Accordingly, the committee invited non-EBU broadcasters to submit proposals

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⁹⁶ Graham Wade, "Satellite Television: Will tomorrow ever come?", *Listener*, 21/01/88, p. 26.

Peter Elman, "NMM Special Report on the Eurosport Channel", New Media Markets, 09/12/87, pp. 4-

for a joint venture. There were five formal bids: Europa-TV (who went into liquidation shortly after they had submitted their bid), Parallel Media, SuperChannel, Visnews, and News International. Under the terms outlined in the News bid, the company was prepared to put up £30 million for the project and operate the service on a day-to-day basis, splitting any profits (revenue was to be generated from a mixture of advertising and sponsorship) 50:50 with EBU. They were terms that met with general approval from the EBU, who selected the News bid above the other proposals. At a meeting in Geneva on 2 December 1987, the D-Gs of thirteen EBU broadcasters (including the BBC) finally agreed to participate with News in the venture. 98

Murdoch had now decided that a strategic withdrawal from Europe was in order - a withdrawal he hoped to facilitate by replacing Sky Channel with Eurosport on the continental cable networks. It was intended that Sky Channel, together with Eurosport and a proposed film channel, would form three-quarters of a package targeted specifically at a British DTH audience. In the spring of 1988, as he continued negotiations with Bicknall, plans were prepared for a fourth service: a twenty-four hour news channel, mimicking the design - and, Murdoch hoped, the success - of Ted Turner's CNN. Finally, a deal was struck with Bicknall and Maine: Murdoch would lease four transponders at the considerably reduced rate of £2.1 million per transponder per annum, but on a ten, rather than five, year lease.

Murdoch's satellite package was nearing completion.

⁹⁸ Raymond Snoddy, "BBC in talks on joint satellite sports channel", Financial Times, 01/12/87, p. 8.

Conclusion

In their initial refusal to permit Brian Haynes to downlink into the UK, the Home Office demonstrated the troublesome dichotomy at the heart of British broadcasting policy. Their argument was that the introduction of an additional broadcaster - albeit on a small-scale, experimental basis - into their carefully-regulated, hermetically sealed world might set the precedent for profiteers to dilute the quality of broadcasting. At the same time, the Department of Industry was seeking to promote the growth of a broadband cable network - initially through the provision of a number of additional television services, all of which would be in a similar position to Satellite in that under no circumstances could their programming budgets be comparable to those of the established broadcasters.

No one could conceivably accuse Brian Haynes of seeking to dilute the quality of British broadcasters; to label him as a profiteer would be equally absurd. Haynes' overriding motivation was his enthusiasm; Satellite gave him the opportunity to immerse himself full-time in his hobby. His sin was to propose a system that fell beyond the remit of the existing regulatory framework, and so he was forced to seek foreign pastures while the Home Office considered the legal implications of his service. Indeed, the Home Office stance on the matter lends further credence to the view, frequently expressed by Thatcherites, that in their rejection of Haynes request the Home Office were prioritising the rights of the national broadcasters over those of the viewer to choose.

But whether Haynes himself had anticipated the possible implications and consequences of his actions is another matter. For while he sought to emulate Ted Turner

in the utilisation of telecommunications satellites to redistribute television signals, Haynes was hoping to broadcast across a continent rather than a single nation - and therein became entrapped in the miasma of differing advertising, copyright and censorship laws, not to mention sheer bloody-minded dirigsme. For example, when Satellite was finally granted permission to downlink into the UK, their source of UK programming was removed: Satellite / Sky would have been competing directly against the ITV companies for advertising, a situation which those companies were not prepared to encourage by selling SATV programming from their archives. Furthermore, as Patrick Cox has observed, the lack of precedent in this area exacerbated the situation: the Home Office letter which "specified the legal foundations on which Sky Channel's activities were to be based in the UK", was so poorly drafted that it did not indicate whether "principal responsibility for compliance [with the terms of the licence] lies with Sky Channel or the cable operator". In the end, it was left to Sky to determine where principal responsibility lay (Cox took the view it should be undertaken by programme producers) and to draft contracts accordingly. 99 It can be argued that Satellite/Sky's most notable contribution to the broadcasting debate, as it beamed out its mixture of ITV dramas and foreign documentaries, was that it provided the precedent with which to demonstrate the necessity for a greater degree of harmonisation of the legislation pertaining to all aspects of broadcasting, issues which the European Commission made its first, tentative steps to cover in the 1984 Green Paper Television Without Frontiers.

If Satellite aroused varying degrees of suspicion, unease and anger across Europe, the reaction towards Coronet - an American venture - was positively venomous. The

⁹⁹ Cox op. cit., p. 92.

terminology employed in the sneering denunciations of Coronet by President Mitterand and Andreas Caruso ("Coca-Cola satellite"... "American money") serve to illustrate the level at which the debate was being conducted: European (particularly French) culture representing high culture, American culture, low culture; Coronet, like Coca-Cola, being served up as yet another example of US cultural imperialism (although it may have escaped the President's notice that millions of Europeans - even his own countrymen drank and enjoyed Coca-Cola every day. Quel dommage!) Yet below the surface both Mitterand and Caruso had more pragmatic reasons for the outburst beyond an expression of distaste at US values: Mitterand to sabotage Luxembourg attempts at DBS, Caruso to maintain Eutelsat's monopoly and solidarity. But perhaps what is most surprising is not so much the violent reaction towards Haynes and Whitehead as the lack of foresight amongst European Governments collectively, their failure to anticipate such developments, especially bearing in mind their stated desire for rapid growth in networks of broadband cable systems. Theirs was an outlook that would have been perceived as archaic in the US, where deregulation under the Nixon administration had resulted in the nation-wide transmission of HBO and WTBS in the mid 1970s. One explanation for this attitude (and quite possibly the attendant inability to grasp the full implications of satellite broadcasting's transnational nature), is quite simply that those international telecommunications and broadcasting organisations that existed - such as Eutelsat - were clubs of national monopolies, whose horizons were largely limited to developments at the national level. Not until Satellite Television, and Coronet, actually entered their field of vision was any serious consideration given as to what the impact of transnational commercial broadcasting might actually be.

The unifying element in the histories of Satellite and Coronet / Astra is Rupert Murdoch. The Australian's global track record in newspaper publishing, typified by the British Sun's unashamedly populist, downmarket approach, did not endear him to the bien pensants. There was an undoubted desire, both at the Home Office and the IBA, to ensure that Murdoch was excluded from any involvement in DBS, just as he had been in his attempt to participate in UK independent television in the early 1970s. Astra offered Murdoch the necessary vehicle to compete with the "official" British DBS service. Equally importantly, Murdoch's influence in Downing Street meant that his own channels were unlikely to meet with disapproval at the highest level - much to the chagrin of BSB's management. The competition between these two DBS services, and their eventual merger, will be described in the next chapter.

CHAPTER FOUR Policy Into Failure, 1987-1990

With the award of the DBS franchise to British Satellite Broadcasting in December, 1986, the onus of responsibility for the success of the project shifted from policy-maker to the body charged with implementing that policy. The Government had made it perfectly clear in the run-up to the award that the success or failure of the project would be down to the company or companies concerned: they could not expect to be bailed out by Government aid should they run into financial difficulties. This was, after all, a position which Thatcherites regarded as only right and proper: a situation where state intervention was reduced to an absolute minimum. But the arrival of a competing service - Sky - provided the legislators with a conundrum: should they move against Sky; and in doing so both offend a close ally and deny the viewer the right to choose between the two services, or else adopt a position of neutrality which would, in all likelihood, end in the demise of the home-grown system?

This chapter focuses on the differing responses within government towards this dilemma, and the response of BSB itself to the new challenge. Beyond this, it considers attempts by the Thatcher administration to implement radical changes to the existing broadcasting structure, and suggests that the application of ideology piecemeal to broadcasting led to decisions that were frequently inconsistent; policy that developed in fits and starts from departmental infighting between broadcasting and industrial interests, and ultimately served the interests of a Thatcher ally rather than those of British broadcasting.

Policy development - I: The Peacock Report, the "Downing Street Seminar" and the Future of Broadcasting

The General Election of June, 1987 had seen the Conservatives returned to power with a majority which, although reduced, remained in excess of a hundred. Fortified by her endorsement from the electorate, the Prime Minister remained intent on pursuing her radical agenda into fields which had thus far escaped her closest scrutiny. Now it would be the turn of broadcasting duopoly - which she perceived as inefficient, arrogant, and politically unreliable - to feel the lash.

The foundations for any shake-up had been laid during her previous administration. Professor Alan Peacock had been invited in March 1985 to examine the effects of the introduction of advertising and / or sponsorship on the BBC; this on the back of a growing dissatisfaction - most evident in the Conservative right - with the efficacy and desirability of the licence fee. For Margaret Thatcher, the Committee's remit was not so much to determine the effects of advertising on the BBC, but to *conclude* that it should take it. Peacock himself would see things somewhat differently. He argued that the BBC and ITV had "done far better, in mimicking the effects of a true consumer market, than any purely laissez-faire system, financed by advertising, could have done under conditions of spectrum shortage". Going further, the Peacock Report praised the high quality of the duopoly's programmes, provided "at remarkably low cost", and paid tribute "to the way in which the packaging of programmes has satisfied and developed audience tastes".

¹ Home Office, Cmnd. 9824, Report of the Committee on Financing the BBC (London: HMSO, 1986), para. 581.

² Ibid., para 582.

Nevertheless, the status quo was not a satisfactory arrangement, and instead the Committee proposed a "sophisticated market system based on consumer sovereignty", deregulated but maintaining "an operational definition of public service", possibly utilising subscription methods such as pay-per-channel or pay-per-view. With this in mind, it recommended that peri-television ('scart') sockets, which would give television sets the capacity to decode encrypted signals, should become mandatory.³

But Peacock had covered considerably more ground than had originally been envisaged. It proposed that both BBC and ITV companies should be required to increase to 40% the proportion of their programming supplied by independent producers; that Channel 4 should sell its own advertising; that restrictions preventing the ownership of cable companies by non-EC operators should be relaxed; that the next ITV franchise round be conducted by auction, with the regional franchises going to the highest bidders, and subsequently awarded on a "rolling review" basis; and that these same conditions should apply to DBS service operators.⁴

In September, 1987, Margaret Thatcher held a seminar on commercial broadcasting at 12 Downing Street, the residence of Chief Whip David Waddington. In attendance were some forty representatives of the broadcasting organisations, advertisers, businessmen, civil servants, politicians (in addition to the Prime Minister, the Home Secretary and the Chancellor of the Exchequer were present), the Prime Minister's special advisors, Jeffrey Sterling and Brian Griffiths - and Professor Alan Peacock, who gave the first presentation. At the meeting, it was readily apparent that the Prime Minister intended

³ Ibid., paras 592-607.

⁴ Ibid., paras 611-667.

that broadcasting should be shaken up. She twice denounced ITV as "the last bastion of restrictive practices". John Whitney, the IBA's DG who attempted to defend programme standards, received a Thatcher "handbagging" for his pains.⁵

Thatcher, while irritated that the Peacock Report had declined to recommend advertising on the BBC, had been intrigued by other aspects, notably the idea that the ITV franchises should be auctioned off, with each franchise going to the highest bidder. Shortly after the broadcasting seminar, she set up and chaired an ad hoc Cabinet Committee (Miscellaneous Committee 128) to look into the development of a policy framework which might be enacted within the next couple of years. Peacock's recommendations would be the starting-point. Should the ITV franchises be auctioned off, as Peacock suggested? Should the BBC licence fee be replaced by subscription? Should there be a single regulatory body to cover all of broadcasting?

The prospect of the licence fee being replaced by subscription in the short, or even medium, term was never a realistic option. In the wake of the Peacock Report, the Government had commissioned a study from the consultants CSP International in September 1986. It had asked the consultants to consider the likely outcome should an encryption system be introduced, whether to scramble all terrestrial channels, or the BBC alone. Their findings, published in May 1987, concluded that there would inevitably be "teething trouble" from a sudden switch-over: "an abrupt change... would almost certainly result in chaos on the date of changeover". Furthermore, research for the study suggested

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⁵ Andrew Davidson, *Under the Hammer* (London: Heinemann, 1992), p. 11.

⁶ The other members of the Committee were Nigel Lawson, Douglas Hurd, Lord Young (Trade and Industry Secretary) and Kenneth Baker (Education Secretary). Raymond Snoddy, *Greenfinger: The Rise of Michael Green and Carlton Communications* (London & Boston: Faber & Faber, 1996), p. 165.

that net receipts for BBC1 from subscription alone would only amount to some £250 million, barely half its then running costs. Access control technology, the consultants decided, would neither be more economical than the licence fee, nor would it ultimately be in the public interest. What the study did detect, however, was "considerable consumer demand" for additional television services, such as film or sports channels, or quality drama. While this gave heart to BSB, who were intending to provide such programming on their satellite services, the survey suggested that such services might be provided, on a subscription basis, on the terrestrial channels, either through the introduction of night-time services on BBC2 and Channel 4, or by "switching" some of the BBC2 output to "pay" programming.⁷

It appeared that these were, by and large, suggestions to which the Home Office had no immediate desire to respond. While the Home Secretary, Douglas Hurd, was said to be broadly in support of the mandatory introduction of scart sockets, there was no sign of any Home Office initiative to accelerate the rate of change. Nor did there appear to be any groundswell of opinion in favour of a unitary broadcasting authority. To a certain extent, the BBC seemed protected - for the moment - from some of the more radical roposals. There was a further explanation: the promotion of Michael Checkland to DG in lace of Alasdair Milne, and the arrival of Marmaduke Hussey (the former Managing Director of Times Newspapers) as Chairman, had, in some eyes, emasculated the Corporation. In others they were seen as a combination with a genuine commitment to

⁷ Booz Allen & Hamilton International, Subscription Television: A Study for the Home Office: Final Report (London: HMSO, 1987), pp. 158-166.

introduce a sense of order into the BBC's finances. Perhaps more pertinently, as far as they Prime Minister was concerned, Hussey was seen as "one of us".

Shortly after the Downing Street seminar, the Home Affairs Select Committee decided to conduct its own examination into the Future of Broadcasting - which was to be the title of their report. The Committee consisted of six Conservative MPs (David Ashby, Janet Fookes, Roger Gale, John Greenway, Ivor Stanbrook, and Chairman John Wheeler), and four Labour MPs (Gerald Bermingham, David Clelland, Keith Vaz and Tony Worthington). Between January and April 1988 the Committee questioned representatives from the relevant departments (Home Office and DTI), the broadcasters, trade unions and advertising associations. In many respects the issues covered by the Select Committee reflected those under discussion in the Cabinet Committee - but here, at least, those issues would be given a public airing and the interested parties allowed to put their point of view.

The BBC submission to the Committee revealed the extent to which it had revised its attitude towards satellite broadcasting. Prepared by Chris Irwin - who had returned to the BBC as Co-ordinator of Policy and Planning - it came to the conclusion that "we cannot assume, in our business planning, that ... satellite will develop on a significant scale in the short-term". 8 Nevertheless, the memorandum continued,

We welcome the opportunities [the new broadcasting technologies] may bring. [We do not] have any imperial ambition to manage their provision: consumer sovereignty would not be enhanced if we were to be part of every new broadcasting development"9

⁸ Home Affairs Committee, Third Report, The Future of Broadcasting, vol 2: Minutes of Evidence and Appendices, 262-II (London: HMSO, 1988), p. 26. ⁹ Ibid., p. 28.

When Keith Vaz asked Michael Checkland whether he felt that this "made it sound as if the involvement of the BBC in these new developments is in some way pejorative", the Director-General gave this response:

We decided that we should get involved in the making of programmes and the supply of programmes, because that is what the BBC has been good at over the years, and that that is our role with the new technologies - the provision of programmes and not management or finance. 10

While Checkland was obviously keen to stress the opportunity for programme provision, cynics might have inferred from his statement that the BBC did not regard its management and finance as a particular strength. A further disincentive to managerial involvement lay in the fact that the Corporation remained locked in legal wranglings with GEC and British Aerospace over its involvement in Unisat (which would finally be resolved in April in a £10 million out-of-court settlement by the BBC), and this time was quite prepared to let someone else take the financial risk at start-up. 11

With the option of a single regulatory authority (covering BBC, ITV, DBS and cable) highly improbable from the outset, the question arose as to how independent television should be managed. For its part, the IBA believed that it was the body best qualified to fulfil this task: its submission to the Committee concluded that that "the present system of broadcasting regulation, and the IBA itself, can evolve to enable new opportunities to be seized while maintaining standards and maximising choice to the

¹⁰ Ibid., p. 39.

Terry Dodsworth, "BBC settles claim by Unisat consortium", Financial Times, 30/04/88, p. 2.

However, the affirmative answer given by DG John Whitney to Tony viewer", 12 Worthington's question of whether he was satisfied with the legal framework "within which you operate as far as the ownership and control of programme companies is concerned", was unlikely to satisfy a Committee whose Conservative members were disenchanted with the IBA's close relationship with the regional contractors and the clandestine process by which those contracts were awarded; furthermore they were, to a greater or lesser extent, sympathetic to the notion of auctioning off the franchises. 13 In addition, the IBA's role as regulator cum broadcaster was under question: why, Roger Gale asked, should both BBC and IBA "be both engineering and transmission authorities". 14 Whitney's subsequent comment that the IBA "believe in the management of change" seemed to Gale symptomatic of an inherent complacency in British industry. "The advent of new technology ... is going to take us by the short and curlies if we are not very careful indeed. I do not think either the BBC or the IBA are ready for it". 15 With such an attitude, could the IBA, in its current form, be trusted to serve as an effective broadcaster - or regulator - of these new technologies?

Vying with the IBA for regulation of DBS was the Cable Authority, the relatively anonymous body whose remit was to oversee and promote the British cable industry. Its DG was Jon Davey, the former civil servant who had drafted the Hunt Report. In the four years since the Cable and Broadcasting Act, cable growth had been negligible, a fact which cast doubts on the efficacy of the Authority's promotional capabilities. Considerably

¹² HC 262-II, p. 56.

¹³ Ibid., p. 64.

¹⁴ Ibid., p. 62.

¹⁵ Ibid., p. 65.

more energies seemed to have devoted to a protracted campaign to have the regulation of DBS transferred to its domain, and the Authority's memorandum to the Committee encapsulated the arguments that Davey had put forward in this cause. Firstly, were there to be direct regulation of programme providers for cable and satellite, then such regulation would have to apply in equal measure to both: in this case, the Authority argued, the status quo - whereby Cable Authority costs were met solely by license fees paid by the cable operators - would no longer be fair. For example, a service which could be transmitted both via cable and satellite (such as BSB) would be monitored by the Cable Authority for the purposes of cable transmission: why then bother with an additional authority to duplicate this purpose? Secondly, it believed that the distinction between low-power telecommunications satellites and DBS was artificial: regulation of the two should be "more closely aligned". Ergo, the body responsible should be the Cable Authority. OED. 16

Or, for John Greenway, quod non erat demonstrandum. How, Greenway asked, could Davey argue for a widening of the Authority's remit, bearing in mind its "difficult financial position"? Indeed, could the proposal to widen the remit not be seen as a means simply of ensuring that the Authority had a viable future? Davey demurred.¹⁷

Furthermore, wondered the Committee, what was to be done about Astra? Certainly, this was a question that appeared to perplex the Home Office: their reaction, to date, had been limited. Tim Renton, who had been appointed broadcasting minister following the election, had welcomed the "significant British involvement in SES's

¹⁶ Ibid., pp. 76-7.

