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Qa 05190

To: PRIME MINISTER

From: J R IBBS

UK Space Policy

1. The CPRS note for E Committee on this subject has now been circulated, together with our fuller report. These deliberately exclude references to two sensitive issues, the likely reactions to our proposals by British Telecom and the Post Office Engineering Union (POEU), and the question of carrying Government communications by satellite. I do not suggest that the Committee will need to discuss these issues, but it should be aware that the CPRS has given some thought to them.

British Telecom/POEU reactions

2. Neither British Telecom nor the POEU will welcome the proposal in our report that the telecommunications monopoly should be further relaxed to permit the provision by privately financed consortia of business data and other services (but not ordinary voice communications) within this country by satellite. They may well argue that the Government is allowing others to cream off the most lucrative services, and British Telecom may add that their European posts and telecommunications partners, all nationalised monopolies, could object to such a move. Both British Telecom and the POEU will worry about the longer term implications of a privately owned UK satellite system which could provide a rival network, offering rival services, to British Telecom's terrestrial one.

3. We believe that the Government should resist any such arguments. Some would in any case be misplaced or exaggerated; the report does not advocate British Telecom's exclusion from the domestic business service market, merely competition; and it does not recommend the liberalisation of European and international business services because that is not in the Government's power. But the sensitivities are such that detailed presentation of our recommendations, if approved by Ministers, will be important. The proposed Parliamentary statement on the Government's general aims and policy will be the first such occasion, and we are ready to amplify the above points in discussing the terms of such a statement in the Marshall Committee.



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Government Communications

4. Industry Ministers have expressed interest in a related question, namely whether Government communications could be protected, in the event of industrial action by the POEU or civil service unions, by carrying some or all of them on Government controlled satellites. In principle satellites could carry Government communications, enciphered as necessary, between Government organisations in this country and between this country and FCO posts abroad. The latter would presumably depend on their host government's willingness to allow them to operate small dish antennae.

5. The obvious solution would have been a Government communications payload on the first Ministry of Defence satellite, due to fly in 1984. However, the volume of defence traffic and the relatively small satellite platform being considered rule out anything more than an experiment. We recommend, however, that the Ministry of Defence consider with other interested Departments ways of including a significant Government communications payload on the next satellite in the series. This is due to go into orbit around 1989, but the specifications will have to be drawn up by about 1984. There is certainly a case on national space policy grounds for procurement of a version of the L-Sat platform, for which BAe could expect to be prime contractor; its total capacity would allow payloads like limited vital Government communications alongside those needed to meet the military requirement for defence communications. The Ministry of Defence must have the right to change the satellite's orbital position and exploit all its capacity at times of military crisis. Although this limits the functions it could perform for other users in such crises, the satellite could support some civil Government communications at any other time.

6. I am sending a copy of this minute to the members of E Committee, the Secretaries of State for Defence and for Education and Science, to the Minister of State, Department of Industry, and to Sir Robert Armstrong.

24 November 1980