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From the Private Secretary

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15 October 1984

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MISC 106: R & D EXPENDITURE BY DEPARTMENTS

The Prime Minister has received the attached comments from the Chief Scientific Adviser, Cabinet Office, on the R & D expenditure of Departments whose bids will be considered by MISC 106, and where R & D constitutes a significant element of their expenditure.

The Annual Review of Government-funded 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) was established to take a horizontal look at Government-funded R & D plans in the PES cycle. The 1984 Review, together with the views of the Advisory Council for Applied Research and Development (ACARD) on the expenditures covered in the Review, were drawn to the attention of members of the Cabinet (David Barclay's letter of 6 August). In addition, Dr. Nicholson subsequently gave the Prime Minister his personal impressions, based on the scrutiny of Departmental objectives and expenditure plans made by his Secretariat while preparing the 1983 and 1984 Annual Reviews.

The Prime Minister has noted Dr. Nicholson's view that generally the picture is one of rigidity and lack of change to meet changing circumstances, with the distribution of Government-funded R & D substantially out of balance. She endorses the validity of the overview approach advocated in Cmnd 8591, and accepts that for the Review process to succeed the need for cuts in some areas of R & D will need to be examined alongside the need for maintenance of R & D expenditure or even increases in expenditure in others.

The Prime Minister has previously indicated that she will take a co-ordinating role on science and technology issues which straddle the responsibilities of several Ministers. She believes it will be helpful to members of

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MISC 106 to be aware of the views of ACARD and Dr. Nicholson on the distribution of Government-funded R & D.

I am sending a copy of this letter and the attachments to the Private Secretaries to other members of MISC 106, and to Richard Hatfield and Robin Nicholson (Cabinet Office).

(ANDREW TURNBULL)

Miss Janet Lewis-Jones,
Lord President's Office.



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister
CONFIDENTIAL

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London SW1P 3AG

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15 October 1984

REPORT ON AGRICULTURAL DEVELOPMENT AND ADVISORY SERVICE

Thank you for your letter of 12 October 1984 giving me your preliminary reactions to this report on substance and procedure.

I am glad that you feel that the report is a major contribution to the development of policy towards ADAS. I agree; indeed, I should perhaps remind you that it was at my initiative that Professor Bell was asked to produce his report in the first place. I also share your wish to move forward as quickly as possible. However, if I may say so, I think your letter gives a misleading impression on what may be possible and sensible to seek to do in the context of this year's PES exercise. In particular I cannot accept that the proposal in the penultimate paragraph of your letter to write in now, without any proper appraisal of the possibilities and consequences, a cut of £40 million in my PES provision for 1986/87 and 1987/88.

The figure of £40 million you mention is of course no more than a broad indicator of the present scale of ADAS resources (mainly staff costs) devoted to advisory work: it is in no way a considered estimate of what could be saved by implementing the recommendations of the Bell report. The Bell report, from which I fear you have quoted very selectively, did suggest, and I agree with this, that Ministers should give consideration to the possibilities of making charges to contribute towards the cost of advisory work. But it pointed to various areas, welfare and conservation work, where it would be difficult to apply charges; it emphasised that the introduction of charges would call for "careful planning and gradual introduction"; it envisaged charges being set at levels which the market would bear without seriously damaging a vital service to the industry; it raised the question of whether differential rates of charge should be considered for producers who might otherwise be denied access to advice and up to date technological information.

/This latter point