¹⁷ Ibid., p. 84.

medium power Astra satellite" in a distinctly bland article in the Times, but no policy had been prepared - or, even, it seems discussed - which would anticipate Astra's becoming a competitor to BSB. 18 Certain committee members viewed Astra from a somewhat different perspective: to them, it appeared that Harold Wilson's "foreign TV invasion" had arrived. Hence a number of questions, such as Ivor Stanbrook's to Michael Checkland, emphasised the Committee's concern about the "moral and cultural damage" that such satellites were capable of inflicting on the "British way of life". 19 In response to a similar question, Quentin Thomas, the Assistant-Under Secretary and Head of Broadcasting Division, was forced to admit that there was a "potential regulatory gap" concerning Astra and its ilk.20 While programmes beamed from foreign satellites and delivered via cable could be dealt with by the Cable Authority, there was no way feasible way - bearing in mind that jamming would have been illegal under the Treaty of Rome - that DTH transmission could be prevented. Thomas's assistant, Paul Wright, attempted to calm the Committee's fears by arguing that the transmission of hard-core pornography and horror films were "a potential rather than an actual risk". 21 Besides, he continued, such transmissions might be discouraged by a number of means: bilateral discussions with the Government of the EC member state from where such signals were uplinked; prescription of decoding equipment; or action against advertisers or financial sponsors of the service. This was not enough for some members of the Committee, and indeed the recurring nightmare of Governments - that of not being able to exert control - meant that the

¹⁸ Tim Renton, "The Challenge from the skies", Times, 22/02/88, p. 2.

¹⁹ HC 262-II, p. 40.

²⁰ Ibid., p. 11.

²¹ Ibid., p. 12.

pornographic possibilities were dredged up on numerous occasions, as though a fresh witness might find some means by which they might be halted at source. John Whitney of the IBA, questioned on the matter, prevaricated thus: "this is *the* question that is going to be asked over the coming months and years", to which Wheeler retorted "it is being asked in this room today".²² Put on the spot, as Wright had been, Whitney admitted that there was "nothing" that could be done to stop the signal physically entering the country.

Janet Fookes wanted to link this to the broader issue of the quality of services:

I just do not see how the IBA is going to act effectively if it has jurisdiction over one segment of the market and absolutely no control - this is what it boils down to - over what is coming in via satellite.²³

Whitney argued that it would be the audience who would decide, "by eschewing the mediocre and concentrating, as our television companies do, on excellence". ²⁴ But by shifting the onus of responsibility onto the audience, Whitney effectively confirmed Fookes' fears that the IBA would *not* be able to act.

The Committee's concern could be broadly summarised as follows: foreigners will beam in low-quality programming, some of which will undoubtedly be pornographic; how can we stop them? There was a collective obsession amongst the Committee's members to focus on the control of foreign signals, and a noticeable irritation that European legislation forbade their being jammed. That additional European legislation provided for proscription orders simply wasn't good enough. Furthermore, this obsession meant that the wider

²³ Ibid., p. 67

²² Ibid., p. 66.

²⁴ Ibid., p. 67.

implications of the Astra service were marginalised: their discussion on the matter with Richard Dunn - an Astra director - touched only on whether he could provide assurances that a Luxembourg service would not be indecent.²⁵

What remains incredible is that these implications had not impinged on the collective consciousness of the BSB management. Their memorandum and subsequent presentation to the Committee (by Anthony Simonds-Gooding and Graham Grist) reveals a combination of braggadocio (what Simonds-Gooding was apt to describe as "bullfrog"26) and an almost touching faith in the assurances they had been given by the IBA regarding Astra. To begin with, the Committee, unable in this instance to turn the discussion round to the horrors of pornography - this was, after all, a service uplinked from and regulated in Britain - initially asked questions about the proportions of programming from the regions and type of news service that BSB would provide; to which Simonds-Gooding replied (a) that, regardless of regional origin, the "overriding objective" was for the programming to appeal to a national audience, and that (b) BSB had concluded heads of agreement with ITN, worth £10 million, for an extensive news service on the NOW channel.²⁷ Then Janet Fookes raised the topic of Astra. In the light of further events, it is interesting to note Grist's blasé response:

Really, the competition is with the BBC and ITV. If we cannot get an audience there, we are not going to succeed. We are competing against the best English-speaking television in the world, in my own view, and whatever comes on other marginal competitors is unlikely to be such that it would actually tip the

²⁷ HC 262-II, pp. 125-6.

lbid., pp. 107-8; p. 117.
 Author's interview with Anthony Simonds-Gooding, 16/05/98.

nay well be others further ahead, is very much in that category...²⁸ (my italics)

Grist continued his analysis of this marginal competitor: it had no programmers currently on board; it was dependent upon a launch vehicle with a 20 per cent failure record; there was no firm plan to manufacture receiving equipment; and it required a "multi-party agreement for any decision", effectively confusing and hindering the development of the project (contrasted by Grist with the efficiency of BSB and its "integrated management decisions"). It was, he concluded, "a wild card which may come together, but the timetable of it must be quite a long way away".²⁹

The Select Committee report was handed to the Home Secretary on 22 June 1988 and published early the following month. Its conclusions were distinctly softer around the edges than Thatcherites would have wished. The Committee shared the Home Office opinion that "the principles of public service broadcasting should be an integral part of the new broadcasting environment" (their bold), and that the BBC and ITV companies should continue in the capacity as PSBs, even though, in the case of ITV, "this must be in circumstances of increased commercial competition". Furthermore, evidence to the Select Committee had indicated "little support... for any form of advertising on the BBC"; nor indeed were they as convinced as had been Peacock of the viability of a BBC funded by subscription. 31

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²⁸ Ibid., p. 127.

²⁹ Ibid., p. 127.

³⁰ Home Affairs Committee, Third Report, *The Future of Broadcasting* (London: HMSO, 1988), HC 262-I, para. 24.

³¹ Ibid., para. 124.

"We regard it as essential that more services are not launched than are capable of being properly financed, given the standards which are expected of a British television service" The US cable experience, with myriad channels run on a shoestring with an output of low-cost and consequently - from the Committee's perspective - poor quality programmes, was not one which the Committee wished to see repeated in the UK.

Nor were the Committee convinced by the arguments for allowing a greater degree of cross-media ownership, or of non-EC nationals in the provision of television services. However, they were prepared to concede that significant benefits could be accrued by permitting overseas companies to become holders of cable franchises, thus hopefully allowing broadband's painful teething troubles to be eased somewhat by the injection both of foreign capital and of the experience that overseas operators would bring.³³

Perhaps the key recommendations made by the Committee concerned the need to amend the regulatory and broadcasting infrastructure. The evidence submitted to the Committee merely served to reinforce their belief that the proliferation of means of distribution necessitated some form of urgent change. The inclination of some members towards a division of responsibilities of regulation between all terrestrial and satellite / cable, was rejected. Instead, while the BBC was to continue as a broadcasting organisation, the Committee proposed concentrating the regulation - but not broadcasting - of *commercial* television in a single supervisory body: the Commercial Television Authority. The beauty of such a system would be that "skills in such regulation would be common across all the various methods of delivery": it would award both cable and

³² Ibid., para 30.

³³ Ibid., paras 42 & 44.

terrestrial franchises, negotiate in Europe on behalf of commercial television - and, should such negotiations be required, over the transmission of "undesirable" programming uplinked from overseas, and maintain the range, choice and standards of programming in the UK.³⁴ This body would also in effect spell the death knell of the Cable Authority. With its primary functions - the licensing and supervision of the cable operators - transferred to a proposed CTA, it would be left with promotion of cable - a task it had thus far performed with singular ineptitude.

Competition

While the Committee was deliberating over its findings, the wild card feared by Grist had been suddenly and spectacularly played. On 8 June, BSB's plans were thrown into confusion when, at the British Academy of Film and Television Arts, Rupert Murdoch emerged from a swirl of dry ice and the accompaniment of the Carmina Burana to announce his own plans for a four-channel satellite package, Sky Television. The cabled Sky Channel would become Sky One, making way in the late evening for six hours of arts programming on the Arts Channel; there would be a 24 hour news channel, Sky News; a film channel, Sky Movies; and Murdoch's joint venture with the EBU, Eurosport. All would be transmitted "in clear" in the PAL standard and would be financed by advertising. Although the service would be available across Western Europe, it was - with the exception of the multi-lingual Eurosport - being targeted specifically at the UK. Grist's analysis was woefully inaccurate. Not only did Astra now have a programme package, it

³⁴ Ibid., paras 102-4.

had one targeted at the UK in direct competition with BSB. Worse still, there was indeed a firm plan to manufacture receiving equipment. Flanking Murdoch at the presentation was Alan Sugar, who had struck a deal with Murdoch to supply the dishes and set-top boxes necessary to receive the package.

The initial reaction at BSB was of shock, mixed with a degree of blind panic. Murdoch's grand design, a free service, on air within months, would be, as Simonds-Gooding put it, "the formula of death" for their company.³⁵ But an emergency shareholders' meetings brought a sense of order to the company. Even by concentrating solely upon the home market, it appeared highly unlikely that Murdoch could make a profit on a service wholly funded by advertising; and secondly, there was the small matter of the films. It seemed inconceivable that the distributors would grant Murdoch UK film rights when the signal was being broadcast "in clear" across Europe; besides this, it was a widely held belief in the industry that secure encryption would be impossible using the PAL transmission standard. Nevertheless, a sense of unease remained.

The decision to use PAL as a transmission standard also provoked a degree of resentment amongst fellow broadcasters. In February, Sky had been one of ten companies to announce that they expect Astra to transmit in D-MAC. 36 This being said. Sky had been one of two channels "to express reservations" about the use of MAC - the other being SuperChannel - at the time: but had gone along with the others nonetheless.³⁷ But Alan Sugar had favoured PAL on the grounds that MAC was still experimental: delays in chip

Author's interview with Anthony Simonds-Gooding, 16/05/96.

Anon, "Satellite channels flex muscles", *Independent*, 16/02/88, p.18

Anon, "Back to drawing board for UK pay channels", *Cable & Satellite Express*, 17/06/88, pp.14-15.

manufacture could be disastrous in an operation where speed was perceived to be of the essence. Murdoch had been convinced, and went back to PAL.³⁸

Another potential obstacle lay in Murdoch's path. His deal with the EBU over the creation of Eurosport had caused W H Smith, the owners of ScreenSport, to raise an objection. The joint venture, they argued in a complaint to the European Commission, would grant Eurosport an unfair advantage over any competition, as the EBU negotiated cable and broadcast rights on behalf of its members and refused to allow ScreenSport - which was not permitted to join the EBU - access to the material³⁹.

Furthermore, the Home Affairs Select Committee Report had expressed a number of reservations about the new service. The trouble was, how was one to define Sky? Was a UK service, or an international one? And should any distinction be made between DBS satellites, and those - such as Astra - which were deemed "quasi-DBS", as they broadcast on medium-powered telecommunications satellites rather than "birds" designed under WARC specifications? Certainly, the channels did not broadcast on UK frequencies, so the proposed law restricting ownership by a non-EC national to less than 20% did not apply. The response - cobbled together at extremely short notice - was couched in terms that were cautionary but suitably opaque:

While this may be unobjectionable in itself, we regard it as imperative that ownership of extra terrestrial services based outside, but receivable in, the United Kingdom, should be taken into account in the provisions regarding ownership of the United Kingdom-based channels.⁴⁰

³⁸ Anon, "Murdoch breezes into town and upsets the best laid plans of mice and men", *Interspace*, 13/06/88, pp. 1-8.

³⁹ HC 262-II, p. 207.

⁴⁰ HC 262-I, para 43.

This recommendation was a good deal less than BSB would have hoped for. It would simply prevent Murdoch from obtaining a significant stake in the ITV companies or BSB itself - but the existing legislation provided for this. The Committee's solution studiously avoided any discussion of the politically awkward question that would arise if one substituted "newspapers" for "channels".

The brouhaha made by BSB over further competition, both from Channel Five (outlined in its evidence to the Committee), and from Sky, was not particularly well-received. BSB's argument, replied the Committee, was irrelevant: "BSB will be operating on the conditions known at the time of the award of the DBS franchise and in the expectation of international competition". This conclusion is somewhat duplicitous. Neither BSB nor the Select Committee, the IBA, the Home Office, Uncle Tim Renton and all had anticipated international DTH competition, believing rather that Astra would continue to tread the path laid by Eutelsat and provide services to head ends only.

In the light of this stony-faced refusal to react sympathetically to BSB's predicament, the Committee's subsequent comments are most interesting. The report stresses the importance of creating a "a UK base of high quality" in order to "counter the non-UK based services soon to be available via Astra"; if to "counter", then quite clearly there was the perception of Sky as a threat to the home-grown product. ⁴¹ But, if a UK base was deemed to be so important, then what steps were to be taken to nurture and consolidate one? The Committee's optimistic approach to BSB's chances apparently lay in its belief that "only half of the country will readily be able to receive non-DBS [Astra]

⁴¹ Ibid., para 176-7.

satellite services": with Astra's coverage being limited as far as DTH reception was concerned, BSB's domestic moratorium should, they felt, therefore be sufficient to build a sizeable consumer base; provided, it was stressed, the service was competitive.⁴²

The sense of unease expressed - however obliquely - by the Home Affairs Committee was in direct contrast to the response from Downing Street. On the day that Murdoch made his announcement, the Prime Minister gave a speech to the Press Association. Far from criticising Sky, she welcomed its arrival as an incarnation of the values she held most dear: market-driven freedom of choice:

I think that the free movement and expression of ideas is guaranteed far better by numbers and variety than it ever can be by charters and specific statutes...

There are some people who say it will drive television downmarket. Now, I have always believed that there is a market for the best and I do not like the argument and I do not believe it is necessarily true that television goes downmarket. I think British people can be a lot more discriminating than that, and I think that the opportunity of more channels and subscriber channels will perhaps enable us also to have some very upmarket television...⁴³

Policy development - II: Lord Young's intervention and Broadcasting in the '90s

Throughout the summer of 1988, as the aftershocks of Murdoch's announcement continued to reverberate around the corridors of BSB, and as the News International 'papers, both tabloid and broadsheet, began a relentless cheerleading exercise on Sky's

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⁴² Ibid., paras. 56 & 178.

⁴³ Margaret Thatcher, speech to the Press Association, 08/06/88, quoted in Nicholas Fraser, "That is really all I am going to say about the media", *IPPA Bulletin*, 07-08/88, pp. 1-4.

behalf, a curious performance was being conducted on the fringes. David Young, a property millionaire, had become one of the Prime Minister's closest allies. Appointed as a special advisor to the Department of Industry on Margaret Thatcher's arrival at Downing Street, Young was made Chairman of the Manpower Services Commission in 1982, and was granted a peerage two years later - with a seat in Cabinet as Minister Without Portfolio. A spell at Employment followed, and after a high-profile role throughout the 1987 election campaign - during which his insidious politicking was widely seen to have precipitated Party Chairman Norman Tebbit's fall from grace and decision to retire from government - he became Trade and Industry Secretary. One of Young's objective's was to transform the DTI into "a management consultancy serving industry" rather than a department treating a series of industrial lame ducks, an objective outlined early in 1988 in the White Paper, DTI - the Department for Enterprise.

Thatcher is once supposed to have remarked that "Other people bring me problems, but David brings me solutions". 44 Unfortunately, Young's solutions frequently involved treading heavily on the toes of anybody in the immediate vicinity, including other Secretaries of State, and ultimately creating a situation infinitely more complex and politically sensitive - as was the case when he applied himself to the matter of promoting satellite broadcasting. Young had become interested in a proposal put forward in the DBL franchise bid - that BBC2 and Channel 4 should be transmitted on the two remaining DBS frequencies, with transmission being transferred to satellite-only after an interim period of a few years. This would then leave their UHF frequencies free to be used by additional terrestrial networks, possibly organised on a similar basis to ITV, but with a greater

⁴⁴ Quoted in Hugo Young, One of Us (London: MacMillan, 1989), p. 516.

emphasis on local programming. Additionally, this should provide a greater incentive to purchase satellite receivers.

This was the argument that Young put to the Chairmen and DGs of the BBC and IBA at a meeting on 10 June. All were stunned: none had received any previously inkling of Young's grand design - there had been no mention of any such proposal in the DTI's evidence to the Select Committee less than two months previously. Even though Hurd was present at the meeting, it seemed as though he, too, had had little forewarning. To Young, it seemed a perfectly obvious means of stimulating growth in the receiver market. What he had not anticipated was the backlash that his proposal would generate, both from the broadcasters - who saw it an erosion of the public service remit to minorities, and, equally importantly, from the Home Office. The DTI's sole responsibility in broadcasting matters was the allocation of the frequency spectrum: Young appeared to have taken it upon himself to set broadcasting to rights without so much as a by-your-leave. When Mark Fisher, Labour's broadcasting spokesman, wondered whether the Home Secretary was "still in charge of Government broadcasting policy", Tim Renton's response, that all was "sweetness and light between the Home Office and the DTI" had a hollow ring. Hurd himself, sitting a few yards from Renton, did not comment.

The notion that Young had more or less plucked an idea out of the air and called it policy was given additional validity with the publication of the Select Committee's report.

The report stated that their deliberations "had been made more complicated... at a very late stage" by Young's proposal, and subsequently began to demolish his case. 46 There

⁴⁵ Hansard, 23/06/88, col. 1255.

⁴⁶ HC 262-I, para 45.

were, it said, "good reasons to doubt the prospects of obtaining wide coverage of BBC2 and Channel 4 on satellite": bearing in mind that, initially at least (the time when the satellite system would be seeking to establish itself on the market), the services would be transmitted both via UHF and satellite, it was unlikely that a high percentage of viewers would be induced to buy satellite dishes purely for the benefit of receiving BBC2 and Channel 4 in stereo; furthermore, the replacement of those channels by additional commercial services might well result in a replication of the content of ITV and a putative Channel 5, with a "distinct loss of choice to the majority". Moreover, the Committee concluded, "a major principle of public service broadcasting would be broken - universality". 47

Hurd in particular was believed to be profoundly irritated at the way in which Young was attempting to muscle his way into Home Office territory. Relations between the Home Office and the DTI, never the most harmonious, had deteriorated to such an extent that on 11 July Hurd called a meeting with Young in Silchester, near Newbury, both to establish a greater degree of common ground between the departments over the approach to the imminent White Paper, and as a means of clearing the air. From Hurd's perspective, it also represented an opportunity to demonstrate Home Office control over broadcasting policy - while DTI considerations should be taken into account, broadcasting was (and should be seen to be) accountable to Queen Anne's Gate. Also present at the meeting were Tim Renton, Financial Secretary Norman Lamont - the Treasury liked to keep an eye on broadcasting matters - and an entourage of civil servants and special advisors, including Jeffrey Sterling from the DTI. David Lidington from the Home

⁴⁷ Ibid., paras 49-50.

Office, and Brian Griffiths, Head of the No. 10 Policy Unit. 48 Young's satellite proposals were given short shrift. Two weeks later, the Home Office and the DTI issued a short statement, which said simply that "while the approach holds a number of attractions, some of the practical and other difficulties would be likely to prove intractable in the short to medium term".

Young's idea had risen and disappeared without trace.

In the light of this meeting, the Cabinet Committee on Broadcasting felt that it was in a better position to put the final touches to its forthcoming White Paper. During its discussions, Thatcher, for whom the BBC was as an Aunt Sally at which she would shy with ever increasing frequency and vigour, had continued to press both for advertising and subscription as a means to replace the licence fee, and was keen to see an explicit statement to that effect in the Paper. Whitelaw had strongly opposed her, threatening to resign from Cabinet when it seemed likely that Peacock would recommend advertising: but his shrewd, emollient influence was removed in January 1988 when he suffered a stroke and was forced to retire, depriving the public service broadcasters of one of their most tireless and loyal campaigners. As Nevertheless, the sheer weight of evidence that had been accumulated arguing against the introduction of advertising on the BBC forced her to abandon - with the utmost reluctance - one of her pet objectives. Subscription, however, was another matter. There seemed to be enough evidence to suggest that by making scart sockets mandatory in new television sets, the licence fee could be phased out

⁴⁸ See, amongst others, Raymond Snoddy, "Consensus reached on commercial TV", *Financial Times*, 12/07/88, p. 8; Jane Thynne, "Satellite plans for Channel 4 and BBC-2 axed", *Daily Telegraph*, 26/07/88, p. 3

p.3.
⁴⁹ Thatcher, op. cit., p. 636.

within a few years, allowing the viewer to choose whether or not to subscribe to the BBC. Hurd objected. This, like Young's scheme for the transference of the minority channels to satellite, would undermine the fundamental "universality" argument. As the White Paper neared completion, Hurd's role - and that of his Home Office colleagues - appeared to be to perform a damage-limitation exercise, to soften the edges of the wholesale changes that Thatcher and her allies envisaged for both terrestrial and satellite broadcasting. One government minister, interviewed by Raymond Snoddy, said that the resulting product was "what three of them [Thatcher, Lawson and Young] wanted and what Douglas Hurd was prepared to accept". 50

The White Paper, Broadcasting in the '90s: Competition, Choice and Quality, is arguably the most doctrinaire official policy document on broadcasting to have been published during the eleven years of Thatcher government. There are passages within the Paper which could fit snugly within any of the Prime Minister's speeches:

Broadcasting companies and organisations of all kinds should be briskly and efficiently run. They should give value for money to the viewer and listener and compete effectively with each other and abroad. The present duopoly can no longer be insulated from the disciplines necessary to bring this about.⁵¹

As far as the licence fee was concerned, the market-liberal strains were self-evident ("The Government looks forward to the eventual replacement of the licence fee", but Hurd had stuck to his guns with enough tenacity to ensure that no time-table was set for this

⁵⁰ Quoted in Snoddy, op. cit., p. 165.

