

copy filed on
Prime Minister Dec 81
Mr. M. G. with Sir E. Harrison
of Racal Electronics Ltd



10 DOWNING STREET

cc. A. D. G. 10

Mr. G. M. 17 Dec 81

From the Private Secretary

21 December 1981

Sir Ernest Harrison of Racal called on the Prime Minister at 1700 hours this afternoon. Your Minister was present.

Sir Ernest opened by discussing the development of Racal's business, and the company's strategy. He made a strong plea for a government policy of selective support for the UK electronics industry. The Ministry of Defence provided a lot of business for the UK industry, but very little of this had export potential; the industry would need government help if its competitive position in world markets was to be assured. There were areas in which the UK industry had led the world in innovation, such as the development of liquid crystal displays, fibre optics, and the use of lasers in telecommunications; but UK industry had been bad at exploiting these developments commercially. In reply, the Prime Minister said:-

- (a) The electronics EDC had reported on this subject to the NEDC in November. The report was being considered within the Department of Industry. The subject would come up at the NEDC in February, which would be chaired by the Prime Minister. She would welcome a short tutorial on this subject before the Council meeting, with plenty of visual displays. The presentation of the paper in the Council itself should also be accompanied by visual displays. The Treasury will wish to take account of these comments in arranging the NEDC meeting on 3 February, and the Prime Minister's briefing meeting on 2 February.
- (b) More should be done to recognise those who had made these innovations. Your Minister agreed to discuss with the Department of Education and Science the possibility of encouraging scientists to nominate the engineers and scientists concerned for Nobel Prizes. The Prime Minister had particularly in mind the recognition of the developments mentioned above.

Sir Ernest went on to say that introducing new technology into industry was essential to the future survival of British industry; much of industry needed to make the step from using electro-mechanical processes to using electronic processes;

/many more

many more scientists and engineers were needed in this country if the UK was to achieve this. Sir Ernest felt that 80 per cent of places in universities and polytechnics should be assigned by the Government to scientific subjects. In reply, the Prime Minister said she would consider holding a lunch, or dinner, to discuss what more the higher education sector could do to help in this area. I will be in touch with you and the Department of Education and Science when I have consulted the Prime Minister about whether, and how she wishes to pursue this.

There was some discussion of the problem of unemployment. Sir Ernest Harrison said that he was depressed by how few employees of Racal ever tried to set up small businesses of their own. He was sure that more would do so if they felt they could remain a part of the Racal Group; but the rules on the taxation of subsidiary companies did not encourage this, nor did the incentives open to small businesses apply to subsidiary companies. Your Minister said he would take this up with the Treasury. Sir Ernest also asked why more could not be done to encourage early retirement, or even to reduce the retiring age. The Prime Minister said that in general it was more expensive to support a pensioner than an unemployed person; Sir Ernest's suggestions would be expensive to implement unless the indexation of pensions was abandoned, and that would be extremely difficult.

I am sending a copy of this letter to Peter Jenkins (H.M. Treasury) and Peter Shaw (Department of Education and Science).

Jonathan C. Hudson, Esq.,
Office of the Minister of State,
Department of Industry.