

PRIME MINISTER  

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Report of the Official Group on Defence  
Research and Development (MISC 110).

The conclusions of the MISC 110 Group are conveniently set out in the summary of the Report and my Chairman's covering Note. The task of gathering the necessary material proved quite time-consuming and arduous, not least because of the difficulty the Ministry of Defence had in nerving themselves to make available important material about their longer-term plans and policies.

## MAIN ISSUES

2. The main issues arise on the principal recommendations of the Group, on which the position of the Ministry of Defence is - not surprisingly - reserved:

i. whether the volume of UK resources devoted by the Government to defence R & D should be reduced progressively over the next decade;

ii. whether defence procurement policies should be followed which use UK R & D resources as economically as possible; and

iii. whether new arrangements should be established to ensure that the wider needs of the UK economy are taken into account fully and systematically at every stage of decision-making on the direction of MOD research and on the selection of projects for development.

Depending on the answer to these questions, it will then be necessary to consider what remit to give to officials to carry the work forward.





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The volume of defence R & D

3. The size of the defence R & D programme has not in recent years been a subject for collective consideration by Ministers; rather the programme has been determined, within the overall defence budget, by the sum of the individual decisions on equipment procurement, which are essentially in the hands of the Secretary of State for Defence (although particular procurement decisions - e.g. the Type 22 Frigate, or the choice between HARM and ALARM have been put to Ministers collectively). The Group are in effect inviting Ministers to decide collectively to limit the size of the defence R & D programme, and to set it on a downward path. The Secretary of State for Defence's attitude to this may be somewhat ambivalent; action to make defence procurement more efficient and competitive, and the pursuit of European collaboration, should both make defence procurement less 'R & D-intensive'; but there would be much resistance in the Ministry of Defence to a policy which accepts that the UK cannot expect to retain a capability covering practically all aspects of every major weapon system. And although the divisions of the DTI concerned with competition policy and with the promotion of civil science and technology accept the main thrust of the Group's Report, the industry divisions may be less comfortable about the reduction in MOD support for the industries they sponsor.

Re-deployment of defence R & D resources

4. The Group's Report explicitly recognises that a reduction in defence R & D will not of itself galvanise the civil economy. It may be argued that there is no evidence that the growth of the UK economy has been held back by the diversion of the best scientific and technical skills into defence R & D, and that if Government support for the 'defence industry' is reduced, the resources released will be dissipated or lost abroad, resulting in an increase in UK dependence on imports of defence equipment with no gain to the civil economy. As my Chairman's covering note recognises, cast-iron proof that the economy would benefit from less concentration on defence R & D is impossible; and clearly large changes should not be





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made suddenly. Nevertheless there is a considerable body of evidence that wide areas of manufacturing and services could absorb more people with skills in electronics, computer software, information technology, etc where defence currently pre-empts around 50 per cent of available UK resources. The Group's collective judgment is that an act of faith will have to be made, in order to break out of a vicious circle; but changes will need to be made gradually and judiciously, and different industries will need to be treated differently, depending on the possible alternative uses for the resources they currently command.

Defence R & D, and the wider needs of the civil economy

5. The Group's Report proposes not only that total defence R & D effort be reduced, but that continuing R & D expenditure should be structured so as to pay much greater regard to the needs of the civil economy. The Secretary of State for Defence may well express some sympathy with this objective; indeed his minute to you about a Government strategy for industry (also on the agenda for E(A) on 31 July) effectively says the same thing. The general objective is clear enough; the problem will be to ensure that decisions are taken in the interests of all parts of UK industry and not just the 'defence industry', and a change in culture will be needed both on the part of the MOD Research Establishment and on that of military officers and MOD officials whose priorities have hitherto wholly dominated the defence R & D and procurement process. In the view of the Group, it will not be enough simply to rely on the MOD changing their attitudes; machinery will need to be worked up which transforms the way in which decisions are taken and which changes the whole approach of the research establishments.

HANDLING

6. This will depend partly on how the previous discussion on R & D priorities has gone; the MISC 110 Report is in a sense a special case of the wider discussion of how UK R & D resources





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can be managed and deployed so as to contribute more to economic development and 'wealth creation'. You will wish to invite the Secretary of State for Defence to give his considered reactions to the Group's recommendations; and the Chancellor of the Exchequer and the Secretary of State for Trade and Industry will wish to respond. The Secretary of State for Education and Science will no doubt also wish to contribute, as may other Ministers with a major interest in R & D (Secretary of State for Energy, Minister of Agriculture).

#### CONCLUSIONS

7. You will wish to reach conclusions on the Group's main recommendations, and on their suggestions for precise follow-up work, which we suggest should be completed by the end of this year. Specifically:

1. Whether there should be a gradual and progressive reduction in the volume of UK resources devoted to defence R & D.
2. Whether defence procurement policies should be rigorously pursued which use UK R & D resources as economically as possible.
3. Whether new arrangements should be introduced to ensure that the wider needs of the UK economy are taken into account fully and systematically at every stage of decision-making on the direction of MOD research and on the selection of projects for development.

If the conclusions are affirmative,

4. whether preparatory work should be undertaken to enable collective decisions to be made on the actual size of the defence R & D programme for some years ahead.





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5. Whether procedures should be worked out to give effect to conclusion 3.
6. Whether further study should be given to possible initiatives to facilitate more coherent planning of international collaborative development projects, so as to exploit more fully the relative strengths of UK industry.
7. Whether the scope for further action to break down barriers and to facilitate closer integration between defence and civil industry should be examined (there will be a close relationship between any work in this area and the follow-up to the discussion of R & D priorities).
8. Whether plans should be prepared which would enable the MOD Research Establishments to contribute more effectively to UK civil industrial capabilities.
9. Whether a further report to the Sub-Committee on items 4 to 8, to be made by the end of the year, should now be commissioned.

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