Home Office, Broadcasting in the '90s: Competition, Choice and Quality (London: HMSO, 1988), para. 2.6.

⁵² Ibid., para 3.10.

eventuality. The tenor of the paper can further be evinced by the following paragraph, wherein the BBC was authorised "to encrypt its service". Should the BBC not feel inclined to do so, the Government would provide "a financial incentive" - license fee increases of less than the RPI after 1991.⁵³

Turning to the ITV companies, the White Paper echoed Peacock's conclusion that the franchises should be auctioned off to the highest bidder, with no regard for the track record of the companies concerned - a decision that Thatcher would later come to regret. She had also pressed for, and obtained, a stipulation that the "positive programme requirements" of Channel 3 - as the companies would henceforth be known en bloc - would be less rigorous than those governing ITV.⁵⁴ Although Thatcher would not admit it, this was essentially a licence for prospective franchise holders to go downmarket in pursuit of greater audiences. It also endorsed the Select Committee's recommendation for all commercial television to be brought under the aegis of a single regulatory authority, the Independent Television Commission (ITC). As this body would be a purely regulatory, rather than broadcasting, authority, it was to arrange that the nation-wide transmission system, currently operated by the IBA, should be privatised, and awarded to regional contractors.⁵⁵

The White Paper's treatment of DBS was relatively cursory in comparison. It acknowledged that it would be regulated by the ITC, and that the British DBS venture BSB would be protected from competition for an initial three years. It also argued that under the legislative framework it had provided, the market would determine the success

⁵³ Ibid., para 3.11.

⁵⁴ Ibid., para 6.11.

⁵⁵ Ibid., para 9.4.

of DBS development in the UK. The Government, it continued, "has not tried to pick a

winner and then back it with taxpayers' money". 56 Possibly not; but it had picked Unisat

and forced it down the gullet of the Satellite Broadcasting Board, effectively stymieing any

chance of commercial success that venture might have had.

Even less mention was made of BSB's newly-found competitor. Sky received no

mention as such; Astra's existence was acknowledged only in passing. The paper simply

observed that their regulation would be conducted by the ITC, and that "The Government

proposes to leave the further development of other satellite services to the market". 57

There was no mention of any restrictions that might be imposed upon non-EC nationals or

on concentration of ownership.

Service development: Sky vs BSB

Murdoch himself had hit a snag. After initial negotiations with film distributors, he was

finally forced to concede that his desire for an advertising-funded service simply would not

go ahead. The distributors were implacably opposed to the transmission of a film service

"in clear": even if Murdoch's target audience was the UK, the footprint extended across

Europe, where the rights to films might well be held by other broadcasters. The only

solution would be some form of encryption for the UK audience. On 10 October,

Murdoch held a press conference at the National Theatre to announce his decision: while

⁵⁶ Ibid., para 4.19.

⁵⁷ Ibid., para 6.31.

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Sky One, Sky News and Eurosport would remain unencrypted, Sky Movies would be available only to viewers who paid a subscription.⁵⁸

The growing realisation that his film service would have to be encrypted left Murdoch in urgent need of a means of encryption. This had led to brief rejoicing at BSB and the IBA, who were confident that Murdoch would struggle to encrypt PAL. The Orion-Oak decoders utilised by Sky Channel were all very well for transmission to head ends, but individual sets were another matter - at least according to the IBA, when questioned on the matter by a dubious Simonds-Gooding:

The IBA said, "Yes, it could be done, but they couldn't deal with large volumes. When you turned your set on, you'd have to wait twenty minutes before it fired up and let you in... PAL can't do it, you must be joking, they'll never be able to encrypt, the picture'll be pathetic if it rains"... [And then] one day, PAL was working with encryption... Murdoch.. was endlessly trumping the IBA technical experts. Every time, they were saying, "This is impossible, this won't work, this'll take them years, this'll cost too much", and every time they were proved wrong. They really muffed it. Very British, 59

The system with which Murdoch trumped the IBA engineers was derived from a system designed by Thomson for the French subscription service Canal Plus, and subsequently modified by News Data Security Products, an Israel-based subsidiary of News International. The system, VideoCrypt, utilised a low-cost "smartcard", mailed to subscribers, which contained a small microprocessor: the card could then be inserted into the receiving box to unscramble the signal. However, the smartcards - which Amstrad

Peter Fiddick, "Sky Movie to be pay-only TV", Guardian, 11/10/88, p. 22.
 Author's interview with Anthony Simonds-Gooding, 16/05/96.

would manufacture - would not be ready in time for Sky's service launch in February, which necessitated more protracted discussions with the film companies to assure them that the encryption would be in place as soon as possible after this point.

Arguably the most bizarre, ludicrous and frenetic scenes of the history of British satellite broadcasting then followed. Both BSB and Sky, rightly or wrongly, perceived films as the best means of attracting viewers. For the studios, this represented manna from heaven, as respective teams from BSB and Sky were sent to the US with the intention of outbidding each other for major film packages. It was a messy and expensive jamboree. BSB signed up a 94 film package with Warner, 58 from Cannon, 175 from Columbia and then, in early December 1988 a 650 film deal with Paramount and MCA / Universal. 60 Sky obtained the entire output of the Fox studios (owned by News Corporation), struck deals with Disney and Orion, and then managed to bag future Warner releases from under BSB's noses when Simonds-Gooding was unable to arrange a cash release in time. It was estimated that the entire farrago cost in the vicinity of £670 million, of which BSB's outlay was some £400 million.

Ironically, it is arguable that the contest need never have taken place. Before Murdoch entered the bidding, Andy Birchall had spent the majority of the negotiations in attempts to reduce the length of the video "window": the time between video release and availability for broadcast via satellite. By the time that Birchall realised that the distributors would be implacable on this matter, BSB was faced with the competition from Sky. 61

61 Author's interview with John Gau, 02/05/96.

⁶⁰ Steve Absalom, "BSB beams up £87m bonanza for movie fans", *Daily Mail*, 30/11/88, p. 5; Raymond Snoddy, "BSB in £170m deal for 650 feature films", *Financial Times*, 07/12/88, p. 3.

There were similar contrasts in the programming budgets. BSB had decided to award contracts for individual channels, which were put out to tender. When negotiations with ITN, to provide a comprehensive news service, fell through, the contract, worth £60 million over five years, was subsequently offered to IRN; light entertainment programming, worth £36 million over three years, was given to Noel Gay Television, the independent production company chaired by Bill Cotton; a three year contract worth £75 million, to Mark McCormack's TWI, to provide sports programming; and the Lifestyle contract (£24 million over three years) to a consortium of Yorkshire Television and Associated Newspapers, and headed by the producer Mike Hollingsworth and his partner, the breakfast television presenter Anne Diamond. The beauty of this last deal was that it brought the *Daily Mail* on side: small arms compared to Murdoch's Wapping arsenal, but a useful ally nonetheless.

Shortly before the programming deals were settled, BSB announced the appointment of John Gau as Director of Programming. Gau, once Head of Current Affairs at the BBC, had been pencilled in as a future Controller of BBC1, but the buck had stopped with him following the filming of an IRA road-block at Carrickmore in 1979, and he was passed over for the post in favour of the then Head of Sport Alan Hart. He had then decided to make his way in the independent sector, founding John Gau Productions: this quickly established itself as a leading provider of programming for Channel 4 and, in the wake of the Peacock Report, for the BBC itself. His name as a possible DP had been suggested by Bill Cotton, and after a meeting with Simonds-Gooding at JGP offices in Putney, he was duly offered the job. Gau had some knowledge of satellite broadcasting

⁶² Simon Long-Price, "BSB names victorious duo", Campaign, 30/09/88, p. 28.

through his involvement in Consolidated Broadcasting's participation in the Club of 21, but had not, by his own admission, paid too much attention to the development of BSB. When he arrived, it was to find a state of internecine strife amongst the channels heads, who were continually bickering about which programming would be located on which channel. It was a situation that Gau confessed to finding "astonishing... They were already eighteen months in and hadn't got a Director of Programming... If you come in half-way through, clearly you're going to have difficulty to set it up". 63 Matters were not helped by the fact that the channels heads were not individuals whom Gau would have chosen. "It was not", he concluded, "a very satisfactory set-up". 64 His response was to shift Bob Hunter, MD of Now, into Gunnar Rugheimer's post at Galaxy, offering Rugheimer the sinecure post of Director of Corporate Development. In place of Hunter came Hugh Williams, a one-time colleague of Gau at the BBC and former editor of the news magazine programme Nationwide. 655

This large outlay of capital added to the growing unease of one of the consortium's founder members. Just as the anticipated costs of the "Club of 21" had mushroomed, so too had those of BSB: the 1986 projection of £625 million was being revised to nearer £1 billion, following the frantic dashes by shareholders' representatives to their parent boards for money to fund the film wars. 66 This was the last straw for Virgin, who announced that they wanted to sell their £25 million stake, a situation which

⁶³ Author's interview with John Gau, 02/05/96.

⁶⁴ Ibid

⁶⁵ Ibid.

⁶⁶ Jo Vale, "BSB to raise £1bn as costs go into orbit", Campaign, 18/11/88, p. 19.

Simonds-Gooding found "a real pain in the bum". ⁶⁷ To his (and Virgin's) relief, Alan Bond agreed to buy the stake. ⁶⁸

In stark contrast to BSB's commitment to heavy investment in new programming, Murdoch was maintaining his "lean and mean" approach. The original programming commissioned from independent production companies for Sky One consisted largely of new editions of trusted gameshows, such as *The Price Is Right* and *Sale of the Century*. Much was also made in the Murdoch press of the growing number of celebrities who had signed up for Sky: HTV anchor Alison Holloway and TV-am presenter Kay Burley, promoted as adding glamour to the Sky News service, followed by veteran presenter Frank Bough, formerly of the BBC's *Grandstand* and *Breakfast Time*, but subsequently at a loose end after a series of revelations in Murdoch's tabloids. Sky also claimed Selina Scott as one of its stars, a claim vigorously refuted by Scott herself, whose appearances on the service would be courtesy of a CBS programme *57th Street* acquired by Sky, which featured Scott as an interviewer.

To assist in Sky's launch, Murdoch drafted in one of his favoured executives: the Sunday Times editor Andrew Neil, a belligerent, technophile Scotsman with a penchant for sharp suits and glamorous escorts, mercilessly lampooned in the satirical magazine Private Eye as "Brillo Pad" due to his short, wiry hair. Within days of his arrival, Sky seemed to have pulled off a considerable coup. A photocall was staged featuring Neil cuddling a six-foot tall Mickey Mouse, which pronounced that Sky had added a subscription Disney Channel to its package. ⁶⁹ Like the other film distributors, Disney had

Author's interview with Anthony Simonds-Gooding, 16/05/96.

⁶⁸ Chippindale & Franks, op. cit., pp.76-7.

⁶⁹ Maggie Brown, "Sky TV adds Disney channel", *Independent*, 22/11/88, p. 3.

refused to become involved while Sky intended to broadcast unencrypted, but Murdoch's repositioning on the matter had changed the situation.

On 11 December, at 00.33 GMT the Ariane-4 rocket was launched successfully, carrying both Astra and Skynet 4B, a Ministry of Defence satellite: a series of minor technical problems had delayed the launch by 24 hours, and the sense of relief, both at Sky and Astra, was overwhelming. The SES team had other reasons to be cheerful. Starstream had been the first English language broadcaster after Sky to arrange a deal with Steve Maine, leasing a transponder for their Children's Channel. Others followed in a rush. In October, W. H. Smith had announced that their channels, ScreenSport and Lifestyle, would be transferred from Intelsat V to Astra, and would be broadcasting in PAL. 70 This volte-face on the part of Francis Baron and the W H Smith TV management seems to have been made on the grounds of pragmatism. They were followed shortly afterwards by the considerable figure of Robert Maxwell, whose Mirror Group were joint owners - with British Telecom and Viacom - of MTV Europe, the pop music channel. 71 With the Swedish conglomerate Esselle leasing a transponder for its FilmNet service (thereby joining fellow Nordic channels Teleclub AG, TV 1000, and TV 3), and four other transponders leased directly by SES to German broadcasters (RTL Plus, RTL 4 Veronique, Sat 1 and Pro 7), Astra 1A was fully booked.

One of BSB's major grumbles had been the way in which the Murdoch press had brazenly trumpeted the coming of Sky while simultaneously either ignoring, or doing down, its British counterpart. At the announcement of the service, a *Times* leader had

⁷⁰ Harvey Lee, "PAL is picked by W H Smith", Broadcast, 28/10/88, p. 3.

André Goodfriend, "Satellite broadcasting in the UK", in Ralph Negrine, Satellite Broadcasting: The Politics and Implications of the New Media (routledge: London & New York, 1988), p. 156.

been positively gleeful, seizing the opportunity to damn the duopoly one more time, and predicting that "the new freedom of choice [Sky] will bring should transform the face of British television to the benefit of everyone", 72 while the Sun dutifully (if erroneously) reported that "High Street electronics shops have been packed with punters trying to order the systems". 73 An article in the News of the World served the cause in admirable fashion: "20 Out-of this-world things you need to know about satellite TV" pressed home the message that Sky would be FREE (their bold and capitals), while emphasising that BSB intended to charge a monthly subscription; it also achieved the feat - in successive paragraphs - of observing that "sex movies" could be picked up in the South of England from Canard Plus (sic), and subsequently reassuring its readers that nothing of the sort would be allowed on the Sky Channels themselves.⁷⁴ (The News analysis of continental television was thus somewhat different to that of the Home Affairs Select Committee: foreigners broadcast smut, naturally; but you can pick it up on our dishes if you're interested...) But it was a comment by Alan Sugar that first sparked a BSB response in the national press. Sugar had denigrated the D2-MAC sets, insisting that they were still in development, and that viewers with PAL sets would not be able to receive the benefits: so confident was he of his boast that he offered £1 million to anyone who could provide him with a better picture. BSB's answer - headlined "Dear Alan. Looks like your PAL just cost you a million" - was that the picture on a PAL set could be improved via a "Euroconnecter" attached via the scart socket, and invited Sugar to donate the money to a

¹² Anon, "Sky Channels", *Times*, 10/06/88, p. 17.

⁷³ John Kay, "Great dash for the TV dish", Sun, 11/06/88, p. 10.

⁷⁴ Charles Catchpole, "20 Out-of-this-world things you need to know about satellite TV", *News of the World*, 12/06/88, p. 39.

charity of his choice. Sugar retorted that his set, which was several years old, didn't have a scart socket. Shortly afterwards, a "report" in *Today*, insisting that an Amstrad dish would be the size of a dinner plate, brought the BSB slogan writers into action once more. Under a picture of a dinner plate flanked by knife and fork came the headline: "Dear Rupert, If your satellite dish is a dinner plate, you must eat whopping dinners". The accompanying text stated that north of Manchester, a dish would have to be 75 cm in diameter to receive Sky - quite some dinner plate.

As the launch of Sky grew ever nearer, the campaign intensified. Jonathan Miller, media editor of the *Sunday Times*, was appointed Sky's Director of Corporate Affairs. It was subsequently alleged that Miller used his influence at Wapping to commandeer the design department and ensure that work on Sky advertisements - run with increasing frequency in the News International titles - was given priority over *Sunday Times* features. (Miller vehemently denied the allegation.) One such advertisement, published in the *Times* on 29 December, sent Simonds-Gooding over the edge. Using the same argument that had been put by Bryce McCrirrick several years previously, it claimed that viewers with VCRs would be unable to tape MAC programmes because their recorders were only compatible with PAL signals; additionally, BSB's promise of MAC in widescreen would not be feasible for several years to come. Simonds-Gooding complained to both the Office of Fair Trading and the Advertising Standards Authority. This ultimately resulted in the ASA issuing Sky with a mild rebuke, describing the advertisements as "misleading" and stating that similar features should not be run in

75 Press campaign launched on 30/09/88 in Daily Mail among others.

Anon, "Murdoch papers run 'in house' ads for Sky, Campaign, c. 25/12/88, p. 21.

future. Miller sneeringly dismissed the verdict as "a mealy-mouthed response designed to please everyone": rather setting the trend for the contemptuous manner with which Sky would treat the national regulatory authorities. ⁷⁷

Naturally enough, BSB were utterly dismayed by this. At the Conservative Conference in October, Simonds-Gooding had made a speech at a Bow Group meeting in the presence of Tim Renton, asking for some form of restriction on the media empires of Murdoch and Maxwell, and of the way in which Murdoch was harnessing the powers of his newspapers:

The unique prominence given to Sky Television in News International's newspapers and the seeming mixing of promotional references with editorial matter must give rise to doubts about whether News International's objectivity may be undermined by their wider commercial interests.⁷⁸

Worse still as far as BSB were concerned was that Sky was keeping to schedule. Back in June, 1988, Murdoch had insisted that Sky would be launched on 5 February 1989. It was. At 1800 GMT its four channels - Sky, Eurosport, Sky News and Sky Movies began broadcasting. The downside was that its initial DTH audience numbered no more than a couple of hundred. And as the year went on, it became obvious that, although an initial shortage of receiving equipment had been rectified, the public were not buying it. This led to Sky contracting sales and installations teams, largely composed of teenagers on commission, to sweep through council estates nation-wide, extolling the virtues of

⁷⁷ Jo Vale, "BSB wins minor victory in Sky ads battle", Campaign, 10/02/89, p. 23.

⁷⁸ Anthony Simonds-Gooding, speech to Bow Group meeting, quoted in Anon, "BSB chief bids to shoot down Sky", *Campaign*, 21/10/88, p. 26.

subscribing to the Sky package. The technique worked, and Sky's subscriber base rose sharply.⁷⁹

One small crumb of comfort for BSB to emerge from the White Paper had been the likelihood that it would have additional channels with which to combat Murdoch. However, there was still the elaborate and lengthy rigmarole of application. The IBA had issued an announcement approving the advertising of the fourth and fifth channels on 12 January 1989, inviting initial expressions of interest by the end of February. It hinted that the most likely means of achieving early start-up for these additional services was through the use of spare transponder capacity on the BSB satellite. The contract specifications issued to prospective applicants cited BSB's willingness "to lease transponder capacity on commercial terms to an IBA programme contractor". 80 BSB's own proposal involved a restructuring of its Now channel, which would become predominantly "women-oriented", with programming on leisure, health, education and the environment in addition to regular news bulletins; the McCormack-produced sports programming would be hived off onto one of the additional transponders as The Sports Channel, with the fifth service, The Power Station, intended to be a 24 hour music service to rival MTV Europe. In the event, competition was limited. ITC Entertainment Ltd, with its extensive library of cult 1960s programming such as The Saint and The Persuaders, put forward proposals for a single general entertainment channel, but admitted to reservations about running a transponder, preferring the option - if available - of supplying a programme in co-operation with a partner. Likewise, Starstream applied only for a daytime segment on which to run its

⁷⁹ Chippindale & Franks, op. cit., pp. 179-180.

