



10 DOWNING STREET

Title

be. N. Owen

da

John Grieve (Hunt)

Robin Nicholson (Co)

SUBJECT
ce Master

From the Private Secretary

13 July 1983

Dear Jonathan,

Future of the British Technology Group

The Prime Minister and your Secretary of State had a discussion this morning about the future of the BTG.

The Prime Minister said that she entirely agreed that the BTG should lose its first refusal right, and should be told to dispose of 60 companies preferably within the next twelve months. The crucial issue was to cause researchers to look for commercial opportunities for the products of their work. She did not believe that a Government-funded body like the BTG would be able to do much to bring this about. The BTG was the successor of the NRDC, which, in spite of a number of modest successes, had failed on the big opportunity, the exploitation of cloning. A bureaucratic body like the BTG would simply not know whether an invention was marketable. She did not see why the BTG was needed, when there were already a number of overlapping agencies in this area: what would the relationship, for example, be between the BTG and those divisions in the Department of Industry which were giving one-third grants for new technology, and spending £180 million? What would be the relationship with Finance for Industry, the Science Parks, the Alvey Committee's work, and SERC? The Prime Minister said that she was opposed to the BTG entering partnerships, and raising money from the market. She felt, too, that the objectives set out in paragraph 8 of your Secretary of State's minute of 4 July were far too ambitious: it would, for example, be a gargantuan task to make sure that those in universities, industry and financial institutions "were fully aware of commercially promising ideas from research projects". Why should the BTG fund development work, if a company came along with a project, like ALARM? She doubted whether there was, either in the United States or in this country, any appreciable spin-off in the civil area from research in MOD and defence establishments.

Your Secretary of State said that he had deliberately put a vague paper to the Prime Minister, since he believed that the right approach would be to appoint a Chairman for the BTG, with specific objectives, and to ask him to report within three months as to the size and type of organisation required to meet these objectives.

Two thousand approaches a year were being made to the BTG in their NRDC role. There was a high failure rate, but without the BTG there would be a 100% failure rate. Many of the organisations to which the Prime Minister had referred had themselves specifically said that there was a need for an organisation of the BTG kind. The number and competence of venture capital companies, although improving, was still relatively weak compared with the potential opportunities available. Both ACARD and FFI had confirmed this. Funds were available now for glamorous projects with a quick pay-back; but there was no source of funds for less obviously attractive research and development opportunities of the kind currently funded by the BTG. There was no question of the BTG funding a project like ALARM. Its current funding was all financed from its own resources. He would put a further paper to the Prime Minister, explaining how the Science Parks, Department of Industry, SERC, UGC and so on all related to one another; together with a new proposal for the Chairman and the objectives of the organisation.

Yours sincerely,

Michael Scholar

Jonathan Spencer, Esq.,
Department of Trade & Industry.