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JU532

PRIME MINISTER

CONFIDENTIAL

Prime Minister (1)

A scaled-down proposal.

Agree?

Yes - I hope it will be kept small & medium size

MUS 16/9

FUTURE OF THE BRITISH TECHNOLOGY GROUP

We need to reach an early decision on the future of the British Technology Group (BTG). After our last discussion about this, I thought it would be helpful to wait until after the seminar on science, technology and industry before asking you to consider it again. I hope you felt, as I did, that the seminar threw fresh light on the background to our decision. I have also met the BTG Board and got a clearer view myself of BTG's activities and skills.

2 I thought the seminar made it pretty clear that we cannot as yet look to the private sector alone to take the results of publicly funded research and translate them into the products for exploitation in the market place. The venture capital companies have a role to play, and it was encouraging to hear from Robin Caldecote and David Cooksey about the growing involvement of their companies in high technology ventures. But both made it clear that, in general, venture capital is only interested in new developments when they are close to the point of exploitation. Both made the point that there was a continuing need for some agency to help with the long process of packaging, protecting and eventually marketing new ideas. The big companies could in theory play this patient role. But in practice they prefer to wait until ideas are near the exploitation stage. John



no - what for -
NRDC!

Harvey-Jones talked of ICI's patience in developing pyrethrins from 1974. He might have mentioned that NRDC have been involved with this technology for the previous 13 years to help bring it to the point where ICI recognised its commercial value.

3 The initiative for commercial development can of course come from the researcher himself or from his university or research institute. A number of speakers on Monday said that the prospect of financial reward was the most potent incentive to enterprise, and I am sure that the ending of BTG's monopoly will encourage researchers to try for exploitation themselves. But I am equally sure that many will not, that they will be deterred by the long time-scale needed to bring ideas to the market place and by the high risk of failure, and that they will not without help or encouragement forge for themselves the direct links with industry that are needed. University researchers have always had freedom over UGC funded research: the increasing number of inventions being offered to the BTG voluntarily by them shows that they feel the need for some agency to help them. The universities and research establishments are building up these skills, but for the most part they simply do not yet have the in-house expertise to do the job effectively. There is of course the further point that Government is the ultimate owner of intellectual property rights in publicly funded research and can scarcely avoid some responsibility for protecting them and helping to ensure that their value is maximised by private sector exploitation.

4 For these reasons I am convinced that if we were now to deprive the BTG of any role in the development of publicly funded research for the market place we should be creating a gap which



no one else at present will fill. They have the range of skills that is needed to do a particular job that needs doing. That job is, essentially, to offer a service to both the researcher and the industrialist or financier; to bring them together where there are seen to be opportunities for commercial exploitation; to provide a patent service for inventors which will give the necessary protection of intellectual property for their benefit and the country's; where there is a need for further development work before ideas can be patented or commercially exploited, to help with that; and very occasionally, and only where other means of exploitation cannot be found, to help start up new companies based around the researcher himself. They will also continue with their work of building up a data base on university inventions, to be made more readily available to industry than is at present the case.

5 This is a far more modest role than the BTG have filled in the past and it will be one based on free collaboration instead of the resented right of first refusal. Discussions I have had with a number of BTG's customers indicate clearly that they have the skills to carry it out successfully. For example, the exploitation of nuclear magnetic resonance, mentioned more than once in the seminar, was the BTG's work and involved pulling together research teams at three British universities. GEC-Picker, who share the rights with the BTG, have now engaged them to license the whole range of technology on their behalf.

6 The activities of BTG inherited from NEB will of course be dropped: they are disposing of their existing investments as fast as possible and the Exchequer is benefitting from the proceeds. As this process is completed, they will become a much



smaller organisation, spending only modest amounts of money within a tight budget and in all probability showing in time a net profit to the Exchequer. I would not wish to rule out the possibility of their eventually becoming a private company, though that must lie some way ahead.

7 I hope very much that you will agree that on this basis we should now go ahead, announce the BTG's new role and appoint a good chairman to carry it out. Certainly we need to decide quickly. The BTG are marking time and, I believe, becoming demoralised. Freddie Wood is very seriously ill and really must be replaced very soon. I am interviewing potential candidates and hope to be able to recommend a name to you quickly.

Meanwhile I hope you will agree in principle to these proposals for BTG's future.

8 I am sending copies of this minute to the Chancellor of the Exchequer and the Secretary of State for Education & Science, and to Sir Robert Armstrong and Dr Nicholson.

C.P.

C P

16 September 1983



16 SEP 1983



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c.c. Mr. Owen

10 DOWNING STREET

From the Private Secretary

19 September, 1983

Future of the British Technology Group (BTG)

The Prime Minister has noted your Secretary of State's minute of 16 September about the future role of the British Technology Group (BTG).

The Prime Minister agrees to your Secretary of State's proposals. She has minuted that she hopes that the role of the BTG will be kept small and modest.

I am sending copies of this letter to Margaret O'Mara (HM Treasury), Imogen Wilde (Department of Education and Science), and Robin Nicholson and Richard Hatfield (Cabinet Office).

M. G. SCHOLAR

SCHOLAR

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

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Prime Minister (4)

Treasury Chambers, Parliament Street, SW1P 3AG MS 21/9

Rt Hon Cecil Parkinson MP
 Secretary of State for Trade and Industry
 Department of Trade and Industry
 Ashdown House
 1 Victoria Street
 LONDON
 SW1E 6RB

20 September 1983

FUTURE OF THE BRITISH TECHNOLOGY GROUP

Thank you for sending me a copy of your minute of 16 September to the Prime Minister.

I commented about the detail of your proposals in my letter of 18 July and have only one point to add. The BTG must henceforth be self-financing. As well as surrendering all disposal proceeds to the Exchequer from the sale of the "inheritance" it must finance its continued technology transfer services from current income. While income will not match expenditure in every year I would expect the BTG to build up a financial reserve sufficient to carry it through lean years without recourse to the Exchequer. This means that I could not accept your bid for £6 million per year of continued funding for the BTG, which you have made in your PES submission. My agreement to the revised BTG role that you propose is subject to the deletion of this provision.

I am copying to the Prime Minister, Secretary of State for Education and Science and Sir Robert Armstrong and Dr Nicholson.

PETER REES

IND Pol: BTG Pt 2

SEP 1983

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