

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

19 October 1983

MAINTAINING THE STRENGTH OF THE SCIENCE BASE

The Prime Minister took a meeting today to discuss your Secretary of State's proposals for maintaining the strength of the science base. Also present were the Chancellor of the Exchequer, the Secretary of State for Defence, the Chief Secretary, Treasury, the Minister of State for Industry and Information Technology, Sir Robert Armstrong and Dr. Nicholson.

Your Secretary of State opened by saying that he was seeking additional funding for the Science Budget of £35 million, £55 and £75 million over the next three years. In his bilaterals with the Chief Secretary, additions had been agreed to cover the cost of subscriptions to international bodies such as CERN.

He explained the background to his remaining bids. Additional money was needed to maintain existing programmes to enable the Research Councils to finance pay settlements determined elsewhere; to make good pension fund deficiencies; and to provide continued funding of the IT programme. In addition, he was seeking to finance further developments. These would cover re-structuring as the Research Councils were required to finance redundancies out of their own budgets. He was also seeking additional finance to allow a higher proportion of top grade projects to be accepted. He argued that the money could be found by transfers from the Defence Budget. In discussion it was argued that the Science Budget of nearly £550 million was already very large; that if difficult choices on priorities had to be made, this was equally true in other areas both in the public and private sectors; that the UK had for years financed fundamental research generously but with poor results. The priority now was to boost the commercial exploitation and application of technology. It was also argued that if transfers from the Defence Budget were to be allowed these should go not to the Research Councils but to industrial research.

Your Secretary of State suggested that some of the Ministry of Defence's own research could be routed through the universities. It was agreed that universities could tender in competition with the private sector on the understanding that they would be contractors, doing work specified by MOD, within budget limits specified by MOD. There could be no question of providing any subsidy to the universities. It was noted, however, that even

/on these terms

LB

Subject

file *LB*
of Master

on these terms this would be a desirable development as it would help to spread overheads.

Summing up, the Prime Minister said that the case for expanding the Science Budget had not been made out. It should be possible to absorb the proposed additions within the existing Budget. The priority was to achieve commercial exploitation of technology rather than the expansion of fundamental research. It was agreed that Sir David Phillips should approach the Chief Scientist at MOD to discuss the terms on which universities could secure additional defence research work. The Chief Scientific Adviser, in the course of his review of research policy, should look at the charters of research bodies. The DES should look again at the problem of removing tenure in the Research Councils.

I am copying this letter to John Kerr (H.M. Treasury), John Gieve (Chief Secretary's Office, H.M. Treasury), Richard Mottram (Ministry of Defence), Neil McMillan (Office of the Minister of State (IT) Department of Trade and Industry), Dr. Nicholson and to Richard Hatfield (Cabinet Office).

MR. A. TURNBULL

Miss Elizabeth Hodkinson,
Department of Education and Science.