

SUBJECT

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10 DOWNING STREET

From the Private Secretary

31 August 1984

The Prime Minister met Lord Jellicoe and Sir James Gowans yesterday to discuss MRC finances. Your Secretary of State, Mr Kenneth Clarke and Dr Robin Nicholson were also present.

Responding to the Prime Minister's invitation to open the meeting Lord Jellicoe said that he was not questioning the Government's commitment to contain public expenditure or to short-circuit the Advisory Board on Research Councils or to seek special treatment for the MRC. Nevertheless there was serious concern on the Council that the MRC was faced with a real crisis with a danger that its scientific base would be eroded. Symptoms of the malaise included: an increasing inability to fund "alpha" applications; an inability to replace outstanding directors of units; the closure of important and occasionally politically sensitive units; and an inability to take the initiative in important areas in which this country held a potential world lead such as molecular medicine and nuclear magnetic resonance.

Lord Jellicoe went on to say that the MRC was an efficient organisation but had suffered from an accumulation of difficulties. After rapid growth in its budget in the 1950s and 1960s it was now receiving what was called "level funding". In practice however this amounted to a real terms cut. Increases in costs arising from pension obligations, increases in university salaries which were outside the patrol of the MRC, and international subscriptions had already created great difficulties; the levy proposed by the ABRC to provide funds for the restructuring of the AFRC and the NERC exacerbated these difficulties. There was likely to be a shortfall of £2 million in 1985/6 and £4 million in 1986/7. The MRC could not meet these shortfalls from within its own resources. The nature of scientific research required a forward commitment of funds in a way which did not permit the establishment of a substantial contingency reserve. In these circumstances the only solution was an increase in resources.

The Prime Minister commented that the research budget which overall was £550 million was an extremely large one. There could only be an overall increase in the amount of money devoted to scientific and other research if there was an improvement in the general capacity of science in the UK to turn its results into commercially viable products for British industry. Its record in this respect remained poor; that was why the NRDC had been wound up. She would be more convinced of the case for an increase in funding if there were greater evidence of enterprise on the part of researchers. Sir James Gowans said that while he agreed with the general point made by the Prime Minister, he believed that strenuous efforts were being made, particularly through Celltech, which had proved to be an outstanding success. Moreover, the MRC itself was making considerable efforts to ensure the commercial exploitation of the British lead in nuclear magnetic resonance. Nevertheless there were major problems. GEC, for example, had shown little interest in developing breakthroughs in this area and occasionally when commercial companies wished to become involved in research they tended to impose conditions which were unduly restrictive upon the freedom of the researcher. The Prime Minister asked why the researchers themselves did not seek to exploit the results of their endeavours as many had done in the United States. Sir James Gowans replied that increasingly the commitment of resources required for the exploitation of research and the period of that commitment were too great for small companies to undertake. For example, it would be ten years before the exciting new developments in neuro-biology would bear fruit. It was depressing that foreign companies now seem to be displaying more interest in this area than British firms.

The Prime Minister enquired whether the MRC considered that they received better value for money from their own units or from research conducted in universities where salaries did not have to be paid by the MRC. Sir James Gowans replied that although the latter point was valid university research often meant part-time leadership. It was impossible to prescribe a particular approach for such a widely varying research effort. It was a particular problem for the MRC however that they were unable at present to recruit the quality of unit leader that they would like. Outstanding researchers could always earn more elsewhere and, perhaps more important, they could not be given the level of facilities which were available elsewhere. Particular examples were two British scientists currently at American universities who would like to return home but who could not be given the level of back-up to which they had become used. There were few areas which were now susceptible to the single researcher working on his own and to obtain the best researchers it was usually necessary to offer the best possible facilities.

The Prime Minister enquired whether there was scope for the provision of a greater contingency reserve. It had been increasingly found in Government that an excessive forward commitment of research funds militated against flexibility and in favour of overspending. Lord Jellicoe acknowledged that there could have been a greater contingency fund. Nevertheless the combination of the annual cash limit together with the need to commit resources to long term projects would inevitably leave the MRC vulnerable to rapid changes in circumstances such as had occurred in the last year.

Concluding the meeting the Prime Minister said that she understood the problems which the MRC were facing and would of course consider them. The Secretary of State for Education and Science had made an additional bid for science in the coming PES round and the arguments which the MRC had put forward would be taken into account in that context. It was nevertheless important that the system of financing research through the ABRC should be maintained. The overall research budget was, as she had said, a substantial one although there was room for argument about the distribution of that budget. She was grateful to Lord Jellicoe and Sir James Gowans for presenting the arguments for a greater effort in their area.

I am sending a copy of this letter to Stephen Alcock (Kenneth Clark's office), John Gieve (Chief Secretary's office), Dr Nicholson and Richard Hatfield (Cabinet Office).

Tim Flesher

Miss Elizabeth Hodkinson
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 FROM THE SECRETARY OF STATE

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cc. *S. Widdells*
WSPM
Jr
 31 August 1984

Dear Norman,

MEDICAL RESEARCH COUNCIL GRANTS

My Private Secretary wrote on 23 August to your Private Secretary, giving an interim response in my absence to your letter of 16 August which arrived while I was abroad.

I write to say that I endorse the points made in my Private Secretary's letter. I believe that the ABRC should be allowed to complete the difficult task they have in hand without interference by me. I know they are tackling the task with great thoroughness and with the fullest regard for all the factors which their remit requires them to consider. I also know that they are paying particular attention to the implications (for all the Research Councils including the MRC) of maintaining, reducing or cancelling the levy.

When I receive the ABRC's advice I shall take full account, if necessary, of wider political factors such as those to which your letter very understandably drew attention, before making my decision.

I am copying this letter to the Prime Minister, the Chief Secretary Sir Robert Armstrong and Dr Robin Nicholson.

Ken-Keen

NAT HEALTH: MRC July 84

