

✓CCNO



NBPM
AT 3/10

Treasury Chambers, Parliament Street, SW1P 3AG

30th September 1983

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

Alan Cecil

BRITISH TECHNOLOGY GROUP: FUTURE FINANCING

At our bilateral last Thursday we agreed that the existing PES provision for the BTG should be deleted and that officials should agree a formula covering the future financing of the BTG if it does not achieve its self-financing target before the NRDC's accumulated surplus is exhausted. I attach a formula, with which I understand your officials are content. I should be grateful for confirmation that you can accept it.

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

*Yours sincerely
Peter Rees*

PETER REES

Ind for BTG Pt 2

3 OCT 1983



DRAFT FORMULA FOR FUTURE FINANCING OF THE BTG

The NEB "inheritance" is to be disposed of as soon as possible and the present intention is that the proceeds (minus the cost of disposal) will accrue direct to the Exchequer. The BTG in its role of promoting technology transfer should be self-financing. The existing technology transfer agency (NRDC) has been self-financing for some years and currently has an accumulated surplus of £21.85 million. However, even under the present monopoly right arrangement it is expected that licence income will fall over the next few years as existing patents expire. Added to this is the uncertainty about the financial arrangements which are to replace the monopoly rights and the role in relation to the regions is undecided. There may be a gap between income and expenditure until the BTG builds up new sources of income from its new activities. At the moment it is impossible to say how large that gap will be and how long it will last for. Given these uncertainties and the NRDC's accumulated surplus the BTG will not have a PES provision for the next three years and the existing accumulated surplus will be used first to cover any shortfall. If, following annual consideration of the BTG's Corporate Plan, it appears that this will be insufficient to tide the BTG over until it reaches the point of becoming self-financing, the BTG's financial requirements, including the case for a PES provision and/or retention of some of the disposal proceeds, will be re-considered.