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CONFIDENTIAL

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Lord Young
Secretary of State for Trade and Industry
1 Victoria Street
London
SW1

28 April 1989

Dear Secretary of State

GLOBAL CLIMATE: ERS 2

At the meeting of Ministers on 19 April, I was asked to identify where the additional money for ERS 2, over and above the half which you had already offered to fund, could be found from within existing budgets. The Secretary of State for Education and Science indicated that he would be willing to make some modest contribution.

I have confined my search for available savings to science and technology (S & T) budgets, since this seems to me in keeping with the approach on redirection of resources adopted by E(ST). I have looked at the latest forecasts for expenditure on S & T over the coming Survey period which Departments have recently supplied to the Cabinet Office and DTI statisticians for the 1989 Annual Review and have compared these with the figures recorded in the Public Expenditure White Paper (PEWP) last January, which showed the amounts agreed for S & T by Department in last year's Survey.

The only S&T spending Department showing significant savings for future years is DTI. The figures in the PEWP for DTI's S & T budget for 1990/1 and 1991/2, excluding launch aid, are £410m and £412m. The latest forecasts of expenditure which your Department supplied last week for the 1989 Annual Review and which are on the same basis as those in the PEWP are £396m and £397m. This represents forecast savings of £14m and £15m in the first two years of the Survey period. Forecast expenditure on launch aid (which is also S & T) is also below the amounts budgeted in last year's Survey and recorded in the PEWP. You are now budgeting for lower expenditure of £20m in 1990/91; forecasts for 1991/2 remain unchanged. Whilst I fully recognise you will be considering the question of your total Departmental expenditure plans as you prepare for this year's Survey, you have argued that a decision on ERS-2 cannot be left to be settled in this year's PES round. Equally you will recall the decision taken at E(ST) last May that

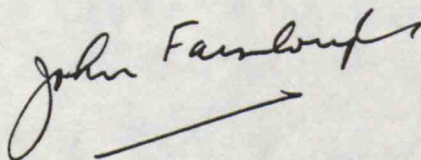
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money released from civil S & T programmes should be redirected to other S & T activities of high priority, and not simply reallocated by Departments to their other programmes.

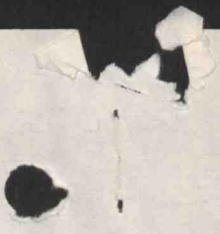
On the basis of the phasing of expenditure on ERS-2 set out in your minute of 1 February, these savings of £34m and £15m would be more than sufficient to enable you to go beyond the 50% of ERS-2 costs which you have already offered. The total costs you forecast for the UK share of the project in those two years are £11.5m and £12.5m. I would suggest that the DES should contribute to the instrument costs of the satellite, as they have done for ERS-1. I understand that the costs of the instrument are not yet finally identified. I would suggest that you should pursue with Mr Baker the amounts involved and their phasing.

This question of the funding of ERS-2 raises again the issue of policy responsibility for space, BNSC's role and its relationship with the DTI. You are due to review in July this year the BNSC's future, the case for a separate structure, its level of staffing and location. I would be very happy to help with the review if you would find that useful. Some of the lessons from ERS-2 may well have broader application.

I am sending a copy of this letter to the Prime Minister, the Members of E(ST) and to Sir Robin Butler.

A handwritten signature in cursive script that reads "John Fairclough". A horizontal line is drawn below the signature, ending in an arrowhead pointing to the right.

John W Fairclough



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