

CONFIDENTIAL

A, C.C.Mr. Hoskyns
Mr. Wolfson

Subject



Ind Busy

10 DOWNING STREET

From the Private Secretary

16 July, 1979.

Dear Andrew,

Micro-electronics

The Prime Minister held a meeting this afternoon with your Secretary of State to discuss Government support for micro-electronics. Sir Kenneth Berrill, Mr. John Hoskyns and Mr. David Wolfson were also present. They had before them your Secretary of State's undated minute from last month, his minute of 13 July, the Chief Secretary's minute of 2 July, and Sir Kenneth Berrill's minute of 12 July.

The Prime Minister said that she remained far from convinced of the case for Government support for micro-electronics. She had very grave doubts about assisting the production of micro-electronic devices, and in particular the INMOS project. But she also questioned the support for applications. Her own view was that British industry was very ready to apply this technology, and that finance was not the constraint; where industry was not applying it, it was because of trade union opposition. The experience of the USA showed that industry would introduce micro-electronic technology without Government support, and there were many companies in the UK which were successfully doing so also. Sir Keith's proposal to continue spending money on the MAP, and even more so on the MISP, was inconsistent with his general approach of reducing public expenditure on industrial support.

Sir Keith replied that he too had doubts about the MISP, and also about the INMOS project. But he could not accept the Prime Minister's strictures about the MAP. Contrary to the Prime Minister's belief, UK companies were not applying micro-electronic technology on an adequate scale; and there was a real danger that industry would fall increasingly behind its main competitors overseas. The MAP was needed in order for industry to catch up. Moreover, the MAP was one positive measure which he wanted to retain against the variety of other schemes of assistance which he was intending to reduce or abolish. If the MAP scheme were stopped, this would be widely misunderstood. He did not accept that the continuation of this scheme was

/ inconsistent

CONFIDENTIAL

inconsistent with his general philosophy on public support for industry. There was already provision for the scheme, as there was also for the MISIP, and he had already found very sizeable public expenditure savings from within his programme. Sir Kenneth Berrill added his support for Sir Keith's approach.

The Prime Minister said she was still not convinced, and asked that:-

- (i) commitments on MAP should be limited for the time being to £25 m; before going over this figure, Sir Keith should present the Prime Minister with a review of what had so far been achieved under the scheme.
- (ii) there should be no further commitments under the MISIP for the time being; Sir Keith should first consult with Sir Arnold Weinstock on the value of this scheme, and then report back to the Prime Minister. Sir Keith should report back separately with proposals on INMOS.

I am sending copies of this letter to Alistair Pirie (Chief Secretary's Office, HM Treasury), Martin Vile (Cabinet Office), and Gerry Spence (CPRS).

How: en.

T. in Labour.

A.A. Duguid, Esq.,
Department of Industry.