

E. R.

GR  
Pse type letter  
at flag D  
and return - and ask  
Cabinet Office and  
for the enclosures. 6/8

PRIME MINISTER

W/E Box

1984 REVIEW OF RESEARCH

The 1984 Annual Review of Government-Funded Research and Development is now complete. I attach comments on it from ACARD (Flag A), Sir Robert Armstrong (Flag B), and Dr. Nicholson (Flag C).

There are three major themes running through the analysis:

- (i) expenditure on Defence R & D is disproportionately high;
- (ii) research in support of manufacturing industry is disproportionately low, especially when compared with support for agriculture;
- (iii) the distribution of expenditure in support of manufacturing industry requires further examination.

Robin Nicholson concludes that Government-funded R & D is substantially out of balance: over-committed on defence, agriculture, and nuclear energy; and under-committed on basic and strategic research, especially in manufacturing.

The question is how best to take forward the Government's consideration of these issues. You are invited to agree that:

- (i) I should send copies of the Review, together with ACARD's comments, to Departments, using the draft letter at Flag D;
- (ii) the Review should be published in the autumn, subject to the deletion of classified information relating to future defence expenditure;

- (iii) Dr. Nicholson should pass his analysis to the Chief Secretary, for use at his discretion during the coming PES Round;
- (iv) Sir Robert Armstrong should consult interested Departments (mainly Ministry of Defence, HM Treasury, and Department of Trade and Industry) with a view to establishing an interdepartmental group, to look mainly at the economic impact of current defence R & D expenditure;
- (v) this group should be under Cabinet Office chairmanship, and should start work after the current PES discussions are complete;
- (vi) the group should consider in particular the consequences of a reduction of MOD research expenditure to roughly half of its present value over five years, with the resources being transferred to other research areas (see paragraph 6 of Dr. Nicholson's minute).
- (vii) the other comments made by ACARD should be considered by the <sup>Sub-</sup>~~special~~ committee of Chief Scientists.

I have some doubts about recommendation (iii) above, because of the danger that the Treasury would merely seize on all the points where expenditure should be reduced and ignore those where Dr. Nicholson sees a good case for an increase. But Dr. Nicholson judges that the exercise would on balance be worth while.

Content with recommendations (i) to (vii)?

Yes not

DMB

2 August 1984