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pa. for E(A)
J.D.W.

PRIME MINISTER

R AND D PRIORITIES ACROSS GOVERNMENT

I regret that I will be unable to take part in this important discussion at the E(A) meeting on 31st July and would like to record my views.

The current scene is not at all encouraging. In spite of our success in improving the overall business environment, the proportion of civil R & D funded by industry lags behind our major competitors with attendant worrying implications for retaining our most able people and for exploiting innovation. Government's own contribution shows a decline, particularly in technology, an area essential to our wealth creation potential.

My own concern is, of course, to develop an enterprise culture and this requires a strong input from the private sector and from Government to encourage R & D in leading edge technologies with adequate rewards for those who use their expertise to enhance the nation's wealth of knowledge as well as those who take developments to the market place. Robb Wilmot has put it to me, and I know to other colleagues, that European companies lack the market conditions for success in technology-based industries, not least because they are fighting each other as well as the Americans and the Japanese. This argues for great collaboration, particularly across Europe, and Government has a role in encouraging this to happen.

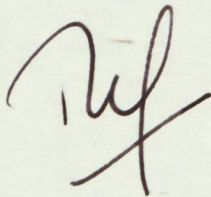
pp. On the defence side, I share Geoffrey Howe's doubts (his minute to you of 8th July) about whether we gain as much benefit as we should from our substantial expenditure. I believe we need to increase our efforts at widening our contractor base, thus increasing competition, enhancing cost effectiveness and motivating more of the nation's intellectual and business expertise.

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I support Sir Robin Nicholson's recommendations that action is needed to give wealth creation a higher priority in UK R & D and that a Ministerial group should examine priorities across Government R & D. This group should include in its deliberations the issues on flexibility which Sir Robin raises and also the practical measures which might be taken to encourage the private sector to step up its own contribution.

I should like to be involved in a Ministerial group if colleagues agree to this approach at E(A). I am copying this minute to Geoffrey Howe, Keith Joseph, Patrick Jenkin, Michael Heseltine, Norman Tebbit and other members of E(A) and to Sir Robert Armstrong and Sir Robin Nicholson.



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23rd July, 1985

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