



DEPARTMENT OF EDUCATION AND SCIENCE
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FROM THE SECRETARY OF STATE

15 April 1983

Dear Geoffrey,

SCIENCE AND ENGINEERING RESEARCH COUNCIL (SERC): INTERNATIONAL SUBSCRIPTIONS

1. Because of movements in the exchange rate since the Estimates were drawn up the SERC are faced with having to find several £m extra in 1983-84 to meet their unavoidable commitments to international scientific collaboration - notably to CERN, ESA, the Institut Laue-Langevin, and to NATO. The only practicable way to do this is to cut uncommitted research grants to universities, postgraduate studentships (again mainly tenable at universities), and work at SERC establishments (which provide services and underpinning for university research). Because such cuts will do disproportionate damage and occasion great concern in the science community and more widely, I am writing to seek your approval to my giving SERC an undertaking that will, for now, moderate the impact on university research and give us all a little time to find ways of adjusting to this and related problems in the longer term. Your officials are well briefed about the problem from discussion with DES and SERC, and have put the matter to Leon; it is because he has felt unable to help - and because of the likely public outcry if we do nothing - that I now raise the matter with you.

2. As of 7 April (the date when Council papers were completed for their meeting on 19 April) SERC would have to make savings of £5.3m this year. On 19 April they must take the necessary decisions and implement them straightaway thereafter. Because of the pattern of uncommitted money, the cuts will probably fall something like this

/(i) New research

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Parliament Street
LONDON SW1P 3AG

- (i) New research grants - £2m
- (ii) New studentships - £1.3m
- (iii) SERC establishments - £2m

Such cuts would reduce IT research for the Alvey programme (by about £1m) and would also fall heavily on other engineering and on "little" science (biology, chemistry, mathematics and "little" physics). The rejection rate for alpha-quality research grant applications from universities to the Science Board would be further increased from its present unprecedented level of about 30% (which I regard as unpalatably high) to about 45%. Each year about 3,300 new studentships need to be awarded to maintain the stock of trainee highly qualified manpower; that number would have to be cut by over 300 or some 10%. The cut in Establishments expenditure would fall on indirect support for university research programmes already approved and on capital work.

3. Thus the impact will be felt mainly by the universities - who are in the throes of adjusting to the UGC reductions; and will be found mainly at the expense of engineering and "little" science (much of "big" science money being tied up in international ventures). Our IT initiative cannot be exempted; and our "new blood" recruitment programme, although not directly jeopardised, would be affected via the reduction in new research grants. In public relations terms, the contrast with our policy of protecting the Science Vote, and with our "new blood" and IT initiatives (which have done much to hearten the science community) could hardly be more stark.

4. I have carefully considered whether savings of this order could be made elsewhere within the Science Vote, or on our other Vote expenditure. As to the former the effects would be essentially the same - cutting research grants and studentships. It would widen the discontent without reducing the damage to university research. In my other Vote expenditure there are no areas where I could now with confidence secure such savings, windfall or other. You will recall the recognition, in our recent discussions on the implications of the "ordinary residence" judgement, of the pressure under which I find myself in respect of the whole DES Budget.

5. I think it is in all our interests to give SERC sufficient assurance in time for their 19 April meeting as to enable them to avoid taking in full such damaging and contentious steps just now. My particular concern is to prevent the direct consequences for university research and postgraduate training. Clearly SERC should not wholly escape facing up to the consequences of their international commitments. What I propose is that I should tell them, before their 19 April meeting, that they should find the necessary savings to the fullest possible extent that can be achieved on their expenditure on indirect support for the universities; I judge this to be about £2m. But, if more than this is required - with adverse effects on research grants and studentships - then, except to the extent that any windfall savings came to light elsewhere in the SERC

Vote, they should be bailed out. For my part, I would undertake to redeploy for this purpose any windfall savings which might appear elsewhere in the Science Budget. Failing this I would look elsewhere in my Vote expenditure or, as a last resort, make a claim on the Contingency Reserve.

6. In making this proposal I of course recognise that on three occasions in the last ten years SERC have benefited, to the tune of something in excess of £10m, from favourable exchange movements; and that in the six years when the movement was adverse they were "rescued" either by being allowed to vire from their domestic subhead or by Supplementary Estimate. I must add that I understand that they have always been prepared to forgo exchange rate surpluses (retaining them only after consulting the Treasury and with the latter's agreement); that they have given up some £3m to the Treasury; and that, in the nature of things, the windfall benefits had to be used in the year in question and could not be applied to sustain any recurring expenditure or to hedge against unfavourable movements in the exchange rate.

7. What I propose would get us by for 1983-84. But other problems loom over international subscriptions in later years and it seems to me that your officials and mine, with those of the Councils affected, should prepare a report for further consideration by us all. I hope you would agree to this; and I should be grateful for your urgent approval to what I propose for 1983-84.

8. I am copying this letter to the Prime Minister, Francis Pym, Patrick Jenkin, Leon Brittan, Robert Armstrong and Robin Nicholson.

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DES	
MR TANNER	
ADVICE	INFO
	✓
C O P I E S	MR STREET
	MR BIRD
	MISS GILBEY
	MR RPNORTON

MR THOM

IND Pol : Versailles Summit Working Gr on Technology
June 1992