⁸⁰ IBA, "DBS Channels 4 and 5: DBS Contract Specification Document: Programme Contract Specification", 01/89, para. 2.23.

Children's Channel.⁸¹ Two other informal "expressions of interests" - from Yorkshire Television and the management and programming group Hydra, had withdrawn before bids were submitted at the end of April.⁸² It was effectively a clear run. Even so, the IBA's endorsement of BSB's application was distinctly lukewarm, particularly regarding its proposal for The Power Station which, it felt, "showed a restricted view of the interest of young people".⁸³

But delays continued to dog BSB's progress. On 14 June 1989, Graham Grist was summoned to Simonds-Gooding's office and dismissed. Simonds-Gooding decided that Grist had been overly secretive about the reasons for the delay in the manufacture of the encryption chip. Only after Grist's removal did the major reason for the delay become apparent. The chip had apparently been *too* secure - General Instrument's previous work for the US military had enabled them to produce designs which would thwart not only everyday hackers seeking to avoid subscription payments, but also the determined efforts of British Intelligence. General Instrument's involvement had resulted in agents from GCHQ descending upon Grist and David Eglise, his deputy, and demanding, under the Interception of Communications Act 1985, that they were allowed to look at whatever they wanted: this necessitated General Instruments having to go away and redesign the chip. Both Grist and Eglise had kept the news of the chip's reworking to themselves, and not unnaturally Simonds-Gooding was exasperated with his former deputy when the truth came out.⁸⁴

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Richard Gold, "BSB looks set to bag extra satellite channels", Media Week, 05/05/89, p. 6.

⁸² Claire Burnett & Glyndwr Matthias, "BSB tipped for DBS channels", *Cable & Satellite Express*, 21/04/89, pp. 1 & 72.

⁸³ IBA press release "Offer of Programme and Teletext Contracts for DBS Channels 4 and 5", 15/06/89.

⁸⁴ Author's interview with Anthony Simonds-Gooding, 16/05/96.

Shortly afterwards, BSB suffered another body blow. At the end of June 1989, the Australian Broadcasting Tribunal announced the results of an inquiry into Alan Bond's Australian television and radio interests. It found that Bond had given false evidence to the Tribunal; had agreed secret payments to the premier of Queensland; and had threatened to use journalists from Channel Nine to gather information on a possible competitor. It therefore ruled that Bond was unfit to control broadcasting interests. BSB's Antipodean milch-cow, who had additionally been in dispute with the Australian Stock Exchange over his plans to reduce the Bond Corporation's debts by selling off its brewing interests to a subsidiary, Bell Resources Ltd, saw the Exchange suspend dealings in BRL as a result.85 BSB were mortified, but in the circumstances - no other major source of income presented itself - there seemed little that the shareholders could do but issue a public endorsement of Bond, rather in the manner of an ostrich sticking its head in the sand and hoping the trouble would disappear. The situation was made all the more acute in that Bond had just committed himself to injecting a further £27.6 million into the ailing company, bringing his stake to 36.4%.

The situation had provoked concern in other quarters. Roger Gale, one of the more thoughtful members of the Home Affairs Select Committee, put a motion before the House of Commons on 19 May arguing for the Government "to pay particular attention to the need to stimulate quality programming and maintain diversity of ownership and choice; and further calls on Her Majesty's Government to establish a coherent policy for the promotion of United Kingdom and pan-European satellite services". 86 Gale, recognising

Lisa Buckingham, "Ruling casts doubt on BSB", Guardian, 27/06/89, p. 11; Bruce Jacques, "Bond pledges to clear name after double rebuke", Financial Times, 27/06/89, p. 1. 86 Hansard, 19/05/89, col. 585.

that competition between BSB and Sky might mortally wound both combatants, described the situation as "absolute madness" and called for some form of "co-operation and clear strategy" between the two, possibly through the utilisation of, as he envisaged it "one super-astra 80 channel satellite". 87 But the most severe criticism, of Murdoch's ability to exploit what he described as a "lacuna in the law", came from John Wheeler, the Committee's Chairman: this lacuna was the exclusion of medium-powered satellites from the regulations governing DBS satellites, particularly as far as cross-media ownership was concerned:

If cross-control of the media is a bad thing, then such control should apply regardless of whether the service is transmitted terrestrially, by high-power satellite or by medium-power satellite...

It is wrong to argue that since such medium-power services do not use national frequencies, the Government are powerless, particularly if the services are based in, linked up to, or financed from this country, or would expect coverage on cable or multi-point video distribution services here. safeguards could bite on any of these points in the last resort. If all else failed, the newspaper interests of any group seeking to defy the rules laid down by Parliament could be brought into question, with divestment available if necessary.⁸⁸

Furthermore, continued Wheeler, in the longer term it might be practicable to introduce pan-European legislation on this issue.

⁸⁷ Ibid., cols. 592 & 631.

⁸⁸ Ibid., col. 602.

Policy development - III: the Broadcasting Bill

Wheeler's criticisms were ignored when the Broadcasting Bill was published on 7 December 1989. Applicants for non-domestic satellite service licenses would be exempt from the "disqualified persons" regulations governing the ownership of UK broadcasting frequencies. Indeed, applications for non-domestic licenses would only be refused if it appeared that the services offered might cause offence to taste and decency and/or "not preserve due impartiality". (Murdoch's most outspoken critics argued that his track record in tabloid publishing hinted that he ought to be disqualified on both counts.) In an attempt to rectify this perceived injustice, BSB embarked on a prolonged lobbying campaign, sending copies of a weighty anti-Murdoch brochure, "Raising Kane" to selected "opinion formers" across the country, wining and dining prospective supporters in Parliament and stepping up their advertising in the press. 91

The resignation of Nigel Lawson as Chancellor some six weeks previously had seen Douglas Hurd move to the Foreign Office, and the appointment of the former Chief Whip David Waddington as Home Secretary. As Raymond Snoddy relates, Waddington, who knew nothing about broadcasting, wanted a broadcasting minister who would be capable of overseeing the Bill's potentially tortuous passage through Parliament. He asked for, and received, David Mellor, the ebullient MP for Putney who had held the broadcasting portfolio prior to Renton. By and large, the broadcasters were relieved.

⁸⁹ Broadcasting Bill 1989, schedule 2, Part II, para 2 (2).

⁹⁰ Ibid., Part II, clause 6 (1) and Part III, clause 40 (2).

⁹¹ Chippindale & Franks, op. cit., pp. 212-14

Mellor was a "wet" who "saw a clear need to improve a dogmatic Thatcherite bill". 92 Even so, while he managed to soften the auctioning of the ITV franchises by the insertion of a "quality threshold", the provisions relating to non-domestic satellite licences were sacrosanct. And no amount of BSB lobbying should be allowed to amend them during the Bill's passage.

In early May, 1990, some such amendments to the Broadcasting Bill were duly considered in Parliament. One, from the Labour MP Norman Buchan, argued that the provision of a non-domestic satellite service without a Government licence should result in that service being proscribed. Buchan, like a majority of Labour MPs, was aggrieved that non-domestic services would be exempt from the restrictions on cross-media ownership proposed in the Bill. It was a provision, he argued, intended solely for the benefit of News International.⁹³ Should News be excluded from the nationality rule, it could therefore be subject to ITC proscription orders. Mellor's response was that such proscription orders (covered by clauses 165 and 166 of the Bill) were designed to cover services which were not uplinked from the UK and not subject to ITC regulation; furthermore, such orders would normally only be enacted should the content of such a channel be deemed to consist of hard-core pornography or excessive violence.

Two related amendments were discussed the following day. Roy Hattersley wanted the provision in the Bill, exempting non-domestic services - such as Sky - and local delivery licences from the "disqualified persons" rule, removed. Under the terms of the 1984 Act, persons or bodies corporate were disqualified from owning more than 20%

 ⁹² Snoddy 1996 op. cit., pp. 169 & 175.
 ⁹³ Hansard, 08/06/90, cols. 149-151.

of independent television, satellite television, and local cable franchises. Why, Hattersley asked, should this not apply to satellite services uplinked from this country? Perhaps, he pondered, it was "purely coincidental" that Sky had been excluded: "I look forward to hearing the Minister explain that it is all a matter of principle and that the idea it is done with a specific intention is an unworthy suspicion that I should banish from my mind".⁹⁴ Mellor replied that "it would be an own goal of fairly spectacular proportions" to bring News International under the scope of the regulations: to do so would "require Sky Television to be uplinked from somewhere on the continent, with the loss of 1,000 jobs". But this was not a requirement insisted upon by Hattersley: it was an inference drawn by Mellor. The Labour proposal would, indeed, require Murdoch to divest himself of some or all - of his holdings in one or other media - Mellor was making the assumption that he would seek to maintain control by moving to the continent. The other conclusion that can be drawn, even at this stage, is that Murdoch had hinted, privately, that should any amendment to the Bill succeed, then he would depart for Continental Europe. 95 Despite Mellor's denial of any "slavish subservience to the interests of Mr Murdoch", the interests of Mr Murdoch were undoubtedly well-served by the proposed legislation. ⁹⁶ Hattersley tried again, from another angle: Mellor had agreed that it would be right to control the contents of Sky's broadcasts; was there not

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⁹⁶ Hansard, 09/05/90, col 209.

⁹⁴ Ibid., 09/05/90, col. 207.

Anticipating a campaign to have Sky's services outlawed, Andrew Neil and Jonathan Miller had travelled to Luxembourg in the summer of 1989 to meet Jacques Santer, then that country's Prime Minister, and had asked about the possibility of uplinking Sky from the Grand Duchy. According to Neil, Santer was amenable to the proposal. What is unclear is (a) the extent to which this contingency measure was developed, and (b) how much the Government knew about it. See Andrew Neil, Full Disclosure (London: MacMillan, 1996), p. 306.

Some inconsistency in his distinction between offering ownership, some degree of control over ownership, refusing a degree of control over ownership, but nevertheless believing that, despite the international character, there can be some degree of control over the broadcasts.⁹⁷

Ah, replied Mellor: "Political arguments are inevitably composed of a combination of principle and practicality". 98

The other amendment had been proposed by the Conservative MP John Watts, the recipient of intensive BSB lobbying: indeed, the amendment he now put forward had been essentially drafted by BSB. Its intention was that, once a service which demonstrably broadcast at the UK reached an audience of 3 million households, then the ownership of that service should be subject to cross media rules limiting newspaper owners to a 20% stake. Such a rule, argued Watts, would "provide consistent safeguards". 99 It was "logically indefensible for the Government to maintain that cross-media ownership is generally wrong, but that it is all right if a particular technical measure of broadcasting is used". 100 With the three million threshold some way off, this would allow Murdoch time to divest himself of the majority stake. Sky's advocates were quick to point out the flaws in such a clause: Norman Tebbit thought that to take action against a UK company, allied to a company outside British jurisdiction, would be "slightly odd", while his *Target* sparring partner Austin Mitchell protested that such an amendment would cause Sky's immediate demise: although Watts' proposal would not require immediate divestment, it was

⁹⁷ Ibid., col. 210.

⁹⁸ Ibid.

⁹⁹ Ibid., col 226.

¹⁰⁰ Ibid., col 233.

nevertheless a "time bomb" underneath the service. 101 Mellor's retort was more pragmatic.

Why three million?

It would be wrong for the House to arrive at some arbitrary figure at which we allege - we have no basic

reason for thinking so - that profitability would be reached. I am far from persuaded that providing such

services to 3 million homes means that profitability has been achieved, given the hundreds of millions of

pounds that will have been expended in trying to make those ventures a success. 102

Watts agreed to withdraw his amendment, at which Hattersley insisted on a vote for his: it

was duly defeated by 275 votes to 178. BSB's lobbying was not paying off.

From BSB to BSkyB

The BSB launch had meanwhile been conducted in a shambolic manner that was sadly

typical of the company's modus operandi. As Bill Cotton had observed nearly eight years

previously, it would be essential to have the receiving equipment - the dishes and the set-

top boxes - available at retail outlets before the service was up and running. It gradually

became apparent to the BSB management that, far from having 50,000 units in the shops,

there were barely 2,000, of which only a handful had been sold by mid-March. This led

BSB to opt for a "staggered" launch: the service would initially be offered to a number of

cable companies nation-wide, giving BSB a potential audience of 270,000. This trial

¹⁰¹ Ibid., cols. 231 & 242.

¹⁰² Ibid., col. 256.

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begun on 27 March, was followed on 29 April by the official launch, ¹⁰³ But the BSB "squarials", their flat, square, satellite dishes, remained largely absent from shop windows and thus, from rooftops.

January had seen the second round of funding for the consortium a process that, with the launch delay, was rather more uncomfortable, protracted, and expensive than the board had anticipated. While Barclays Bank agreed to provide BSB with a loan of some £450 million in the form of non-recourse project finance, this was dependent on the shareholders finding an equal amount from amongst themselves. Only the major shareholders - Reed, Pearson, Granada and Chargeurs - felt that they were in a position to do so, and even then the Stock Exchange insisted that the three quoted British companies hold extraordinary general meetings so that their respective members would have the opportunity to approve the guarantees. 104 Alan Bond, far from wishing to participate further, was by now desperately trying to divest himself of his stake in BSB, but his attempts, which continued throughout the spring and summer, proved fruitless. Approaches to Paramount and Disney (who had pulled out of their deal with Sky¹⁰⁵) came to nothing; Robert Maxwell's initial interest disappeared when he realised that, due to the cross-media restrictions of the 1984 Broadcasting Act, he would be limited to a 19.9% stake; Michael Green, as ever, wanted managerial control, a situation which was as unattractive to the BSB board as it had been in the run-up to the award of the franchise, and when it was made clear to Green that his terms were unacceptable, he too passed up

¹⁰³ Steve Clarke, "BSB beams, but dearth of hardware dogs debut", Sunday Times, 22/04/90, p. C11.

Mathew Bond, "BSB to spend further £900m", Times, 24/01/90, p. 15.

¹⁰⁵ Chippindale & Franks, op. cit., p. 139.

the opportunity. 106 Bond was furious, and on 3 August issued a writ against the other shareholders, arguing that their grounds for rejecting Green were unfair. 107

But if the situation for BSB's 'Big Four' was bad, then for News Corporation it was close to terminal. Throughout the 1980s, Murdoch had extended his empire across the globe: Times newspapers, Twentieth Century Fox, Metromedia, the Triangle group, purchases largely financed on the back of short-term debt. Murdoch had commonly used asset disposals to reduce his debt, but the late 1980s saw interest rates rise in the US and UK, and the market grew less attractive for the American and Japanese banks. The financial year ending June 30, 1990, saw News Corporation more than A\$10 billion (£4.1 billion) in debt, of which short-term debt amounted to A\$2.9 billion (£1.2 billion). 108 The company found itself unable to pay off the majority of an A\$750 million loan, and was forced to ask its bankers to roll over some A\$500 for three months. 109 It soon became clear that News would be unable to meet this deadline. Throughout September, the News share price went into free fall: shares worth A\$14.60 earlier in the year had fallen to A\$6.50 on the Sydney stock market by the end of the month. The fund management group Fidelity, which held some 8.8 million News Corporation shares, disposed of its holding. Others followed in a rush. When, on 1 October, a further dollar was knocked off share prices, the Australian Stock Exchange asked News if it knew of any reason for the furious trading, the News response was to say that "The Board of Directors are unable to offer

¹⁰⁶ Ibid., pp.241-2.

¹⁰⁷ Martin Winn, "Fears for BSB as viewers fall short of target", Sunday Times, 29/07/90, Business Focus

p. 1.

108 Jeff Randall, Fiona Walsh & Ivan Fallon, "A bid too far", Sunday Times, 07/10/90, Business Focus p.

¹⁰⁹ Shawcross, op. cit., p. 504.

any such explanation and there are no matters of a negative nature about to be announced". As Murdoch himself prepared to persuade shareholders - and the Stock Exchange - to take up an issue of limited voting preference shares (thus enabling Murdoch to raise capital without diluting his family's controlling interest), behind the scenes, a team from Murdoch's largest creditor, Citibank, had been assembled to try and find a way to restructure News Corporation's debt.

It was John Veronis, the Chairman of New York brokers Veronis, Suhler and Associates who had arranged Murdoch's purchase of Triangle, who brought the two sides together. Veronis regarded the situation in British satellite broadcasting, where the competitors were haemorrhaging money, as ridiculous, and had invited Murdoch and Peter Davis, the Chairman of Reed, to a private dinner in July 1990 to discuss the possibility of a merger. Nothing substantial came of this. Two months later, Veronis telephoned Davis again: Davis agreed to a further meeting provided that Murdoch would contact him first. Murdoch, now sensing the growing precariousness of his financial position, concurred. As Murdoch was involved in the preparations for his presentation to the News shareholders in Adelaide, Davis sent his deputy, Ian Irvine, to meet Murdoch in secret at his ranch in Cavan. (The BSB management, kept wholly in the dark, were told that Irvine was making a business trip to the US.) Tentative terms were agreed between Murdoch and Irvine for a 50-50 merger. On Irvine's return to the UK, on Sunday 21 October, he briefed the shareholders' representatives at Reed's Mayfair offices. Immediately the meeting broke up, Irvine and his colleagues travelled to a hotel outside

Anon, "News Corp asked about fall", *Times*, 02/10/90, p. 26; Anon, "News Corp replies to exchange", *Times*, 03/10/90, p. 26.

Bath, Lucknam Park, for a clandestine assignation with a Sky team led by News International's Chief Executive Andrew Knight. 111 Throughout the following week the two sides thrashed out an agreement. For the newly merged entity, to be called British Sky Broadcasting or BSkyB, the BSB shareholders would put up £70 million and Sky £30 million: a further £100 million would be raised by a BSB loan. The first £400 million profit dividend would be split 80/20 in Sky's favour; any profit for twelve years after this point to be split equally; then, the next £400 million to be split 80/20 with the greater share going to the BSB shareholders; and from that point on, 50/50 all the way. The service would broadcast on the Astra satellites and use the PAL transmission standard. BSB representatives were deeply unhappy at this, but their Sky counterparts were adamant. Even with BSB conceding so much ground, Murdoch resented having to hand over 50% of his business to a consortium for which he had little respect. According to Ivan Fallon, he was still deliberating whether or not to pull out of the deal as late as 1 November, the day prior to its public announcement. But the banks insisted, and Murdoch gave his grudging consent. 112

On 29 October, Murdoch met Margaret Thatcher at Downing Street. Much of their conversation was spent discussing recent changes in Eastern Europe - Murdoch had visited Warsaw, Budapest and Bucharest earlier in the year to explore the possibility of expanding his business into the region. Then, in an aside, he mentioned the merger: "Mrs Thatcher made a note but said nothing, and Murdoch left the room". Only on the morning of 2 November, when the merger was announced, was the Home Office

¹¹¹ Shawcross op. cit., p. 508.

113 Chippindale & Franks, op. cit, p. 286; Shawcross op. cit., p. 509.

¹¹² Ivan Fallon, "How they kept the secret of TV deal", Sunday Times, 04/11/90, p. 24.

informed: the IBA, who had the power to rescind BSB's pBS franchise, were not told until an hour before the official announcement at 10 p.m. ¹¹⁴ Their approval had not been sought: the regulators were now faced with an effective *fait accompli*. What made it even more embarassing for the IBA was that the 1990 Broadcasting Act had come into existence *the previous day*: here it was explicitly stated that the holder of a non-domestic satellite licence (of the kind which BSkyB would be seeking from the ITC in January) should "not be a participant with more than a 20 per cent interest in a body corporate which is the holder of a (domestic) licence". ¹¹⁵

Even as news of the merger was breaking, the restructuring of the merged entities had begun. Simonds-Gooding was sacked immediately. Then a Sky team, led by their - and now BSkyB's - Chief Executive, Sam Chisholm, visited BSB's Marcopolo building to brief executives on the merger details. Chisholm's key concern was to reduce the company's losses, then running at over £10 million per week. His first means of cutting costs were through what he tactfully termed "staff retrenchments". However, as it turned out, from amongst the BSB ranks. Within weeks almost all the BSB senior management - and all the programmers - had gone. The programming budget was savagely cut back. Inhouse production and commissioned programming would remain largely the preserve of the Sports Channel: any drama would be acquired cheaply from the US networks. It was also rumoured that Chisholm had wanted to scrap Sky News. Finally, the film studios were given notice that, as John Rowe put it, "the goose has laid the last golden egg". The

Peter Koenig, Simon Garfield & Richard Thomson, "Murdoch told Thatcher of Sky merger plan", Independent on Sunday, 11/11/90, p. 1.

