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cc Ch. Scientist,  
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10 DOWNING STREET

THE PRIME MINISTER

17 September 1983

Dear Sir Clive

Thank you again for your first-rate contribution to the Seminar on Science, Technology and Industry at Lancaster House on Monday.

Your paper was not only valuable in itself but also for the way it stimulated other contributions from the floor. Many thanks for all the work you put into it.

I thought the day a success and I shall be giving thought to how we can follow it up in a suitable way. If you have any views on the follow up, I would be delighted to hear them.

Yours sincerely

Margaret Thatcher

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Sir Clive Sinclair

BSC

Embargoed until  
September 12, 11.45am

**PRESS  
INFORMATION**

**sinclair**

12 September 1983

INNOVATION IN SMALL COMPANIES

(Following is the text of a speech by Clive Sinclair, chairman and chief executive of Sinclair Research Limited, to the seminar on 'Science, Technology and Industry', chaired by the Prime Minister, at Lancaster House, St James's on Monday, 12 September 1983).

We have grown used to change. But the nature of change itself can be variable and so it is that the roads which led to economic growth in the decades after the war no longer carry us there. Then the pursuit of more of what we had, more cars, more 'fridges, more TVs, brought profit to our great companies. Now the Western World is more sated with these goods and, open to supply from all corners, offers less to the producer. Now is a time when the rewards are to the innovator, large or small. Through innovation will come the new products to restore demand and growth to our economies.

Young companies now have a particular advantage. Because they have no large capital investment in a particular technology they have little to fear and much to gain from trying a new course. This is why so much that is new comes from such firms. Older firms with large capital investments are wise to let young companies explore the frontiers following them swiftly once a successful path has been found.

So the new firms may serve the old. In turn they depend upon them and a nation's growth requires strong established firms

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as well vigorous young ones. For the latter can often only produce innovative products by drawing on the universities which provide both raw ideas and the source of staff. Britain has produced so many computer firms largely because the universities have produced so many able computer scientists and partly because large firms have been available to provide key components and assembly capacity.

We depend then on vital new companies for much of our innovation but they depend on the strengths of the older companies and the universities. And here lie some problems. Innovation always builds on existing technology and usually on some capital intensive technology inevitably in the hands of large firms. So almost all electronic innovation depends on silicon integrated circuitry and increasingly that has to be imported. In some types of circuit, memory chips, for example, Japan leads the world. She will readily supply us with standard parts but once she develops new types of her own we will find that these are kept for Japanese companies. For this reason we cannot afford to leave the key technologies to other nations. Semiconductors are as crucial to this new industrial revolution as metal foundries were to the last. We just have time to right this position but the window is closing fast.

Education may have served the new firms well, but not as well as it might. It is surely time that everyone received a technical education as well as a literary one, not science archaically divided into physics, chemistry and biology, but technology, the understanding of how things work. It is also time that business studies were made more general at University. Cambridge trains scores of economists to feed the City and not one MBA.

Young firms are much better placed than they were to attract talented staff. Largely, sad to say, because of unemployment. Young people who once were drawn into the then glamorous industries of atomic power and aircraft now find the small firm appealing.

Older people with their valuable experiences are less easy to recruit usually because they would lose pension rights. This could and should be solved by making all pensions portable by law.

The attitude of the banks and recent budget changes have transformed the financing of new companies but some changes are still needed. It is now much easier to invest in a new company but it is not easy to profit from that investment unless the company goes public. An end to the illogical discrimination against unearned income would help and so, greatly, would the proposed change in the taxing of staff share options whereby gain would be taxed at the capital gains tax rate. Wouldn't life be simpler though if we just had one flat rate for income no matter how acquired?

It will be years before the new fields explored by young firms regenerate demand sufficiently to restore 'full' employment. Come what may, mature firms will continue to shed staff. Only a plethora of new firms can explore all the opportunities and discover the future. They will exist and flourish if schools and universities provide the right education, if large firms supply the key technologies and if government provides the right fiscal environment.