



CONFIDENTIAL

Prime Minister ①

AS 18/10

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W.0699

18 October 1983

PRIME MINISTER

Maintaining the Strength of the Science Base
Handling Notes

Flag A

1. The Secretary of State for Education and Science wrote to you on September 15 suggesting an increase in the Science Vote which might be funded by savings in Defence R & D. You responded that a discussion of the general principles involved would be worthwhile but that many of the issues raised in his minute were matters for the Public Expenditure Survey.

2. The discussion is planned for 3 p.m. on Wednesday, October 19.

Those attending are:

- Chancellor of the Exchequer
- Secretary of State for Education and Science
- Secretary of State for Defence
- Minister of State for Industry and Information Technology
- Chief Secretary
- Sir Robert Armstrong

Background

3. In his minute Sir Keith Joseph recalled the comments made by industrialists at your Seminar on Science, Technology and Industry on the importance of maintaining a high quality science base. He believed that current resources were insufficient to do this and that the maintenance of the existing range of research, the opening up of new areas of science and the redeployment of resources within research councils were all being hindered as a result. He suggested increased expenditures for the Science Vote of £35 million in 1984/85, £55 million in 1985/86 and £75 million in 1986/87. Finally, he indicated that offsetting savings might be found within the R & D budget in the Ministry of Defence.

Flag B 4. In response, Mr Heseltine pointed out that only £330 million of the £1,900 million R & D budget in MoD was spent on research and of that £150 million was spent in industry and the Universities (£9 million of the total). He indicated that his policy was to maximise the amount of defence R & D to be carried out in industry and Universities.

Flag C 5. In my own minute of October 14 (which has not been circulated to Ministers), I supported Sir Keith Joseph's proposal to increase the Science Vote on the basis that I perceived real signs of damage to the quality of the science base. I suggested that a decision on where to make offsetting savings would be better left to the 1985/86 PES discussions at which time Ministers would have the report which you asked me to prepare on Government Research Capability.

Flag D 6. Mr Mount's minute of October 18 argues that the shift of R & D resources from MoD to DES has merit but that this can only be accomplished in the PES bilaterals.

Handling


7. I suggest that you separate the principle of an increase in the Science Vote from the practicalities. On the principle you will wish to ask Sir Keith Joseph to introduce the discussion. Mr Heseltine and Mr Baker may wish to comment. I expect their remarks to be broadly supportive although Mr Baker may query whether any extra resources would better go towards stimulating industrial R & D through the DTI Support for Innovation scheme. You may wish to ask Sir Keith Joseph how he intends to ensure that any extra resources go towards real improvements in the science base and what measures he proposes to increase the flexibility and efficiency of Research Councils.

8. Possible conclusions are:

- (a) the DES case is not made;
- (b) the DES case is made but not to the extent of the full amount proposed (£35 million in 1984/85);
- (c) the DES case is made to the full amount;

(b) or (c) seem the most likely conclusions.

● You are aware of position here. With £130 million of additional bids still on table, scope for offsetting savings in DES programme is limited *BT*


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9. On practicalities, you could ask the Chief Secretary to report on the state of his PES bilateral with DES and the possibility of including arrangements for offsetting savings at this stage in the 1984/85 PES round. Mr Heseltine will wish to indicate his preference for increasing the allocation of defence R & D expenditure in Universities but keeping the responsibility for it in MoD. Sir Keith Joseph will want to stress the urgency of taking action in 1984/85.

10. Possible conclusions are:

- (a) the matter cannot be dealt with until 1985/86;
- (b) a PES or post-PES transfer to DES can be arranged in 1984/85;
- (c) an increase in the Science Vote for 1984/85 can go ahead followed by a search for offsetting savings in 1985/86.

Treasury Ministers are likely to argue for (a) or (b), but Mr Heseltine will not want (b) since the only clear source of the transfer at this stage is MoD. Sir Keith Joseph will argue for (b) or (c) on grounds of the urgency of the need. As a result of your Seminar, you yourself will have reached a view on the importance of the science base and the degree of urgency of putting increased resources towards it.

11. I am sending copies of this minute to Sir Robert Armstrong and Mr Mount.

RBN

ROBIN B NICHOLSON