Broadcasting Act 1990, schedule 2, Part III, para. 6 (2).

Memo from Sam Chisholm to BSB staff, quoted in Peter Koenig, Simon Garfield & Richard Thomson, "Sky TV satellite deal to be dished", *Independent on Sunday*, 11/11/90, p. 2.

five year deals that Chisholm renegotiated, while still well above the prices that ITV could afford, nevertheless represented a considerable saving on the sums that BSB had been paying out.¹¹⁷

It had rapidly become clear that the formation of BSkyB was not so much a merger as a take-over. John Gau (who had been invited to stay on but had immediately declined) summed up the feelings of the majority of the former BSB employees: "If you're a chicken, and a fox comes along and swallows you, what does the chicken think about that?" 118

The IBA did nothing. Having given Ian Irvine a chilly reception at Brompton Road, and announced that the merger represented "a serious breach of BSB's contract", the organisation decided that immediate termination of the contract would not be in the best interests of viewers. Instead, it announced - together with the ITC - that BSkyB would be allowed to continue transmitting on Marco Polo until the end of 1992. At the same time, BSkyB was also awarded a non-domestic satellite licence, valid from 1 January 1991. In return, BSkyB agreed to replace BSB squarials with Astra dishes free of charge during the transition period. 119

Parliament was prorogued during the hiatus. On Monday 12 November, the House debated the Queen's Speech, the title chosen by the Opposition being "Rights, Freedoms and Responsibilities". It was to be an uncomfortable afternoon for David Waddington. Rupert Murdoch's conversation with the Prime Minister on 29 October had been reported

Author's interview with John Rowe, 10/10/95.

Author's interview with John Gau, 02/05/96.

Chippindale & Franks op. cit. P. 297 & pp. 311-12; ITC Note, "The History of Domestic Satellite Services", 11/97; Melinda Wittstock, "Users of BSB squarials given two years' grace", *Times*, 21/12/90, p. 15

in the previous day's *Independent on Sunday*: the Liberal Democrat MP Robert MacLennan observed that, since the debate was "on public figures breaking the law", why had the Prime Minister neither informed the Home Secretary nor "the law-enforcement authorities". Waddington declined to comment, but when pressed on the point by Bruce Grocott, replied that:

The hon. Gentleman seems unaware that the possibility of such a merger has been knocked around in the trade press for months and months... During the meeting with my right hon. Friend the Prime Minister, Mr Murdoch mentioned the possibility of a merger, but only in the most general terms.¹²¹

Waddington was here both evasive and disingenuous. Murdoch had being rather more specific than Waddington was admitting: he had stated that the merger would take place. 122 Furthermore, he was avoiding the question: was the Government prepared to condone what appeared to be an unlawful operation, or would it act to ensure that it was halted? But challenged by Roy Hattersley on BSkyB's infringement of the franchise regulations, he agreed that

It is possible for the IBA to terminate the contract..., (But) if it is the new company's intention eventually to broadcast on Astra alone, there would not be much advantage in the termination of the contract tomorrow rather than in a few months time.¹²³

¹²⁰ Hansard, 12/11/90, col. 347.

¹²¹ Ibid., col. 350.

¹²² See Shawcross, op. cit., p. 510. His source is Murdoch himself.

¹²³ Ibid.

This gave additional validity to the belief that the Government would give tacit approval to the merger, regardless of its making the regulatory authorities, and their own new legislation, look distinctly toothless and foolish. Further evidence was supplied three days later, when Waddington rejected Hattersley's claim that the merger should be referred to the Monopolies and Mergers Commission. And when it was suggested by Harry Clelland that BSB viewers who had no desire to watch Sky - which was the essence of the merged service - should receive financial compensation, Waddington had this to say:

The Act is designed to open up new opportunities. It is for entrepreneurs to take up those opportunities and for viewers to decide whether they are to succeed. It is no part of the Government's duty to prop up and subsidise these entrepreneurs¹²⁵.

Waddington had once more avoided the question. Clelland had not asked for compensation for the "entrepreneurs", but for the viewers. Moreover, BSB could claim with some justification that, when the merger was announced, it was beginning to hold its own in terms of an increased subscriber base. A *Financial Times* survey the previous month revealed that some 700,000 homes were receiving BSB - albeit predominantly through cable networks. With Murdoch's empire perilously close to collapse, then had the merger not occurred at that time, it could well have been Sky, rather than BSB, which might have fallen. Instead, the British DBS project, planned and developed over the past

¹²⁴ Ibid.

¹²⁵ Hansard, 15/11/90, col. 694.

¹²⁶ Raymond Snoddy, "Turmoil in the air", *Financial Times* Survey: The New Face of British Broadcasting, 16/10/90, p. I*.

ten years, was sacrificed to a man who would have been unable to hold a broadcasting licence under UK media legislation.

Conclusion

Who was responsible for the downfall of BSB? The attitude of the British Government towards the home-grown product might almost be described as schizophrenic, the product not merely of differences of opinion within that Government, nor even of what at times amount to an almost total breakdown of communications (and, one might suggest, outbreak of hostilities) between the departments charged with, if not nursing the venture through infancy, then at least providing it with a consistent and relatively amicable regulatory structure. A third, highly deleterious factor was the ability of certain key ministers - most notably the Prime Minister herself - to hold with equanimity a number of conflicting and contrary opinions concerning the future of broadcasting, an unhappy state of affairs as far as BSB was concerned. This ensured that BSB's attempts to become established as a major broadcaster proceeded against the backdrop of broadcasting policy development which was in turn spasmodic, ineffectual, authoritarian, unconvincing and generally detrimental to public service broadcasting per se.

To begin with, the Government had finally allowed BSB to purchase its satellite on the open market. The inconsistency of its position on this issue throughout the 1980s cannot be overstated. "Freedom to choose" was a concept at the heart of the Thatcherite ideology. Yet British satellite ventures had been blocked from such purchases by a coexisting desire that any venture should provide a significant boost to the British aerospace and electronics industries. However, without subsidy from the British Government (which it was unwilling to provide at any stage), selection of British firms to provide the hardware was always going to be uneconomic. Thus, with the authorities unable to square the circle, DBS policy remained motionless.

It would appear that any great interest that Margaret Thatcher had in a purely British DBS venture was initiated and sustained by the opportunities that it offered to industrial, rather than broadcasting, interests. Certainly, if there was a conflict of interest raised by Rupert Murdoch's entry into the satellite game, then it appears to have been resolved with little difficulty on the part of the Prime Minister. While BSB was (a) British, (b) the end product of a convoluted and protracted policy development, and (c) would provide the terrestrial broadcasters with healthy competition and quality programming, there was a fourth factor to be considered, namely that, (d) Sky belonged to Murdoch. And although Sky was a renegade, operating outside agreed DBS regulations, (d) was always going to be the deciding factor.

For Murdoch, to Thatcher, was an invaluable ally. His newspapers, both tabloid and broadsheet, were staunch and outspoken supporters, and were highly critical of the Opposition and in particular its leader Neil Kinnock. At the last three elections, they had adopted a stance which had times had not so much been pro-Conservative as pro-Thatcher. Murdoch might well be setting up in direct opposition to BSB. But her close affinity to Murdoch was in stark contrast to the coolness she displayed at times towards the BSB management: many of them had, after all, come straight from the BBC. 127 The

Author's interview with Anthony Simonds-Gooding, 16/05/96; Chippindale & Franks, op. cit., p. 211.

success of Sky should not - must not - be impeded by unnecessary regulation. Besides, in broadcasting terms, a Sky package could just as well - or even better - serve to challenge the complacency of the public service broadcasters. Thus, her response to the Sky service was positive from the outset, as evinced by her public comments immediately after Murdoch announced it.

BSB argued strenuously that as Sky was based in the UK, uplinked from, and downlinked to, homes in the UK, and was marketed specifically with a UK audience in mind, then it was a domestic service to all intents and purposes and that the Government should take some form of action to protect the holder of its DBS franchise. There was no reason, for example, that a cross-media ownership clause could not have been drafted prohibiting a majority shareholding in both non-domestic satellite services *and* national newspapers, thus forcing Murdoch to divest himself of one or other of his interests - rather as he was, reluctantly and angrily, obliged to sell the *New York Post* in 1988 - or else decamp to Continental Europe, a move which, considering the precarious nature of his finances at the time, he (or more likely, his bankers) might have been obliged to avoid. ¹²⁸ But the political reality of the situation was that either way, it would undoubtedly have been the cause of a significant rift with the Conservative government - an unthinkable prospect. Thatcher would quite simply not have permitted it to happen.

Equally pertinent is the way in which Sky was permitted to breach the day old 1990 Broadcasting Act in its merger with BSB. The by-product of this was that the position of the IBA as a regulator of independent television was severely compromised. But the fact remains that the Act had turned it into a lame duck: at the end of the year it

¹²⁸ Shawcross op. cit., pp. 387-95.

would be wound up, to be replaced by the Independent Television Commission. And the utter contempt with which it was regarded by Sky was aptly demonstrated when it was only informed of the merger an hour before the public announcement. The Home Office itself had only been told that morning. In saying that "what took place between my right hon. Friend the Prime Minister and Mr Murdoch is none of my business", David Waddington was attempting to keep his head below the parapet, while knowing full well that what had taken place was every bit his business. The revelation that the Prime Minister had known of the impending merger, and had not informed her Home Secretary, represented a snub to the Home Office of the first order. This was a public demonstration of how little she cared for their protective attitude towards the broadcasters - and also of their hostility towards Murdoch.

During her third term, Margaret Thatcher's personal involvement in the development of policy was considerable. The key problem with the "Prime Ministerial" style of government is that, in certain cases, it can confuse, rather than clarify, policy, particularly if, as was frequently the case with broadcasting policy, the goals of the Prime Minister are, if not diametrically opposed to, then at odds with those of the department/s responsible. For example, it was Margaret Thatcher's belief that the broadcasting structure was in need of overhaul, that the BBC should take advertising and the licence fee be abolished, and that the independent terrestrial franchise holders should face more competition. More channels would mean a greater consumer choice. By contrast, the Home Office, mindful of the spectre of Gresham's Law, was, as has been illustrated, in favour of a gradual, incremental, "managed" change to the structure. However,

broadcasting interests were frequently undermined by the omission of the broadcasting minister, Tim Renton, from the Cabinet Committee on broadcasting - chaired by Thatcher herself. All too often, the outcome was that the resultant policy was a - slightly - watered down, internally inconsistent, version of the Thatcherite ideal.

Furthermore, this approach was to lead to a marked antagonism between the departments responsible for policy formulation, with the result that the policy-making process itself - and thus policy cohesion and consistency - suffered and indeed, at times, appeared to have broken down completely. This is perhaps best epitomised by the extraordinary sequence of events initiated by Lord Young's proposal that BBC2 and Channel 4 be transferred to satellite. This move not only took the broadcasters by surprise, but also the Home Office. To begin with, this was not a matter for the DTI. Any such suggestion should, in the normal course of events, have been put forward by the minister responsible for broadcasting. Secondly, there appears to have been little or no discussion with the Home Office about the proposals. This was not the first time that the DTI had attempted to manoeuvre its way into Home Office territory, but rarely, if ever, had any previous attempts been so high-profile and caused such visible embarrassment and discomfort. Thirdly, the incident illustrated the concerns prevalent in the government at that time about the vexatious issue of the licence fee: Young's solution, while envisaged as a means of promoting the sale of satellite dishes and of DBS take-up, was also designed as a means of phasing out the licence fee. Programming considerations were another matter. The proposal displayed a cavalier disregard for the minorities whose interests were served

¹²⁹ Snoddy 1996 op. cit. p. 165. Hurd's request that Renton be a member of the Committee had been turned down.

by BBC2 and Channel 4, and who would, should it be implemented, have to pay an additional subscription fee. It was an ill thought out intervention by Young, an overt attempt to dictate policy which reduced policy-making to a personal publicity stunt. Any illusions that policy development was proceeding in an orderly manner were abruptly shattered. This was policy-making on the hop, and it did not serve broadcasting well.

Ultimately, policy developed around Sky: the emergence of a multi-channel system suited market-liberals such as Alan Peacock and Brian Griffiths, as it presented the opportunity of greater choice for viewer and advertisers alike. Furthermore, it was not encumbered, as was BSB, with extraneous programming commitments. Ironically, the British DBS venture, developed throughout the years of the Thatcher government, fell when faced with a non-domestic competitor which fitted seamlessly into the post-Peacock, more obviously Thatcherite policy embodied in the 1988 White Paper Broadcasting in the '90s and the 1990 Broadcasting Act.

To what extent was the collapse of British Satellite Broadcasting due to its own failings? Both Anthony Simonds-Gooding and John Gau, while admitting that "there were problems" with BSB, have denied that the profligacy approached the extent which was reported:

It's one of those canards put about that somehow this was a fat, curious, extravagant organisation. Not so, not so. People there were taking risks and all but one were sacked at the end of it. It seems to me that they ought to have been paid a lot more than they actually were.¹³⁰

¹³⁰ Author's interview with John Gau, 02/05/96.

Put it this way, if I could live my life again, there were certain economies we could have done. It wouldn't have added up to a whole row of beans in the great scheme of things. 131

These perspectives sit uneasily with the numerous accounts of the BSB lifestyle that have since emerged, not merely from Sky personnel and other Murdoch employees, but from other journalists, media professionals and indeed from some of those brought to work at BSB. Chippindale and Franks have contrasted the styles in which BSB and Sky operated. Simonds-Gooding had his own PA and secretary; Sam Chisholm, his opposite number, had to share a secretary - whose salary was considerably lower than that of her BSB counterpart. Sky company cars were Rovers; BSB's were BMWs and Jaguars, and there were four times as many of them. The opulence and extravagance of BSB's Marcopolo House was a world apart from Sky's grim abode at the Centaurs Business Park, 132 John Rowe, entering the BSB HQ for the first time, likened it to "an Aladdin's cave". 133 When a financial director was belatedly hired to control the exorbitant spending spree, he had found to his horror that it had become commonplace for executives to pay personal expenses on BSB Barclaycards. 134 Simonds-Gooding had been brought in, to ensure that public awareness of a concept - satellite broadcasting - was maximised. But faced with competition in the same medium, the company's attempt to market brand rather than concept was a dismal failure - for which Simonds-Gooding must take responsibility. Furthermore, such marketing initiatives as there were appeared designed to appeal to public relations departments rather than the public themselves: a paradigm being the

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Author's interview with Anthony Simonds-Gooding, 16/05/96.

¹³² Chippindale & Franks, op. cit. pp. 304-7.

Author's interview with John Rowe, 10/10/95.

¹³⁴ Chippindale & Franks, op. cit., p. 152.

company's decision to send "Marco Polo" mints to clients and production companies. While the company might argue, with some justification, that a considerable marketing exercise was necessary in order to combat the free publicity for Sky provided by the news International press, by conducting a marketing strategy that was so visibly wasteful - and at times risible - that they merely provided News International with additional ammunition.

It had proved to be an expensive row of beans.

Secondly, BSB's argument was that its superior picture quality, and home-grown programme package, should triumph (or be backed against) Sky's PAL and cheap, acquired US pap. Certainly the MAC transmission system was superior to PAL. But Murdoch and Alan Sugar had deduced - correctly - that not only would MAC prove to be costly, but also that the majority of viewers would be content with existing picture quality, and the lure of additional channels would be sufficient. And to what extent was the BSB programming package superior? John Gau:

If [BSB] hadn't merged, I think it would have been a credit to British television. Now, alright then, Murdoch has provided a service which is a bit like going to the video store: apart from the sport, if you turn on Sky all you get are re-runs of other people's material. We didn't want to do that. They were three very interesting channels. The irony is, Galaxy pioneered buying the BBC repeats, and the deal we made was that we promised to show our own drama, and we did make some and it wasn't very successful stuff but at least it was giving actors jobs and as a consequence we got the BBC programmes which we could re-run, which of course turned into, a year later, UK Gold. The Power Station was very interesting, NOW had a lot going for it, and the Sports Channel had the first dedicated sports news in British television. A whole range of quite exciting things. 135

¹³⁵ Author's interview with John Gau, 02/05/96.

It is worth running through Gau's analysis in detail. Galaxy, he says, "pioneered buying the BBC's repeats", which he contrasts with Sky's "re-runs of other people's material": a novel and highly imaginative contrast. In terms of drama output: "We did make some and it wasn't very successful stuff, but at least it was giving actors jobs". While not questioning the validity of these assertions, this is perhaps the first time that a television service has been equated to - and, further, justified as - a welfare programme. His description of the Power Station is diplomatic ("very interesting"): certainly it did not appear superior in many respects to MTV Europe. NOW "had a lot of things going for it", but so, it could reasonably said, did (and still does) Sky News, which provided - as no BSB channel did - a twenty four hour news service. Only in terms of the Sports Channel with its British, rather than pan-European, emphasis - could BSB say that its service truly passed muster - and this service was retained when the companies merged.

Thus the downfall of BSB; thus the end of British satellite broadcasting policy development. The final chapter will present an overview of its sorry history, tracing the sequence of ideological and organisational conflicts that caused its demise; and, equally pertinently, will consider the impact that satellite broadcasting - in the shape both of BSkyB and other broadcasters - has had on the regulation, the structure, and indeed the content, of British broadcasting as a whole.

CHAPTER FIVE

Policy Outcomes: 1990 and beyond

Thus far, this thesis has traced the faltering path of British satellite broadcasting policy

development, from the 1981 Green Paper that set out the initial propositions for a UK

DBS service, to the 1990 merger of the finished product - BSB - with Rupert Murdoch's

Sky. The objectives of this final chapter are fourfold. Firstly, taking the period of policy

formulation as a whole, it will show how, amidst the chaos and incoherence, the sequence

of (failed) DBS initiatives can be viewed as a natural progression within an increasingly

market-oriented approach to broadcasting, culminating in the triumph of the populist over

the paternalist. Secondly, it will examine some of the key regulatory issues that have arisen

as a result of the establishment of satellite broadcasting as a means of DTH distribution

across Europe. Thirdly, it will discuss the impact made by BSkyB, and other satellite

broadcasters, on the structure of broadcasting. Finally, it will consider the likely outlook

for satellite broadcasting in the near future.

Policies in transition: the international dimension

Across Western Europe, broadcasting models in the late 1970s were characterised as

being highly regulated public service systems, funded by licence fee, complemented by a

limited - or non-existent - commercial element. Throughout the following two decades,

the validity of the public service ethos was increasingly questioned as the traditional model

was gradually replaced by an infrastructure which was internationalised, deregulated,

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commercialised, and which offered a plethora of competing channels. Satellite broadcasting is more than part of the infrastructure; it has accentuated the transition. At one level, this is simply because the arrival of multi-transponder satellites greatly increased the number of broadcast frequencies available. Jay G. Blumler and T. J. Nossiter have succinctly defined the situation as being one where "new technologies ... create new opportunities for new forces to create new markets, as well as to lay siege to the older organisations that dominated the old ones". But to step backwards for a moment: someone had to build, and launch, the satellites before the frequencies could be utilised. And the original WARC specifications did not envisage a service, such as Astra, that would be quite so pluralistic, commercial, or international. The framework produced at the WARC was drawn up along national lines, even to the extent of shaping the footprints to limit overspill into neighbouring countries. Furthermore, the five channels each country was allocated allowed for existing broadcasting structures to be increased incrementally, should they be taken up at all. This was a policy with which the Home Office broadly concurred: if there were to be any change, then it should be closely regulated and managed.

