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cc for Nicholson

For mtg folder pos

PRIME MINISTER

SPACE STATION

I shall not be able to take part in the discussion on Monday which you are to have with Geoffrey Pattie on the space station proposals. There are therefore a number of points which I should like to set out in writing.

2 The immediate question is whether we should enter Phase B of the space station, the planning and definition phase. But we must not delude ourselves: to participate in Phase B is to step on to a moving escalator, designed to take us into Phases C and D. Both of these phases will be expensive and, on the admittedly early and incomplete assessment we can now make, the immediate technological and industrial benefits from participating in them may well turn out to be unattractive relative to the cost. On this basis, I should have to advise that we should not enter Phase B.

3 I recognise, however, that there are strong pressures to the contrary, not least the American reaction to a decision not to go forward with the present proposal, and there may well be defence implications too. There is therefore an obvious appeal in entering Phase B, as a means of acquiring further knowledge, keeping options open, and deferring what would be a difficult and unpopular decision to say "no". If these considerations are deemed to be irresistible, I think it essential that we should only enter Phase B on the basis that very strict criteria are now established for deciding whether to take part in Phases C and D. Unless the definition stage produces surprises, it seems unlikely that short term value for money criteria would be met. Second, I believe it essential that it should be recognised that there is no scope within this Department's expenditure for the costs

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associated with Phases C and D. Phase B will cost £7m, which could be met from within my Space Budget. Phases C and D will cost at least £30m a year for eight years, and cannot be met within my Department's budget. I therefore believe it essential that it should be recognised from the outset that any decision to enter the subsequent phases must be a collective decision, made in recognition that it would have to be funded from outside my PES provision as I envisage it being during the relevant period.

4 These conditions would need to be met before I would be prepared to enter Phase B.

5 I am copying this to our Ministerial colleagues attending your meeting on Monday, to Robin Nicholson and to Sir Robert Armstrong.

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(approved by the Secretary of State
and signed in his absence)

6 December 1984

Department of Trade & Industry

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