

PRIME MINISTER

ANNUAL REVIEW OF GOVERNMENT FUNDED R & D

The Third Annual Review of R & D has now been completed and is at Flag B under a covering minute from Sir Robert Armstrong at Flag A. The review is bulky and in two parts, although there is a useful summary inside the folder.

A working group of the Advisory Council for Applied Research and Development (ACARD), under the chairmanship of Sir Francis Tombs, has provided you with comments on the report (Flag C) under cover of a letter from ACARD's chairman, Sir Henry Chilvers (Flag D). The covering minute from Sir Robin Nicholson is at Flag E.

The annual review in brief says that:

Government R & D

(i) Total Government expenditure on R & D is now £3.9 billion per annum; this is under 5 per cent of central government expenditure.

(ii) Over half goes to MOD.

(iii) Decreases in real terms are expected for 1986/87 and 1987/88.

(iv) 1987/88 is likely to see a smaller proportion of R & D expenditure being used to support the improvement of technology.

R & D generally

(v) Total R & D as a percentage of GDP declined between 1981 and 1983; but for our main competitors it increased.

(vi) The UK is at the bottom of the league table in the percentage of GDP spent on civil R & D.

The ACARD comments indicate that they are "seriously worried" by the picture presented in the review. Their advice contains some substantial recommendations, for example that all departmental R & D proposals should be considered against a central objective which emphasises national wealth creation. Sir Robin Nicholson strongly supports the thrust of ACARD's comments.

Handling

An enlarged E(A) on 10 July is to consider R & D priorities across Government. Ministers will wish to have before them the annual review and ACARD's comments on it.

Sir Robin Nicholson's minute proposes also that ACARD's comments be circulated at the same time to colleagues. Decisions on how to respond to the ACARD advice will need to await that E(A) discussion.

Sir Robert Armstrong ~~also~~ proposes that the review should, as last year, be published after the classified elements of it have been suitably amended. However, given that the review seems likely to give rise to criticisms of Government spending on R & D, it may be worth delaying a final decision on this before the E(A) on 10 July, which is only a short distance away. E(A) will also need to consider how the presentation of the report could best be handled.

Content that I should circulate the annual review of R & D, together with the ACARD comments, to Cabinet colleagues and other Ministers attending the E(A) discussion on 10 July? Yes not

Do you wish to give the go ahead for publication of the review now, or would you prefer to await E(A)?

Mark Addison mt

MARK ADDISON

28 June 1985



10 DOWNING STREET

From the Private Secretary

**MR. HATFIELD
CABINET OFFICE**

You will see from the attached letter that the Prime Minister decided she would prefer to consider publication of the Annual Review of Government funded R & D at the enlarged E(A) on 10 July.

I am sending a copy of this minute to Sir Robin Nicholson.

Mark Addison

(Mark Addison)

1 July 1985

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10 DOWNING STREET

1 July, 1985

From the Private Secretary

ANNUAL REVIEW OF GOVERNMENT FUNDED RESEARCH AND DEVELOPMENT
1985

The Prime Minister has received the report from the third of the Annual Reviews of R & D announced in Cmnd 8591 (Government observations on the Report "Science and Government" from the House of Lords Select Committee on Science and Technology). She has asked that the Review (copy attached) should be drawn to the attention of Members of the Cabinet.

When the Annual Review process was set up, Government invited the Advisory Council for Applied Research and Development (ACARD) to provide independent advice. A copy of ACARD's comments on the 1985 Review is also attached, together with a letter from Sir Henry Chilver (the Chairman) to the Prime Minister which summarises the Council's principal concerns and recommendations.

The Prime Minister has suggested that the Annual Review, together with ACARD's comments, be considered as background to the forthcoming discussion of R & D priorities across Government in E(A). The question of publication of the Review can be considered at that meeting. Decisions on handling ACARD's comments will be postponed until after the E(A) discussion, since Ministers may agree to actions which cover some of ACARD's points.

I am sending a copy of this letter and the attachments to the Private Secretaries to Members of the Cabinet, Alex Galloway (Paymaster General's Office), and (without attachments) to Richard Hatfield.

(Mark Addison)

Mrs. Rachel Lomax,
HM Treasury.



C 0235

MR M ADDISON
Private Secretary
No 10 Downing Street

4 July 1985

ANNUAL REVIEW OF GOVERNMENT FUNDED R & D 1985

EXECUTIVE SUMMARY

We received a request yesterday from your office for a further copy of the Executive Summary of the Annual Review of Government Funded R & D, 1985 for the Prime Minister. The Summary has been amended slightly (mainly by the addition of further information in figure 7, and a new paragraph number 11) and we agreed with the Duty Clerk that we would send instead the final version. A copy is therefore attached. It has been circulated today as E(A)(85) 39, which is one of several background papers for the discussion on R & D priorities across Government at E(A) on Wednesday, 10 July.

A handwritten signature in black ink, appearing to read 'P. Harris', with a large loop at the start and a horizontal line extending to the right.

P HARRIS