The first reason why the WARC framework collapsed was that it was technologically obsolete: within five or six years of the blueprint being adopted it would be feasible for medium-powered satellites, transmitting at one-fifth power of minimum WARC specifications, to broadcast across an area the size of Western Europe and be received within that footprint on a dish of less than 1 m diameter. Secondly, as Denis

¹ Jay G. Blumler & T. J. Nossiter, 'Broadcasting Finance in Turmoil: An Introduction', in Blumler & Nossiter, edds., *Broadcasting Finance in Transition* (New York & Oxford: OUP, 1991), p. 6.

external forces had a marked impact on the rate and direction of change. First Haynes' SATV, then Murdoch - in conjunction with SES / Astra - demonstrated how easily the policy framework could be bypassed. At the same time, the catalyst for change that these

McOuail has observed, change is, to a greater or lesser extent, externally driven. Here

firms provided was nurtured by the market-liberal culture of Luxembourg, whose more

sympathetic regulatory structure gave this new delivery system the opportunity to flourish.

Astra's classification as a "telecommunications satellite" exempted it from the morass of

regulation that governed DBS satellites, though it was, to all intents and purposes, one

and the same. Services operating on Astra transponders thus managed to build up a user

base well in advance of any national DBS services, so that those (such as BSB) which

eventually launched did so at a severe disadvantage. Recognising this, broadcasters were

ultimately more attracted to the lower costs offered by leasing medium-powered

transponders from Astra (and subsequently Eutelsat) for DTH than by DBS operating

under the WARC strictures.

Policy in transition: Thatcherism and DBS

In 1977, when the Annan Committee cast a cursory glance at the subject, it concluded that

"since satellite broadcasting services will provide only national coverage, we recommend

that the BBC, as the main instrument of national broadcasting, should carry the

responsibility of such services". 2 By the beginning of the 1990s a succession of attempts to

² Home Office, Report of the Committee on the Future of Broadcasting, Cmnd. 6753 (London: HMSO, 1977), para. 25.15.

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develop a British DBS service to complement the terrestrial channels had all failed, and instead an international satellite package had become established, run by a media mogul whose involvement would have been anathema both to Annan and the Home Office. While the history is a catalogue of errors, it is nonetheless possible to see each aborted venture within the context of a progression towards the fulfilment of a distinctly Thatcherite agenda: an agenda ideologically inimical to the success of a UK DBS service as originally envisaged.

As described in Chapter One, such a service would have consisted of two channels, provided by the BBC, and transmitted via a satellite manufactured and operated by the Unisat consortium of GEC-Marconi, British Aerospace and British Telecom. The failure of this project can be attributed to a number of causes: the difficulty experienced by the BBC in negotiating what seemed to them a reasonable price with Unisat, Thorn's reluctance to commit themselves to set manufacture, and - latterly - the intervention of the IBA over Thorn's potential involvement as a 50% shareholder in Thames. The IBA stance on the issue is particularly noteworthy: considering that they would have been awarded some of the remaining channels if and when the Home Office decided that the time was right, the scale of their campaign against a BBC satellite service seems remarkably petty. One possible explanation for the IBA's behaviour is offered by Chris Irwin: the Annan Report's confirmation of the BBC as "the national instrument of broadcasting" bestowed upon it the status of *primus inter pares* within the duopoly. "Underlying this", says Irwin, "was the notion that neither [organisation] could afford to steal more than a temporary tactical advantage over the other. Without the maintenance of the duopoly, the whole

system might collapse". But the possibility that the system might collapse - be allowed to collapse - was unthinkable. (Hence the observation by a senior Home Office civil servant, previously quoted in Chapter One, that the duopoly was "very much the ark of the covenant in those days".) The combination of largely favourable comments from Annan, support from paternalist politicians, and praise from international broadcasters had engendered a high degree of complacency within the duopoly: the IBA may well have regarded the failure of the BBC's venture as a tactical success on its own part, and a failure which thereby enabled it to gain access to the DBS market at an earlier date. Thorn's own ambivalence towards the project has also been attributed in part to disagreements with the BBC's engineers over transmission standards. While Chris Irwin believes that the BBC may have been reluctant to "rock the boat" as "the Government's right to determine transmission standards was ultimately seen as part of the collection of rights that enabled the BBC and IBA to maintain their own privileged positions", this did not stop E-Division, who had vested interests in E-PAL's success, unilaterally kicking up an almighty fuss with Thorn over the matter.

As for the protracted nature of the discussions with Unisat, which undoubtedly contributed to the failure of the project, Irwin himself argues that the BBC's unwillingness to "get tough" with the Government over Unisat may be explained in similar manner:

The Government's favouring of Unisat was perceived as a corollary of the attitudes which allowed the BBC and ITV themselves to maintain their privileges. If the Government had gone for international

³ Letter from Chris Irwin to the author, 13/08/97.

⁴ Author's interview with former senior Home Office official.

⁵ Letter from Chris Irwin to the author, 13/08/97.

competitive systems for satellite procurement, the next step might be for it to apply the same principles to the provision of broadcast channels.6

This explanation is not wholly convincing, if only because that all-pervading sense of complacency mentioned above appears to have blinded both the BBC and the IBA to any prospect that competing forces - let alone competition of an international nature - could be introduced into British broadcasting. Few of Irwin's colleagues seem to have shared his perception that "once new channels of delivery became available ... the case for duopoly regulation would be eroded".

Leon Brittan's announcement in September 1983 had signalled that the IBA would be given the power to award one, or more, satellite channels to independent companies who "could, but need not be, companies with current ITV contracts". These, it would be intended, would be in direct competition with the BBC channels. When the BBC proposition fell through, their intention to set up a joint venture with the ITCA would therefore have served the dual purpose of incrementally increasing the number of channels available and providing the duopoly with a monopoly of satellite broadcasting. This was, naturally enough, an equitable solution to the Home Office: but, as was made clear in Chapter Two, Whitelaw's replacement by Brittan as Home Secretary allowed a more That cherite eye to scrutinise broadcasting policy: suddenly the divine right of the duopoly was exposed to more and more questions.

⁶ Letter from Chris Irwin to the author, 13/08/97.

⁷ Leon Brittan, opening address to the Royal Television Society 1983 Convention (King's College, Cambridge) in "Television Tomorrow: Costs and Quality", Cambridge Report (Cambridge: RTS, 1983).

As the Thatcherites perceived it, the key problem with the BBC / ITCA proposal was that not only did it extend duopoly control, but by establishing a satellite monopoly it defeated the object of the exercise: to introduce a greater degree of competition into broadcasting. There was thus a potential conflict between the free-marketeers, who felt that the introduction of broadcasters from outside the duopoly would ultimately benefit both consumer and advertiser, and which indeed might provoke the duopoly into providing a service that was more cost-efficient and competitive, and the paternalists, who were reluctant to see changes to their carefully-wrought broadcasting infrastructure. The solution was a half-way house: an artificial consortium dominated by the BBC (which at once caused consternation and resentment amongst the ITCA) and a number of "third parties". As an additional safeguard, the BBC would act as "gatekeepers" by screening applicants, enabling them to determine who else should have access to satellite broadcasting.

Bearing in mind that the 1984 Cable and Broadcasting Act empowered the IBA to advertise the DBS franchises, the sections which legislated for the creation of the Satellite Broadcasting Board were inserted largely to appease the BBC - who sought to maintain their position as the national instrument of broadcasting - and Home Office officials, who were wary of permitting interlopers whom they felt might not have the best interests of broadcasting at heart. Rather than let a natural consortium of like-minded companies develop, as the free-marketeers had hoped, the paternalists had prevailed in maximising the BBC's influence. The chimera that resulted was accordingly ill-suited to the purposes of either camp, and of no use whatsoever to the development of a viable satellite system.

Not for several months did a business plan emerge, at which point the Board found that the venture was not commercially sound.

Above and beyond the fact that the structure of the Satellite Broadcasting Board was the result of poor policy making, there remained the problem that it was saddled with the burden of Unisat. The Government's continuing endorsement of this industrial consortium is perhaps the clearest indication of the level of priority it gave to the promotion of the national industrial interests within the venture. This is a reflection both of the increasing influence of the DoI/DTI, and of Thatcher's own policy agenda (the construct largely of discussion with informal groups of advisors and like-minded ministers) in which it was believed that the creation of thriving aerospace and telecommunications industries would play an important role in the long-term economic recovery of the UK. But the means by which this goal was pursued provides a further illustration of the internal inconsistencies of the policy as a whole. The nub of the matter was that satellite broadcasting was a high-risk venture, requiring considerable initial investment. When the Government imposed upon the broadcasters an artificial monopoly wherein prices were pushed beyond levels which would make any venture economically viable, and steadfastly refused to provide them with any subsidy, the Board were forced to abandon the project, with no material gain for those industrial interests.

The development of broadcasting policy under Thatcher reveals a distinct shift from the approach recommended by Annan, i.e. that of consolidating the duopoly. Thatcher and her allies espoused the intention of dismantling it, thereby introducing a greater element of choice (for consumers and advertisers) and opportunity (for

independent producers and broadcasters). This would entail deregulation of the existing independent terrestrial network, and - hopefully - the arrival of additional channels to compete with the public service broadcasters, financed by a mix of advertising, subscription and pay-per-view. The contrast between the two is exemplified by Annan's description of subscription television as "a ravenous parasite [which] lived off those who produced television and films", and that five years later Thatcher had been arguing fiercely in its favour at Cabinet meetings. ⁸ For Thatcher, the optimum means of maximising consumer choice was to maximise the number of channels available: equally importantly, this would erode the BBC's case for a universal licence fee, as its services would then be just two among many. In an ideal world, this would then lead to the BBC competing on a level playing field for subscription and advertising revenue.

But the question of who should provide these new services was immaterial. For now that any opportunities for industry had been missed, Thatcher's interest in the concept of satellite broadcasting was a means of distribution, a way in which greater market forces might be brought to bear on the broadcasters. And she perceived that the BSB management were too similar in outlook to the terrestrial broadcasters for her liking, both in terms of profligacy and concern about unfair competition. Her disdain was exacerbated when the competition came from a political ally who offered (in conjunction with other Astra broadcasters) more than three times as many channels as BSB. The notion that DBS would emerge as part of a carefully constructed framework was absurd: the merger of Sky with BSB was permitted because it was politically expedient to the Government. Murdoch was fortunate in several respects: not only was Margaret Thatcher

⁸ Cmnd. 6753, para. 14.50.

a close ally, but Sky was launched at a time when the Prime Minister had dealt with the nationalised industries and the civil service and had singled out broadcasting as being worthy of her close attention. In the early 1980s, with Whitelaw at the Home Office and other like-minded Tory "wets" (notably Jim Prior and Francis Pym) in senior Cabinet posts; and at a time when the legitimacy of the broadcasting duopoly was rarely questioned, for a foreign broadcaster to double the number of available channels, overnight, would have been unthinkable. But with the trust engendered by Murdoch's support in three General Elections; with a parliamentary Conservative party which, as the 1980s went on, increasingly reflected its leader's views, particularly in its vociferous calls for change in broadcasting; with her own dislike of the duopoly heightened by programmes which disagreed with her own world view: the ground was prepared for Sky. Furthermore, Anthony King points out that not only was Sky attractive to Thatcher because it "symbolised a new social formation (involving) the relationship of consumers in new class formations to multinational corporations", but also through its use - particularly in promotional advertising - of "Thatcherite notions of the free market to define (and legitimate) itself".9 Whitelaw and his successors continually stressed that "this Government is not in the habit of picking winners": as policy was subtly adapted to incorporate - and benefit - Sky, then BSkyB, the phrase had a hollow ring.

One consequence of this transition towards a deregulated model was the gradually diminishing influence of the Home Office. It too can be accused of a certain degree of complacency: initially reluctant to proceed with a DBS venture, it found that as a result all

⁹ Anthony King, "Thatcherism and the emergence of Sky Television", *Media, Culture & Society* 20:2 (London et al: SAGE, 1998), pp. 285-6.

the running in policy-making was being made by the DoI/DTI. Furthermore, it can be argued that it had failed to appreciate quite how contemptuous the market-liberals were of Annan's conclusions, or of the growing sense of discontent with the duopoly. Thus, in the aftermath of the Peacock Report, it was placed in the position of having the defend the public service broadcasters against the more radical of Thatcher's intentions. At the same time, the DoI/DTI - into which Thatcher placed like-minded free-marketeers such as Keith Joseph, Norman Tebbit, Leon Brittan and David Young - displayed a increasing vigour when attempting to encroach onto Home Office territory. In their attempts they were encouraged, formally and informally, within the Cabinet Office (by the CPRS and ACARD) and by a number of Thatcher's closest advisors - including Young himself. This pressure led to an increasing role in the development of policy documents with the Home Office, and - indirectly - to the transference of radio regulation to the DTI following the 1983 General Election. In the second half of the decade the conflict between the broadcasting and industrial interests increased and were most visible in Lord Young's intervention in DBS policy with his proposal to transfer BBC2 and Channel 4 onto satellite. Latterly, neither David Waddington, the Home Secretary, nor his deputy David Mellor, were informed when Thatcher learned of the imminent merger between Sky and BSB. Mellor would certainly have felt unease at the move: he would also have realised that to have expressed any reservations would have been ineffectual, as the Prime Minister's silence on the matter had effectively sanctioned the merger.

The arrival of John Major in Downing Street may have resulted in a markedly less confrontational approach to broadcasters - his commendation of the BBC's impartiality

participants in the debate left the distinct impression that they had donned the cloak of the public interest in order to pursue their own commercial objectives.

Regulatory issues: pornography and parasites

Following the 1992 General Election, the broadcasting department of the Home Office moved house, a move seen by many as long overdue. It was transferred to a newly created Government ministry - the Department of National Heritage, which would in addition deal with such matters as sport and the arts. Major's choice as its Secretary of State - David Mellor - delighted the broadcasters. But within a few months Mellor had resigned as a result of personal indiscretions, and in his place Major brought from the backbenches Peter Brooke, the former Conservative Party Chairman and Northern Ireland Secretary whose involvement in active politics had seemed to be at an end.

Now that the bloody battle for supremacy in the Clarke Belt was over, and BSkyB had become established, the minds of the regulators were turned towards a spectre, often predicted in the doom-laden warnings of Conservative MPs and Mrs Mary Whitehouse, which had materialised in Holland and which apparently threatened the end of civilisation. The arrival of medium-powered satellites, each with its plethora of transponders available for rent, had increased the possibility that a dedicated pornographic channel (or channels) would emerge. BSkyB had - generously - confirmed that it would abide by ITC guidelines on taste and decency, but broadcasters uplinking from Europe were answerable only to their national regulators. Screenings of a soft-porn film entitled *Sunshine Reggae Ibiza*

had previously led the Cable Authority to ban the German channel RTL Plus between March 1990 and April 1991: a ban which was wholly irrelevant to Sky subscribers who received the channel via a satellite dish, and who thus continued to enjoy the delights of RTL throughout this period. Furthermore, decoders were readily available for British viewers who wished to tune into the Scandinavian channel Filmnet, which also broadcast pornography on a regular basis.

In taking over from the Cable Authority, the Independent Television Commission recognised that it would be fighting a losing battle in attempting to get such programming cancelled. Indeed, policy had shifted to such an extent that by 1992 the Commission had licensed the first British soft-porn channel, The Adult Channel: a move that would have horrified Margaret Thatcher. However, in July 1992, Continental Television, a company based in Hilversum in the Netherlands, began broadcasting hard-core pornography on Red Hot Dutch via the Eutelsat II-F1 satellite. As the EC country from which the transmission originates is held responsible under international law for its regulation, the Heritage Ministry and the Broadcasting Standards Council had only two options: to protest directly to the Dutch Government, or to make representations at community level. ¹³

Accordingly, an unofficial complaint was made to the Dutch. The news came as something of a surprise to the Dutch, who had no idea that Red Hot Dutch was broadcasting from their territory. ¹⁴ They were therefore aggrieved to learn that their own PTT had been passing on Red Hot's signals to Eutelsat without informing them and - the source of a particular grievance - without first applying for a frequency licence. But when

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¹² Georgina Henry, "Media File", Guardian, 12/03/90, p. 25.

Anon, "Porn films shown on satellite TV", *Independent*, 27/07/92, p. 3...

¹⁴ Joost de Haas, "Sex satellite from Holland evokes anger in Britain", De Telegraaf, p. 1.

he Dutch Ministry for Cultural Affairs tried to ban the channel by terminating its uplink contract, Continental TV first took out an injunction and then, while the court case was proceeding, moved to Denmark and began uplinking from there. ¹⁵ The British government's fury at this side-step was exacerbated by the fact that a good many newspaper articles dealing with the peripatetic porn channel helpfully listed not only Continental's Manchester telephone number, but also subscription and decoder costs, signal location and frequency, and even the best Low Noise Blockers (LNBs) which could enable a dish trained on Astra to receive Eutelsat signals in addition.

In October 1992 Jon Davey, who had become the ITC's Director of Cable and Satellite, met with Peter Brooke. Davey recommended that a proscription order be placed on Red Hot under Section 177 of the 1990 Broadcasting Act. Such an order would make it a criminal offence to advertise on, make programmes for or supply equipment to the channel. Brooke and his advisors were initially cautious, believing that the order might be in conflict with the EC directive on the free flow of information. But the following January a statement by Joao de Deus Pinheiro, the EC broadcasting commissioner, caused Brooke to change his mind. Pinheiro remarked that it was "quite clear" that member states were entitled to act "against channels infringing the EC directive requirement to support minors". Continental protested: their signals were, after all, encrypted. Nevertheless, at the end of March Brooke announced to the Commons that "the British Government intend[s] to outlaw Red Hot Television under the 1990 Broadcasting and the EC

Michael Grime, "UK asks Danes to ban roving porn channel", Satellite TV Finance, 10/12/92, p. 3.

Sarah Purnell & Jane Thynne, "Britain could ban porn TV says EC head", Daily Telegraph, 21/01/93,
 p. 5.

Broadcasting Directive". ¹⁷ But a proscription order could not effect existing viewers, who continued to watch with impunity: that was, until July 1993, when Continental, faced with a bill for some \$300 000 US from Telecom Denmark, ceased broadcasting. And although this was seen as a fairly effective exercise in what might be termed damage-limitation, the European hard-core hydra sprouted further heads in TV Erotica and TV 69.

Yet the furore soon died down, and the welter of salacious material in the press petered out. The proscription order, denying those broadcasters the "oxygen of publicity", ultimately proved effective. Meanwhile, those who wished to seek out such material as was broadcast on Red Hot continued so to do, whether in licensed sex shops or via the - unlicensed - Internet. And to cater for the market in "acceptable" pornography, the ITC licensed two further soft-porn channels: TVX - The Fantasy Channel, and Playboy UK - the latter being wholly owned by BSkyB.

The Red Hot saga contained many echoes of the commotions caused across the Continent by Brian Haynes' SATV, the difference being that on this occasion it was the British Government which had been affronted. The 1984 EC Green Paper *Television Without Frontiers*, which had provided the first proposals for "the establishment of [a] common market for broadcasting, especially by satellite and cable" reiterated the rights (expressed in Article 89 of the EEC Treaty) both to broadcasting freedom and of the freedom to provide broadcasting services throughout the EC. But clearly this would entail considerable compromises on the parts of the countries concerned, whether it meant that France would now have to put up with margarine advertising and the UK with an

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¹⁷ Stewart Wittering, "Red Hot Television: Too Hot to Handle", International Cable, 06/93, pp. 24-8.

