



1) Mr Turnbull
2) Prime Minister

W.0812

8 November 1984

PRIME MINISTER

REPORT ON AGRICULTURAL DEVELOPMENT AND ADVISORY SERVICES

The ^{attached} Minister of Agriculture wrote to the Chief Secretary on 5 November indicating his intention to publish the report on the Agricultural Development and Advisory Services (ADAS), prepared by the newly-appointed Director of ADAS, Professor Bell. He also proposes to make a statement about the report in the House next week and a draft of this is attached to his letter. Mr Jopling's letter has been copied to you and to some colleagues.

2. ADAS employs 4800 staff and cost £123 million in 1983-84. It was excluded from the Misc 100 review of Agricultural Expenditure because the Bell report was in preparation. The present review is rather friendly compared with that which ADAS might have received from Misc 100. Bell has asked a large number of beneficiaries of the service whether they like what they receive free and unsurprisingly the answer is: yes, but we could receive even more. The ADAS staff are also found to be in favour of the free service.
3. The Bell report makes no comparison with the agricultural services provided in other European countries (although my understanding is that ADAS is unique in scope and generosity) and it makes only a passing reference to the vastly increased private sector R&D, advisory and promotion services which have grown up in the last 25 years as a result of increased sales of fertilisers, animal health products, pesticides and herbicides. It might have been expected that these could replace some of the ADAS services.
4. The general picture of a privileged sector of industry which is cossetted at the tax-payer's expense in comparison with manufacturing industry is consistent with ACARD's comments on the Annual Review of Government R&D which, at your request, are now being examined by officials.

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5. Nevertheless Bell has identified some useful changes in the organisation, coverage and methods of working of ADAS. He has also advocated a cautious approach towards charging for the service:

"It would clearly not be sensible to look for full cost recovery at once. Indeed it might well be preferable to make clear that in the national interest, the Government intends to continue to provide a specific level of service and aim for recovery of no more than a proportion of its cost. This would allow charges to be fixed at levels which the market will bear and avoid the risk of killing off the service."

6. In his draft statement Mr Jopling endorses this very cautious approach to charging and fixes the proportion of cost recovery at a miserable 20 per cent. I understand that this figure satisfies Treasury's needs for immediate savings in the current PES period but, once given to Parliament, it effectively creates a ceiling on savings for the medium-term future.

7. I can see no reason why most, if not all, of the cost of ADAS should not be recovered in, say, 5 years' time. This is the only way of testing whether the service is really needed (I suspect that many parts of it are not) and of allowing competitive private sector services to be developed.

8. I therefore recommend that Mr Jopling's statement be changed from:

"... it would be reasonable to envisage roughly 20 per cent of the total cost of ADAS being met in this way".

to:

"... it would be reasonable to expect that most of the total cost of ADAS could eventually be met in this way."

9. I am copying this minute to Sir Robert Armstrong.

RBN
ROBIN B NICHOLSON
Chief Scientific Adviser

Cabinet Office
8 November 1984

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