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Covering CONFIDENTIAL

Qa 06335

To: PRIME MINISTER

20 April 1983

From: JOHN SPARROW

British Technology Group

1. For your meeting with Patrick Jenkin tomorrow, you may find the attached list of points helpful. They are distilled from my minute of 30 March to you on this subject, and take the form of four questions of principle which you might like to ask, with possible supplementary questions in each case.

2. A copy of this goes to Sir Robert Armstrong.

B.

Att

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British Technology Group

1. The Government must be clear what its objectives for the BTG are. An evident aim is the transfer of technology from the laboratory to the market place but BTG will not be the only organisation attempting this. Nor will it have the resources to plug any national gap in the financing of innovation.

2. What role should a state-owned agency play?

Will it be a permanent instrument of Government policy? Or will it, by operating commercially, demonstrate successful backing of advanced technology for the private sector to duplicate? If the latter, will it eventually pass out of state ownership?

3. What financial regime is required?

Will BTG have commercial freedom and responsibility and be able to respond to what private sector partners require, eg joining (as a minority partner) equity packages? Once the initial capital structure is determined, should BTG operate independently of further Government support? Or should it have a regular PESC subsidy? Is the latter consistent with commercial credibility?

4. Should BTG have a continued monopoly on some publicly funded research? Again, is this consistent with commercial credibility? If no monopoly, who should be responsible for exploiting that research?

5. Should BTG have regional or non-commercial tasks?

Would a regional role outside advanced technology be compatible with its main objectives? Can the issue be settled before completion of the MISC 14 regional review? Should BTG be reimbursed on a contract basis for any non-commercial role?

high bureaucracy
monopoly must go

PS
govt should go in for long term
seedling projects yes not corp finance

Govt Board (Ward)

PM active - take initiative
removing monopoly will change nature

PM No role for them

PS Believed made role unworkable
do it in a more way
project funding in return for royalties

PM Why do we need it

Venture capital poor not as good as see

stock options not right

profits low industrial

Taxation has killed venture capital

value to things either will happen or will go overseas

PM bigger - prob smaller

if we can't be realized - mind it up

PM Don't want BTG to have shareholding or to
set up co

PS Can't leave to market as VS

∴ venture capital doesn't exist here in that way

Jack Mitchell with DoI money
won't work here as in US

Stewart in UK seems to exploit - but still believe in pure research

BTG to go round expenditure

Clarity - prefer honor to commerce



10 DOWNING STREET

Prime Minister

There is a brief from

John Sparrow / Robin Nicholson at

Flag A, which is highly critical

of Patrick Jenkin's proposals.

MUS 20/4



10 DOWNING STREET

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Prime Minister

Agree to a meeting with
Patrick Jenkin, to discuss
the functions of the BTG?

MCS 14/4

Yes Mr

Now Arranged
MCS 15/4

Told by
Nicholson (for brief)