¹⁸ Subtitle of Green Paper, COM (84) 300 final, Television Without Frontiers: Green paper on the establishment of the common market for broadcasting, especially by satellite and cable.

increased nipple count. "European law cannot be harmonised without detailed knowledge of the structures responsible for enforcing the regulations, nor without respecting the cultural and sociological identity of the individual countries". 19 This - rather obvious conclusion was reached by the Working Group on Regulatory Bodies, a body drawn from the Commission, the Council of Europe and from regulatory bodies of member states. (Rather ironically, the meeting was taking place in Hilversum, formerly home to Red Hot, at the time that Brooke's proscription order was coming into effect.) But even with such knowledge, harmonisation has proved - and continues to prove - notoriously difficult. Establishing common rules on tobacco and alcohol advertising alone has preoccupied the Commission for a decade or more. The Commission's latest move - banning tobacco sponsorship of sporting events - has led to threats from Formula One to withdraw from Europe and set up alternative grands prix in the Far East. It could be argued that the EC is cutting off its nose to spite its face, as these races would continue to be broadcast across the Continent, tobacco and all. Unless, that is, the EC adopted the measures urged by the anti-smoking pressure group ASH, and issued a proscription order. Red Hot and Formula One would make strange bedfellows: such is the outcome of cross-border broadcasting regulations.

But what of the way in which Britain's own, "adopted" satellite service is regulated? For while BSkyB abides by the ITC code on matters of taste and decency, it is under no obligation to broadcast programming with a public service element. Annan predicted that subscription television would act as a distributor, rather than a generator, of programming: that the "ravenous parasite" would aim to found its success on a diet of

¹⁹ Anja Bundscuh & Serge Robillard, "Who controls the broadcasters?", Bulletin, 06/93, pp. 4-5.

films and sport, thereby impoverishing the majority of viewers. Which was precisely the strategy utilised - successfully - by BSkyB in its bid to build up a sizeable user base.

A dedicated sports channel had always been perceived as an essential ingredient in Sky's armoury. In late 1989, the service had acquired the rights to England's cricket tour of the Caribbean. As it was felt that Eurosport's pan-European audience would not appreciate saturation cricket coverage, the test series was broadcast on Sky One. Fortuitously for Sky, the test matches produced England's first victory over the West Indies for sixteen years, and the closely fought series provided an invaluable boost to sales. The subsequent merger with BSB then provided Sky with a channel specifically targeted at a UK audience. Prior to the merger, BSB had garnered an impressive collection of sporting events, including England football internationals, Scottish premier league action, snooker, tennis, and coverage of the PGA European golfing tour. But the glittering prize that Sky desperately sought was live coverage of English football. In 1992 it achieved its objective.

In the early 1980s, when football league matches were first broadcast live in the UK, coverage was divided up between the duopoly broadcasters. Between them, they paid just over £ 3 million a year for the privilege. ²⁰ This was a clear case of the duopoly fixing the market to suit their own ends: numerous "gentlemens' agreements" existed between the BBC and IBA to keep prices down, be they for overseas soaps or for sporting events. But in 1988, the informal agreement that maintained an artificial ceiling on the cost of football rights was abruptly broken as the ITV companies paid the Football League £44 million in return for exclusive coverage over the next four years. When this deal came up

²⁰ David Millward, "'Pay-to-view' TV soccer", Daily Telegraph, 19/05/92, p. 1.

for renewal in May 1992 - this time with the 22 Premier League clubs who were seceding from the Football League - BSkyB were in a position to enter the bidding.

The previous December, Trevor East, executive producer for ITV Sport at Thames, had declaimed that, "The Premier League would be crazy not to be televised by a major terrestrial channel". As it appeared unlikely that the BBC would be able to come close to any bid that ITV would submit, ITV were confident that their contract would be renewed. By February, details had been leaked of a proposal by Greg Dyke (the Chairman of ITV Sport) which would provide the Premier League clubs with some £75 million over four years. If Dyke thought this would frighten off the opposition, he was wrong. The BBC had already recognised that rights to live coverage would prove prohibitively expensive, and were instead engaged in concurrent negotiations for the return of *Match of the Day*, their flagship Saturday nights highlights programme which it had cancelled when ITV gained exclusive rights. The Corporation agreed to join forces with BSkyB.

At the decisive meeting of Premier League chairmen at the Royal Lancaster Hotel in May, the competitors were required to submit blind bids. By this stage, Dyke had realised the scale of the competition and the ITV bid had increased to £265 million. But the combined BSkyB / BBC bid totalled £304 million - a bid which had increased when Sam Chisholm was tipped off about the ITV proposals by someone at the meeting. ITV were furious at the outcome, and particularly at the role played by Alan Sugar, chairman of Tottenham Hotspur, whose vote had been decisive in ensuring that the contract went to BSkyB. Not only was Sugar distinctly parti pris through his involvement as a satellite dish

Anon, "East shows red card to satellite soccer", Broadcast, 19/12/91, p. 17.

²² Joe Lovejoy, 'TV threat to League", *Independent*, 27/02/92, p. 38.

²³ Colin Gibson, 'FA cool on £100m TV soccer project', Daily Telegraph, 13/02/92, p. 28.

manufacturer, but it was also alleged that he had been the source of the leak to Chisholm²⁴. But the ITV protests were in vain. BSkyB had exclusive live coverage of the Premier League during its first five years of existence - and Match of the Day would be returning to the BBC.

Greg Dyke's immediate response was to say that, "Taking live Premier League football on to a pay-satellite channel will mean millions of viewing fans will never see a live Premier League match and the new league may not become the major force it would have been". 25 And while Dyke may have been embittered by the Premier League's rejection of ITV's bid, his was not an isolated response. Numerous commentators bemoaned the loss of live action to a subscription service, and shared Dyke's belief that the BSkyB deal would be deleterious to football as a whole.

But if Premier League action was to be the making of BSkyB, then it could be argued that BSkyB was the making of the Premier League. The satellite service threw itself body and soul into the League, providing 60 live matches a season, twice weekly; numerous programmes analysing every facet of the game; and a comprehensive Saturday afternoon sports programme to rival the BBC's Grandstand. Those commentators who objected to football's transference to subscription television also ignored the fans' criticisms that ITV's coverage had often been desultory, uninformative, and dull. And the doubts expressed that BSkyB's saturation coverage would alienate viewers proved to be unfounded. This interest was echoed in attendances at the games, which rose by some 30% over the first five years of BSkyB's coverage. Furthermore, those critics who

²⁴ Peter Chippindale & Suzanne Franks, Dished! The Rise and Fall of British Satellite Broadcasting (London et al: Simon & Schuster, 1992), pp. 322-3.

Stephen Bierley, "Soccer fans dished by TV satellite deal", Guardian, 19/05/92, p. 22.

bemoaned the fact that football would no longer be universally available often tended to gloss over the fact that league matches had only been broadcast live for some ten years and that markedly fewer matches had been shown than was now the case with BSkyB. Prior to the 1980s, the only games to have received live coverage had been the Home Internationals, finals of the F.A. Cup and pan-European competitions, and the final stages of European Championships and World Cups. Both members of the duopoly had simply provided a weekly highlights programme (*Match of the Day* and ITV's *The Big Match*). By attempting to shield this fact, the ITV companies were attempting to appropriate the moral high ground: as were a number of the critics, who simply couldn't bear the thought of a Murdoch venture succeeding, regardless of the fact that it might be better than its predecessor.

Sport has proved to be the major selling point for BSkyB. By the mid 1990s, as its service expanded onto a further three Astra satellites, two sister sports channels were in operation. (It had been forced to divest itself of Eurosport in 1991 following an EC ruling, but this proved to be a minor setback.) Jean Seaton's statement that "by buying up sports events [BSkyB] clearly diminishes public choice" is astonishing; possibly those who choose to subscribe to BSkyB's sports channels thereby become excluded from Seaton's definition of "the public". 26 With its dedicated channels BSkyB has the capacity to provide - and has provided - the public with a variety of programming that the terrestrial channels could not hope to match. In cricket, the company provided live coverage of all England's one-day internationals, tour games, and county matches; in rugby union,

²⁶ Jean Seaton, "Video, cable and satellite" in James Curran & Jean Seaton, *Power Without Responsibility: The press and broadcasting in Britain*, Fifth edn. (London & New York: Routledge, 1997), p. 203.

English league matches and England's home international matches; in golf, numerous events in both Europe and America, including the US PGA and the Ryder Cup; in tennis, the overseas Grand Slam tournaments, plus numerous tour events. To allow the BBC and ITV companies to "cherry-pick" events, forcing BSkyB into picking up the leftovers, would be demonstrably unfair.

There can be no doubt that BSkyB has not simply changed the nature of the way we view sport; it has changed the nature of sport itself. With rugby league in a perilous financial position, News Corporation effectively bought the game lock, stock and barrel, restructured it (several clubs merged to suit its needs) gave the remaining clubs a new image and new names (Bradford Northern became Bradford Bulls, Leeds became Leeds Rhinos) and moved it into the summer. But while attendances have risen, in football and rugby league, the audience that now matters is that which watches the game on television at home and in the pub. Gate receipts form an increasingly smaller percentage of a senior club's annual revenue. From being a weekend pastime, British sport has become a global business, its marketing potential increasingly realised with the aid of BSkyB's brash, but slickly-packaged commercialism.

Nevertheless, BSkyB's success with sport in turn has had serious implications for the duopoly. For the introduction of a well-funded third element into the market for acquiring broadcasting rights has broken the cartel which existed to benefit the BBC and ITV companies. As a result, the price of broadcasting rights, artificially held back for decades, have found their market value: and in most cases it is a value which the BBC in particular, with its obligation to spread its budget across a wide range of programming,

cannot match. Its sporting calendar has been steadily eroded by both BSkyB and ITV:

Formula One, F.A. Cup football and boxing have disappeared, and its rugby coverage of

both codes has been greatly diminished. One outcome of this has been the abandonment of

its long-running midweek sports programme Sportsnight: the loss of so many of its

constituent parts meant that the BBC could no longer justify its existence. Its replacement

has been a show consisting largely of interviews, live and recorded, with sporting

personalities.

Broadcasting: 1977 & 1998

What impact has the BSkyB package had on the broadcasting structure as a whole? Cento

Veljanovski, of the Institute of Economic Affairs, observed in 1988 that

If a richer and more varied service is to be provided it is the consumers and providers interacting in the

market-place who must decide rather than governments or regulators. This does not imply a laissez-faire

system where anything goes. Broadcasters must operate within the legal framework which governs taste

and decency and the protection of privacy. But beyond these minimum constraints the market should

decide.27

Can we now say that, in the light of the deregulation of ITV and the steady growth of

BSkyB, "A richer and more varied service" has been achieved? When, in 1977, the WARC

meetings were convened, Britain had three national television channels, delivered by

²⁷ Cento Veljanovski, 'Competition in Broadcasting' in Veljanovski, ed., Freedom in Broadcasting

(London: Institute of Economic Affairs, 1989), p. 24.

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transmission networks owned by the two broadcasting authorities, each of which had a strong commitment - enshrined in law - to providing high quality programming. It is worth glancing through some midweek television schedules of that time to contrast their content with those of the present. Large chunks of airtime were unused: morning programming frequently consisted of nothing more than twenty minutes of Play School on BBC2 for young children. For the rest of the time, test cards and "Pages from Ceefax" were in residence. BBC1 would normally begin broadcasting at around 12.40 pm, with a news bulletin, followed by the magazine programme Pebble Mill At One and a children's animation such as Camberwick Green. There would then be a further cessation of broadcasting in mid-afternoon, prior to two or so hours of children programming, early evening news, and finally the prime time viewing: perhaps When The Boat Comes In, the Tonight programme, a documentary series and finally a film. With the exception of the aforementioned Play School, BBC2 was usually blank until around 6.30 pm, from which time it would broadcast five or so hours of arts, science and general documentary programming such as Horizon, Man Alive and The Old Grey Whistle Test. The IBA would begin broadcasts from the ITV companies at midday, normally beginning with half an hour or so of children's programmes, followed by news and a succession of soap operas. In the evening one could expect game shows such as Sale of the Century, sit-coms like Robin's Nest, kitsch fantasy-drama in The New Avengers, and / or comedy like Dave Allen and Friends. The evening might well conclude with a film scheduled opposite that of the BBC. Thus, while at prime-time the viewer had the choice of three programmes, for the rest of the day, little or no material was broadcast. Someone wishing to watch

television between midnight and midday would have been sorely disappointed; while that same person tuning in on a midweek afternoon would have had the choice of the Australian soap opera *Young Doctors* or the test card. (There remains a thriving test card fan club.) Furthermore, there was always the possibility that one of the broadcasting unions might engage in a spot of industrial action and simplify one's options still further by blacking out one of other of the duopoly - as indeed happened for several months in the autumn of 1979.

Twenty-one years on, and the broadcasting scene has changed beyond all recognition. There are now five national television channels, all broadcasting twenty-four hours a day. The BBC, so long averse to the production of soap operas (while perversely happy to import them from the US) launched *EastEnders* in the mid 1980s. The soap, initially broadcast two nights a week, now appears three - and occasionally five - times. More recently, there has been an upsurge in what might be termed "real-life" soaps: flyon-the wall documentaries such as *Hotel*, *Airport* and *The Cruise*. Critics of the BBC have argued that such programming finds favour with the management due to its relatively low production-values: but for all that, it is popular with viewers and undeniably entertaining. Indeed, there is a tendency amongst such critics to chastise such programmes simply *because* they are popular and cost-effective: they forget, as Michael Leapman points out, that to concentrate solely on the provision of "high-quality programmes to the educated middle class" would be in effect to create "ghetto television" of the kind produced - or rather, acquired by - the worthy, dull and cash-strapped US Public Broadcasting Service. 28 Further, the Broadcasting Research Unit has classified universality of appeal as one of the

²⁸ Michael Leapman, The Last Days of the Beeb (London: Coronet, 1987), p. 241.

basic principles representing "not only the ideal-typical definition but also the actual empirical conditions for the existence of public service broadcasting".²⁹ For the BBC to concentrate its resources in such a way would surely lead to greater questions about the validity of a universal licence fee. Ultimately, it must provide a service that people watch.

Turning to the independent sector, the fundamental change has been the replacement of the Independent Broadcasting Authority with an Independent Television Commission, serving as a "light touch" regulator over all independent television channels, whether terrestrial, cable or satellite. One of the effects of this transformation has been to introduce a greater sense of competition within the ITV network and broadcasting as a whole. The IBA had sought not only to protect the interests of the regional companies, but, as observed earlier, of maintaining a degree of equilibrium within the duopoly. Thus, when Thames broke one of the long-standing "gentlemen's agreements" by bidding for, and obtaining, the rights to Dallas in 1985, the IBA's Chairman Lord Thomson hinted to Brian Cowgill - MD of Thames - that unless the rights were returned to the BBC then the Thames franchise might not be renewed.³⁰ The introduction of a body whose powers were purely supervisory, followed by subsequent relaxation of cross-ownership regulations, resulted in a spate of mergers and take-overs within the Channel 3 network and left three companies - Granada, MAI and Carlton - dominating the sector. Furthermore, the public service commitments of the network have been diluted to enable it to compete, both for viewers and advertisers, with other commercial networks. Conversely, however, the

²⁹ Steven Barnett & David Docherty, 'Purity or Pragmatism: Principles and Practice of Public-Service Broadcasting' in Jay G. Blumler & T.J. Nossiter, *Broadcasting Finance in Transition* (New York & Oxford: OUP, 1991), p. 25.

³⁰ Leapman op. cit., p. 275.

advertisers, while enjoying the benefits of three terrestrial channels selling their own advertising, do not wish to see viewers deserting those channels for ITV. Accordingly, ITV's task remains - as it did in the days of the duopoly - to compete for a broadly similar audience as BBC1. But as the channel has recently acknowledged, this is a task it will not accomplish successfully by utilising a combination of game-shows and celebrities who are past their sell-by dates. *Coronation Street*, now broadcast four days a week, continues to bring in large audiences: but it cannot carry ITV on its own. Hence the decisions by Richard Eyre, its new Chief Executive, to announce that the channel would be broadcasting more popular documentaries, drama and sport, with the eventual aim - if a report by Zenith Media, commissioned to study scheduling weaknesses, is taken to heart - of targeting the younger ABC1s within a (hopefully) greater audience share.³¹

But while the channels that were available in the 1970s now have two terrestrial competitors in Channel 4 and Channel 5, the most significant competition has come from those channels now transmitting on the quartet of Astra satellites. More than one in five homes have cable or satellite, giving them access to a further thirty to sixty such channels. Nearly all of the thirty-nine English language channels are encrypted: even should the viewer wish to see one of those channels which is not either wholly owned by BSkyB or in which the company is a major shareholder, then he or she is nevertheless obliged to subscribe to BSkyB who offer the channels as part of their basic "package". A second tier, the "premium channels", incurs additional expense for the consumer, should he or she want to watch either of satellite's largest attractions, namely movies and sport. And now a

Kamal Ahmed, 'Let battle commence', Guardian, 12/01/98, G2 pp. 2-3; Ahmed, 'ITV targets BBC1 viewers in revamp', Guardian, 13/01/98, p. 5.

third tier has been added with "pay-per-view": currently limited to major boxing matches and films broadcast several months before they appear on the premium channels.

What do these myriad services offer? Many are themed: Sky Sports, The Movie Channel, Sky Soap, The Computer Channel. There are dedicated news channels in CNN and Sky News. MTV and VH-1 consist almost wholly of music videos. Nickelodeon and TCC are aimed specifically at children. There are also general entertainment channels, such as Sky One and Paramount. But what is the quality of these competing channels? It could be argued - and undoubtedly would be, by Murdoch - that the ultimate test of a programme is its ability to attract, and entertain, viewers. BSkyB has won numerous plaudits both for Sky News and for its coverage of sporting events, but whether the rest of its services measure up to these standards is open to question. In its 1997 Annual Report, BSkyB states that it has "continued to invest in first-run programmes of *proven appeal*". ³² In short, there is little or no willingness to take risks. As Steven Barnett and Andrew Curry have observed,

The market does not work well where information or experience is being sold. Because people are loath to buy the unfamiliar, the marketplace, if left to itself, will not supply new experience. Neither *Monty Python's Flying Circus* nor *Blackadder* were immediate hits because viewers needed time to get used to their idiosyncratic humour. Commercial channels in a truly competitive market cannot afford to take risks or build audiences slowly. To do so will threaten guaranteed ratings from tried and tested formats.³³

³² BSkyB Annual Report 1997.

³³ Steven Barnett & Andrew Curry, The Battle for the BBC (London: Aurum Press, 1994), p. 247.

Sky One's schedules exemplify this approach: running through the day's programming, it offers The Simpsons (satisfical cartoon), M*A*S*H (comedy drama), Star Trek: Next Generation, Millenium and The Outer Limits (science-fiction), Married With Children (sit-com) Geraldo and Oprah (chat shows). Leaving quality aside for the moment, all are American programmes, acquired cheaply by BSkyB. Many are made by the Fox Network, also owned by News Corporation. Most are being repeated for the umpteenth time indeed, those programmes which are actually broadcast for the first time are heavily trailed with advertisements announcing "an all-new episode..." It is inconceivable to imagine BSkyB commissioning as whimsical a programme as The Antiques Roadshow. BSkyB could argue that there remains a demand for such programming, that old episodes of Star Trek remain popular, and that in constantly repeating them it is simply following the strategy adopted by UK Gold, which has successfully harnessed the nostalgia of its audience with broadcasts of old BBC and Thames material. But when this policy is adopted by every channel - Bravo, Paramount, Granada Plus - it means that there is a dearth of opportunity for independent producers to create original programming. For the current modus operandi appears to be along the lines of: have archive, will broadcast. With a large supply of ready-made programmes, the costs of setting up a television channel are negligible, particularly now that repeat fees to actors have been substantially reduced. When there is money to be made from adopting this policy, there is little incentive to commission or produce original programming. That which does appear on the various "specialist" channels normally consists of low-budget chat shows (UK Living is made up almost wholly of this genre) and the "home-grown" "entertainment" which

constitutes The Adult Channel and TVX. Ultimately, if present policies are to be continued, it seems that satellite television will largely reflect a world stuck in a timewarp of the 1970s and 1980s, with the few occasional additions to this canon of repeats being supplied, ironically, by the terrestrial broadcasters. In effect, such broadcasting is duplicating the role of the VCR, enabling the audience to watch programming they may have missed first time around. While the additional satellite channels can be said to provide a "richer and more varied service" in that they at least provide a greater number of options, their owners' reluctance to exploit the potential of the medium by investing profits in original programming does not serve the best interests the viewing public.

