

PRIME MINISTER

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As part of the preparation for the Reception for Inventors and Innovators which you held in January 1981, we asked ACARD to report on the problems faced by private inventors in trying to exploit their ideas commercially.

The Department of Industry have taken a very long time to come up with a reply. They regret this, and lay part of the blame on changes in their Ministers and officials, although that is not really an excuse.

Given the delay, I do not think we would get much credit by publishing the reply widely. Although it tries to make a positive response to ACARD's recommendations, we would inevitably be criticised for the slowness with which the Government has responded. In these circumstances, Mr. Jenkin thinks it would be best for the Department of Industry to reply to ACARD, without any great publicity. The attached letter summarises the response that the Department of Industry have prepared.

Agree that the Department of Industry should proceed in this way?

Yes

LM

We must have a better system of chasing up outstanding matters. It is partly

24 March 1982

Our fault that we let this go on - so long no



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From the
Parliamentary Under Secretary of State 's office
John Wakeham

Willie Rickett Esq
Private Secretary to the
Prime Minister
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24 March 1982

Dear Willie

ACARD REPORT ON EXPLOITING INVENTION

This report was prepared by ACARD at the invitation of the Prime Minister, who was concerned about the problems faced by private inventors seeking the commercial exploitation of their ideas.

2 The Secretary of State for Industry was asked, in consultation with colleagues, to provide a response. This is now ready to send to ACARD, having been cleared by Ministers in other Departments having a direct interest in the ACARD recommendations (DES, Inland Revenue, Treasury, Lord Chancellor's Department and Trade).

3 The Prime Minister may wish to be aware of the main features of the response. There were sixteen recommendations aimed at Government or public-sector institutions; wherever possible, we have provided a positive response to the recommendations.

4 ACARD decided to comment on the problems of innovative small firms as well as those of the independent inventor, but acknowledged that they had little original to say. Although ACARD concentrated on the role played by institutions in assisting innovation, they also referred, in general terms, to the creation of an environment that favours entrepreneurial activity, and acknowledged that the Government's economic policies aim to encourage profitable investment and the taking of risks.

5 The response recognises that the Government has a role to play in creating the educational, economic and social climate in which innovation can take place and as they have already taken steps in their educational, financial and fiscal policies to favour the invention and exploitation processes.

6 The response to the most important of the specific recommendations is summarised below.



Education

7 It is accepted that the UGC should examine possible barriers to the exploitation of ideas by university staff. The Committee of Vice Chancellors and Principals has published a pamphlet "Universities and Industry", which gives some examples of successful academic contributions to industrial innovation and development.

8 DES has undertaken to act as the focal point in publicising good practice and identifying and overcoming any obstacles to closer and more effective relations between higher education and business.

9 It is agreed that the introduction of appropriate elements of business administration in engineering courses should be considered by the Engineering Council. There are already about 50 courses at universities which combine a business or management subject with an engineering subject.

NRDC

10 Four recommendations about NRDC are being considered within the wider review of the future of the British Technology Group. Its monopoly rights to certain public sector inventions have already been modified when suitable alternative arrangements were available (and future policy is currently being considered by a working party of DOI, DES, and the Research Councils). NRDC has agreed to give financial support to inventors, in appropriate cases, to meet patent and licensing costs, and has agreed to draw special attention to commercial factors to help inventors to appraise their ideas realistically.

Finance

11 The Business Start-Up Scheme and the Loan Guarantee Scheme, announced in the 1981 Budget, and the Venture Capital Scheme, introduced in 1980 for individual inventors and extended in 1981 to investment companies, go a long way towards meeting two of the ACARD recommendations on improving the availability of risk funds. Nonetheless, the provisions of loans to small businesses must be primarily for the private sector.

12 A recommendation that "the capital taxation rules applying to founders of companies should be as generous as those applying to agriculture" is rejected, as transfers of a controlling interest in a business have, since 1977, qualified for the same 50 per cent reduction in value as transfers of owner-occupied agricultural land.



Premises and Equipment

13 A recommendation that finance companies might receive development finance for providing equipment for lease is partially accepted; regional development grants are already available to finance companies providing equipment under lease when other criteria of the grant scheme are met.

Encouragement of Innovators

14 The EPIC Award (Education in Partnership with Industry or Commerce), organised by DOI in consultation with other Departments, and the Academic Enterprise Competition, organised by the British Technology Group, meet ACARD's proposal that there should be a national award scheme to recognise entrepreneurial initiative.

15 To assist in improving links between inventors and entrepreneurs, the Small Firms Service will provide a focal point for steering innovators towards the most appropriate support mechanisms in the public or private sector. Government sponsorship of a comprehensive guide to sources of advice and finance is not accepted because there are already sufficient guides published by the Small Firms Centres, the banks, the Institute of Directors and other organisations.

16 We believe that our response will be regarded by ACARD as constructive. We regret that it has taken much longer than expected to prepare. This is partly because an earlier inter-departmental draft agreed at official level was unacceptable to Ministers. There were considerable delays in redrafting because organisational changes here altered the duties of the officials involved.

17 You will recall that the ACARD report was not published in the normal way but was made available, on request, from the ACARD secretariat. It does not seem necessary that the Government response should be published.

Yours ever

Joanna Donaldson

JOANNA DONALDSON
Private Secretary

27 MAR 1962

