

Mark Thompson
Director-General
BBC

27 April 2007

Dear Mark,

The BBC Executive put forward proposals in February asking the Trust to agree to the BBC proceeding with the launch of “Freesat”, in particular establishing a company to operate and manage the “Freesat” proposition, as a joint venture with other public service broadcasters. The Trust has consulted publicly on the issue and has concluded that it should approve the proposals. The Trust's decision has been published today.

In reaching its decision the Trust has considered the likely benefits to the licence fee payer, the public value created and the potential market impact. Having regard to the Trust's duties under the Charter and the Agreement (particularly the duties in Article 23) and such general guidance concerning the management of the affairs of public bodies which we consider relevant and appropriate, our conclusion is that we should approve the proposition that the BBC invests in a joint venture to offer a national satellite based free-to-view digital service. We consider this to be in the best interests of licence fee payers.

The Trust's approval is subject to the following conditions:

1. A requirement that the funding arrangements for the participation of other broadcasters in “Freesat” are such that it can be demonstrated that those other broadcasters are not being subsidised by the licence fee.
2. A requirement that the BBC should keep its interaction with Freeview operationally separate from its involvement with “Freesat” to minimise any potential effect on competition
3. The BBC, through its role in the Joint Venture, must retain sufficient control over the decisions taken by the Joint Venture to ensure that the BBC's public service objectives are not undermined.
4. The BBC, through its role in the Joint Venture, should ensure that there is always an ability to access “Freesat” on a subscription-free basis

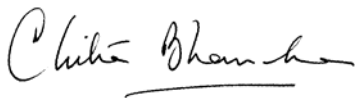
In addition to these conditions of approval, the Trust considers it important that in implementing the “Freesat” proposal the BBC Executive is mindful of the following points raised during our consultation, which we consider to be important to the success of the venture.

First, you should seek to ensure that arrangements to secure the necessary quality and technical standards of the receivers and Electronic Programme Guide required to access “Freesat” are put in place.

Second, you should take all reasonable steps to ensure that “Freesat” is able to co-exist with other digital television platforms without impairing their technical operations.

Finally, I would be grateful if you could make sure that the Trust is kept informed at appropriate stages of progress in establishing the joint venture and launching the “Freesat” proposition.

Yours sincerely

A handwritten signature in black ink, appearing to read "Chitra Bharucha", with a horizontal line underneath the name. To the right of the signature is a vertical red line.

Chitra Bharucha
Acting Chairman