BSkyB's scheduling demonstrates the defects in Eli Noam's criticisms of the "iron law", expressed and espoused by defenders of the broadcasting status quo, which states that "a liberalised television environment would invariably lead to a flood of low-quality imports, typically American". Why, Noam asked, would American programmes have an advantage over European? The factor Noam fails to take into consideration is vertical integration: as stated above, Murdoch owns a US production studio, hence it makes perfect sense for its programmes to be screened on Murdoch-owned networks around the world. Secondly, Noam argues that "as foreign imports become cheaper, more resources will be freed up to support domestic production". The resources might well be freed up: whether they would then be ploughed into domestic production is another matter entirely.

The strategies of the subscription services have thus to an extent also rebutted the claims of economists such as David Sawers, a fierce opponent of the licence fee. Sawers

³⁵ Ibid., p. 12-13.

³⁴ Eli Noam, Television in Europe (New York & Oxford, OUP, 1991), p. 11.

has criticised the Government's climb-down (as he sees it) over its refusal to replace the licence fee with subscription and its renewal of the Royal Charter until 2006; he asserts that "if a truly competitive market existed, in which consumers could exert their influence on suppliers, there would be no obvious need for public service broadcasting", and that, furthermore, "it is not at all obvious that the social benefits from cultural programmes additional to those for which viewers are willing to pay would justify any subsidy". 36 Sawers advocates the introduction of legislation which gradually reduces the BBC's dependence upon the licence fee, and which empowers it "to raise money from any commercial source it chooses to exploit", including advertising and subscription. The argument that this would drive the BBC downmarket is "implausible", while concerns for other services which rely on advertising is "misguided", as "there is no reason why advertising-financed firms should be sheltered from competition". 37 This line of reasoning can be attacked on a number of fronts. To begin with, Sawers bases part of his argument on the belief that there will be a significant increase in total advertising expenditure on television, a belief which, given key advertisers' concerns over the audience's tendency to surf past commercials and their stated desire to exploit other media, may be ill-founded. The ITV companies, in direct competition for audiences with BBC1, would undoubtedly suffer as a result: a point they have made clear every time it is proposed that the BBC takes advertising. Such competition might well lead to one or other of the channels going by the wayside: a conclusion that Sawers seems happy to accept. As for the introduction of subscription, this would negate one of the key defining principles of public service -

³⁶ David Sawers, 'The future of public service broadcasting' in M E Beesley, ed., Markets and the Media (London: Institute of Economic Affairs, 1996), pp. 95 & 97.

universality - depriving the BBC of any status as "the national instrument of broadcasting". Those subscription services which have flourished have depended largely upon an output of sport, films, acquired US programming and archive material: in a system where the overriding concern is to maximise profit, would not the tendency be to concentrate on similar, low-cost programming?

Tom O'Malley offers an additional criticism of this approach: by becoming *reduced* to consumers, viewers / citizens have only "the right to buy an increasing number of media products with an ever-narrowing range of content and social, cultural and political debate". Market principles replace public service principles: no longer are broadcasters required to serve the public by providing information and education as well as entertainment. Barnett and Curry argue that "the problem with the market approach to broadcasting is that the peculiar economics of the industry make it certain that the market will fail". Other than for those whom, in O'Malley's words, "mass communications is about making money", an unchecked market-liberal approach, along the lines of Sawers' blueprint, might well result in a diminished range of programming for the viewer, and in catastrophe - the term in not too extreme - for all parts of the British television industry. On the product of the British television industry.

Outlook

This thesis has focused broadly on the formative years of DBS policy, and the subsequent emergence of a satellite service which - with Government complicity - drove a coach and

³⁸ Tom O'Malley, Closedown? The BBC and Government Broadcasting Policy, 1979-92 (London: Pluto Press, 1994), p. 180.

³⁹ Barnett & Curry op. cit. p. 246.

⁴⁰ O'Malley op. cit. p. 180.

horses through that policy and, initially through the acquisition of a number of key sporting events, built up a user base that enabled it to operate at a profit. And while much of the thesis deals with this fifteen year period (1977-1992), it may be worthwhile to examine recent - and imminent - developments in satellite broadcasting, but at the same time keeping in mind Peter Medawar's essay on "Expectation and Prediction" wherein he observes that "the foolish can be relied upon to predict with complete confidence that certain things will come about in the future or that others will not". 41

As noted earlier, BSkyB have recently introduced a number of pay-per-view services. The first "Sky Box Office" event to be screened using this method of payment was the Tyson / Holyfield heavyweight boxing clash: 450,000 paid £10 a head to view the fight live. Major boxing matches have since become almost exclusively available only on pay-per-view, and there are plans to introduce the method into other sports, such as football and rugby. More recently, in December 1997, BSkyB began screening films on pay-per-view channels, charging £2.99 to each customer per film.

Many have questioned the ethics of such a move, claiming that, in the case of sport, it will deprive the viewer of games that would otherwise be available in a normal "premium" package and relegates him or her to the status of "second-class citizen". It has also concerned Chris Smith, Secretary of State at the Department of Culture, Media and Sport (New Labour's repackaging of the Department of National Heritage) who is currently assessing which should be "protected events" and thus remain a prerogative of terrestrial broadcasters. Recent events have also demonstrated that, with the plethora of channels becoming available, major sporting powers (be they organising bodies such as the

⁴¹ Peter Medawar, Pluto's Republic (Oxford & New York: OUP, 1984), p. 298.

International Boxing Organisation and the Federation Internationale de l'Automobile, or indeed clubs such as Manchester United) increasingly have the ability to negotiate on their terms - which might include their own entry into broadcasting, by pay-per-view per Formula One race or per game at Old Trafford. Whether the present Government will act against such moves is uncertain.

As for the introduction of films on pay-per-view, the suspicion remains that, even at £2.99 per film, BSkyB is pricing itself out of the market, and may in some respects be a victim of its own success. The beauty of sporting events as a means of attracting pay-per-view customers is that they are live: there is but one opportunity to see them at the moment their drama unfolds. Films, on the other hand, are first available night after night at the local cinema, then at the video store, and only then by pay-per-view. The likelihood is that, should a potential viewer be keen on watching a particular film, he or she will have seen it on film or video (where it will still be less expensive than pay-per-view). Otherwise, he or she can always tune into one of the films that BSkyB will be showing at that time on one or other of their conventional subscription services. And besides, that viewer can rest assured that whatever is being screened on Sky Box Office will be available on those same subscription services in a few months anyway...

This thesis has concentrated largely on the history of satellite. But a place must be found for, at the very least, a few comments on its sister medium and rival, cable. One thing is clear: had it not been for Murdoch's success with Sky on Astra, cable in the UK would be in an infinitely worse state than it is at the present. While, by the end of 1996, nearly 1.8 million homes received their television via cable, this seems to be largely as a

result of an increasing number of homes being passed than by any greater inclination to subscribe to cable television: penetration has resolutely refused to budge much from the figure of 22%, a constant for the five years or so. Jon Davey, the former DG of the Cable Authority, admits to being unable to answer the question of why cable television growth has stagnated to this extent. He does not feel, however, that cable was over-regulated in its early years, particularly with regard to the ban on overseas investment: rather that "the most important restriction" - which dissuaded potential UK investors - was that which prevented cable companies offering telephone services in addition to television, so that Mercury might be given the opportunity to build up a user base in the wake of the 1984 Telecommunications Act. 42 The decision to permit overseas investment was, according to Veljanovski, taken in the hope that it might "rejuvenate the British telecommunications manufacturing industry ... and as part of the overall scheme for telecommunications deregulation" rather than out of any genuine desire to implement a policy that would provide the viewer with a greater degree of choice. In this analysis, any changes that the broadcasting policy would therefore be by-products occurred to telecommunications policy. Additionally, cable companies were - and remain - at a severe disadvantage compared to Sky, because the key incentive to take cable - a programme package that would offer extensive programming alternatives to the terrestrial channels was being supplied by a competing means of delivery. And as Richard Collins has observed, the beauty of the situation from Sky's perspective - particularly after the merger with BSB - is that by utilising the Astra satellite, they have "end-to-end control of the programme production, transmission and reception chain", while the various cable

⁴² Author's interview with Jon Davey, 01/09/95.

companies simply assemble and distribute programme packages.⁴³ They have to go to the expense of providing a broadband cable network in their franchise area. And at the end of the day, they have to offer a package which the viewers want: namely, one that includes the premium channels produced by Sky.

BSkyB's current domination of the market may be extended in the long term through its joint venture into digital satellite broadcasting with British Telecom, Midland and Matsushita Electric. British Interactive Broadcasting, in which BSkyB has a 32.5% stake, envisages providing a range of interactive services, including "home shopping, banking and travel and holiday services", together with local community and national public information services, which television viewers may access through a set-top box (planned to retail at around £200). Ultimately, the company plan to provide an integrated service with Internet capability, and to have the option of upgrading sets to offer digital terrestrial channels (some of which will be programmed by BSkyB); it plans to move into profit within five years of launch. Whether this service will succeed remains to be seen, but certainly it seems to offer one of the better models for an integrated, interactive network. There are at present two fundamental concerns. The first is caused by uncertainty about precisely what interactive services will be carried: until this is resolved, no decision can be made on the operating standards for the set-top boxes. The second is an investigation into BIB by the European Commission, concerned at the prospect of two major players in BSkyB and British Telecom linking up and closing out any opposition. Should the EC find against BSkyB, then the company will be forced to provide all the subsidy it is providing

⁴³ Richard Collins, Satellite Television in Western Europe (Revised edn; London: John Libbey, 1992), p. 106.

(at £200 per unit) to keep the prices of set-top boxes at the £200 level. 44 Nevertheless, Murdoch's financial situation is considerably stronger than at the time that Sky was competing head to head with BSB. Nor - and hence the EC investigation - are there any prospects of significant competition. The key task, as with Sky in 1989, will be to persuade the public to adapt to the technology.

Again, what must be stressed is that all the running in these developments has come from the private initiatives: British Interactive Broadcasting's working group, which has involved companies such as Thomas Cook, Sainsbury and HMV "to develop content for interactive services" was not, unlike the majority of such groups which littered the history of DBS in the 1980s, put together either at the behest of, or directly under the auspices of, one of the regulatory bodies. Rather, in recent years the Government has been content to let the independent sector develop its own initiatives. And with digital compression increasing tenfold the number of available frequencies, scarcity of broadcasting space is no longer as significant an issue as it was twenty years ago.

The point cannot be emphasised strongly enough that satellite broadcasting occurred in spite of, not because of, Government policy. It may be argued that the Government's one contribution to the success of a satellite venture was to allow the merger between Sky and BSB to proceed: but it was apparent that any Government interest in the British DBS project had evaporated long before. DBS policy had degenerated into a muddle, and the sooner it washed its hands of it, the better. One thing is clear: the concept of the "management of change", so beloved of the Home Office and the IBA, is no longer in vogue.

⁴⁴ John Gapper & Cathy Newman, 'BSkyB: Doubts over digital launch', Financial Times, 13/01/98, p. 3.

LIST OF ABBREVIATIONS

ACARD Advisory Committee for Applied Research and Development

ACTT Association of Cinematograph, Television and allied Technicians

ASA Advertising Standards Authority

BBC British Broadcasting Corporation

BSB British Satellite Broadcasting

BSkyB British Sky Broadcasting

CNN Cable News Network

CPRS Central Policy Review Staff

DBL Direct Broadcasting Ltd

DBS Direct Broadcasting by Satellite

DoI Department of Industry

DTH Direct-to-Home

DTI Department of Trade and Industry

EBU European Broadcasting Union

ECS European Communications Satellite

ESA European Space Agency

ESOC European Space Operation Centre

HBO Home Box Office

H-SAT "Heavy" Satellite

HTV Harlech Television

IBA Independent Broadcasting Authority

ITAP Information Technology Advisory Panel

ITC Independent Television Commission

ITCA Independent Television Companies' Association

ITN Independent Television News

ITU Information Technology Unit

ITV Independent Television

L-SAT "Large" Satellite

LWT London Weekend Television

MAC Multiplex Analogue Component

MTV Music Television

NAD National Armament Director

NSB National Satellite Broadcasting

OMD Orderly Market Development

OTS Orbital Test Satellite

PAL Phase Alternation Line

PSBR Public Sector Borrowing Requirement

RPI Retail Price Index

RTE Radio Telefis Eireann

RTL Radio Television Luxembourg

RTS Royal Television Society

SATV Satellite Television plc

SBG Scansat Broadcasting Group

SES Société Européenne des Satellites

SMATV Satellite Master Antennae Television

TSW Television South West

TT&C Telemetry, Tracking & Control

TWTA Travelling Wave Tube Amplifier

Unisat United Satellites

WARC World Administrative Radio Conference

CHRONOLOGY, 1977-1992

- 1977 January: WARC for Broadcasting Satellites (WARC-BS) convened at Geneva. UK awarded five broadcasting frequencies and allocated the orbital slot of 31°W.
- 1979 January: WARC-BS ratified.

May: British General Election: Conservative majority 43. Margaret Thatcher appoints William Whitelaw as Home Secretary

December: Sir Harold Wilson warns Commons of the dangers posed by putative Luxembourg DBS service.

1980 February: Wilson's Interim Action Film Committee submits report to the Department of Trade suggesting that the benefits of a British DBS service to the film industry should be "fully exploited".

March: Whitelaw announces the setting up of a Home Office study into DBS.

September: ACARD submit Information Technology report. It concludes that the Home Office is not an "appropriate" department to regulate an expanding broadcasting industry, and calls for the creation of the post of Minister for Information Technology.

December: Satellite Television plc (SATV) registered.

1981 *January*: Kenneth Baker appointed Minister for Information Technology within the Department of Industry.

May: Home Office Green Paper, Direct Broadcasting by Satellite, published.

July: Information Technology Unit set up within the Cabinet Office; Information Technology Panel formed.

September: SATV granted permission for a point-to-point link with Malta.

1982 February: ITAP Report on Cable Systems argues that "there are powerful economic and industrial arguments for encouraging cable systems in the UK".

March: "Modest, early start" option from Green Paper chosen. BBC awarded two DBS channels. Whitelaw announces setting up of the Hunt Inquiry into cable expansion.

April: Part Inquiry into DBS transmission standards set up. SATV begins transmitting on OTS-2 to 144,000 homes in Norway and Finland.

July: Alasdair Milne and Unisat representatives meet with Baker. Milne is told that the satellite supplier must be British.

August: Rupert Murdoch sets up a New Media Development Group to look at potential investment in satellite and cable.

September: Hunt Report proposes a cable network funded by a combination of subscription and advertising, and regulated by a Cable Authority.

November: Launch of Channel 4.

December: Commons debate on Hunt Report. Part Report published, recommending use of MAC standard.

1983 January: BBC DBS Directorate established.

March: BBC sign heads of agreement with Unisat, paying £168 million over seven years in return for the lease of two channels.

April: White Paper, The Development of Cable Systems and Services, published.

June: British General Election: Conservative majority 144, Thatcher remains Prime Minister. Whitelaw becomes Leader of the Lords; Leon Brittan, Home Secretary. Radio Regulatory Department transferred to remerged Department of Trade and Industry. SATV board agrees to takeover by Rupert Murdoch.

August - September: BBC and Thorn draw up business plans for joint DBS company.

September: Brittan announces plan to allow IBA to issue DBS contracts.

December: Thorn inform BBC that they no longer wish to enter into a partnership. BBC tell Brittan that their DBS venture cannot continue. Meeting between BBC and IBA representatives to discuss a joint DBS venture.

1984 *January*: Jeffrey Sterling appointed as supervisor to the DBS Working Group of BBC, IBA and ITCA members chaired by John Whitney. Sky Channel begins transmitting to 10,000 viewers in Swindon.

February: ITV companies endorse Working Group proposals for a joint BBC / ITCA company utilising a Unisat satellite.

March: Brittan calls for "third party" representation in venture.

May: Brittan reveals proposals for a consortium to establish a DBS service, consisting of the BBC, the ITV companies and various "third parties".

July: "Third parties" revealed as Granada TV Rentals, Thorn EMI, Virgin, Pearson and Consolidated Satellite Broadcasting.

August: Initial meeting of the "Club of 21".

December: Plenary meeting of Club to discuss Andrew Quinn's business report.

1985 *March*: Société Européenne des Satellites (SES) formed by a consortium of Luxembourg bankers. Brittan announces establishment of Peacock Committee.

May: Quinn meets Sterling to discuss lack of progress towards deal with Unisat. DTI permits individual SMATV reception.

July: Final meeting of Club of 21.

September: Leon Brittan replaced as Home Secretary by Douglas Hurd. IBA invites approaches by organisations "interested in providing one or more television services" for DBS.

1986 April: IBA advertises franchise for three DBS channels.

July: Peacock Report published.

August: Five DBS bids - from BSB, DBL, DBS UK, NBS and SatUK - submitted to the IBA.

December: BSB officially awarded the DBS franchise. Alan Bond invests in BSB.

1987 *March:* British Telecom agrees to lease eleven transponders on Astra from SES. Graham Grist joins BSB.

June: British General Election: Conservative majority 102.

September: Downing Street seminar on broadcasting. Murdoch attempts - unsuccessfully - to sell a stake in SATV to Phillips and Hambros.

October: Anthony Simonds-Gooding appointed as Chief Executive of BSB.

December: News International obtains the EBU contract for Eurosport.

1988 January: Whitelaw suffers a stroke and leaves the Cabinet.

June: Murdoch reveals plans for Sky Television, a four channel service financed by advertising. DTI Secretary Lord Young announces proposals to transfer BBC2 and C4 to satellite. Home Affairs Select Committee report, The Future of Broadcasting, published.

July: Meeting between Hurd and Young in Silchester: Young's DBS proposals rejected.

October: Murdoch concedes the need for a service funded by subscription. John Gau joins BSB as Director of Programming

November: White Paper, Broadcasting in the '90s: Competition, Choice and Quality, published. Andrew Neil joins Sky.

December: Ariane-4 rocket carrying Astra successfully launched.

1989 February: Sky Television launched.

June: BSB awarded two additional DBS channels. Graham Grist dismissed. Australian Broadcasting Tribunal rules that Alan Bond is unfit to control broadcasting interests.

October: Nigel Lawson resigns as Chancellor of the Exchequer. Hurd becomes Foreign Secretary, David Waddington replaces him as Home Secretary. David Mellor made Broadcasting Minister.

December: Broadcasting Bill published.

1990 March: "Trial" launch of BSB on cable.

April: "Official" launch of BSB.

September: News Corporation share price goes into freefall.

October: Ian Irvine of Reed meets Murdoch in Cavan. Tentative terms agreed for Sky - BSB merger. Murdoch meets Thatcher at Downing Street and mentions the merger.

November: Broadcasting Act comes into force. Sky and BSB merge: Simonds-Gooding sacked, Gau resigns. Conservative Party leadership contest: Margaret Thatcher resigns, John Major replaces her. Kenneth Baker appointed Home Secretary.

1992 April: British General Election: Conservative majority 21. Responsibility for broadcasting transferred to the Department for National Heritage under David Mellor.

May: Sky awarded exclusive live coverage for the first five seasons of the Premier League.

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LIST OF INTERVIEWEES

Interviewee	Date of interview
Bill Cotton	01/06/95
Viscount Whitelaw	12/06/95
Jon Davey	01/09/95
John Rowe	10/10/95
Amanda Cuthbert	16/11/95
Tony Dukinfield	22/11/95
Hamish Keith	22/11/95
Steve Maine	28/11/95
Chris Irwin	11/12/95
Andrew Quinn	29/01/96
David Ciclitira	07/02/96
Sir David Berriman	08/02/96
Sir Geoffrey Pattie	11/03/96
Patrick Cox	22/03/96
John Gau	02/05/96
Anthony Simonds-Gooding	16/05/96

In addition, a senior Home Office official, and a former senior Home Office official, neither of whom wished to be identified, were interviewed on 01/09/95.