



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 7089

W0911

Mr Geoffrey Pattie MP
Minister for Industry and IT
Dept of Trade and Industry
1 Victoria Street
London SW1
SW1

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Dear Minister

EUMETSAT HEADQUARTERS

Following a request from the Meteorological Office, and after consultation with officials of the FCO, MOD and BNSC, I agreed to convene a meeting at the Cabinet Office on 30 January to consider the case for HMG offering to host the headquarters of EUMETSAT in the United Kingdom.

As you are probably aware, discussions have been going on within the international community since 1983 about the establishment of EUMETSAT, a 16 nation consortium linking those European meteorological services which support the operational METEOSTAT systems. The first meeting of the Council of the organisation is planned for the second or third week in March, when the key issue of the location of EUMETSAT's Administrative headquarters is likely to be decided.

The Federal Republic of Germany and France have already submitted applications to host the centre in Darmstadt and Strasbourg respectively. The purpose of our meeting was to assess the benefits of siting the HQ in the UK, and to decide whether there was a prima facie case for HMG also making a bid for the centre, in the light of the availability of suitable sources of funds to finance the operation.

During the course of our discussion, involving the Meteorological Office, BNSC, Treasury, FCO and MOD, the following points were made:

1. The technical case for having the EUMETSAT HQ in the UK was very strong. British expertise in meteorology and our satellite meteorology capability in particular are internationally recognised. The Meteorological Office's suggestion to locate the HQ on Government land near the European Centre for Medium Range Weather Forecasting, (ECMWF), at Shinfield Park, would also ensure positive interaction with this and other UK centres of excellence in meteorology in the Universities at Reading and Oxford, at the Meteorological Office College and at Bracknell, not to mention the proximity of major satellite interests at Farnborough and Lasham.

- ii. The political reasons for the UK hosting EUMETSAT are also good. Apart from the question of national prestige, there is a need to balance up the present unequal distribution of European space facilities, currently biased in favour of our Continental partners eg ESA, ESOC etc, and generally to counteract the development of the Franco-German scientific technological axis. Perhaps, most importantly a bid for the HQ would give added weight to the UK's space effort and further impetus to BNSC.
- iii. The industrial and general economic benefits are more difficult to quantify, although there is no doubt that there would be some financial and employment spin-off from an organisation that will, it is estimated, administer an expenditure of around 200 MAU over the first 10 year phase of the programme, doubling this in the second phase of its operations. There would be an obvious strengthening of the UK's own meteorological services and, as satellites grow in importance in the global meteorological observing system, the prospects of data processing work and analysis coming to EUMETSAT in future are good, and to the benefit of UK science and UK industry. However, Treasury took the view that the perceived civil benefits were not significant enough at this stage to justify additional public expenditure for the proposed initiative, and therefore responsible departments would need to accommodate the project costs of bringing EUMETSAT to the UK from within existing resources.
- iv. Any bid by HMG for EUMETSAT would inevitably have a bearing on negotiations about the location of other future European facilities/organisations, eg. The Community Trade Marks Office (CTMO) and the Eureka Secretariat. However, it was felt that while the siting of the Eureka Secretariat had short term political implications, in terms of longer term scientific and economic benefit, it was of less importance to the UK since the choice clearly lies between Brussels and Strasbourg. Negotiations on CTMO were still some (one or two) years away and therefore not likely to be prejudiced by a UK bid for EUMETSAT next month. Also the meeting was conscious that, JET apart, there was no permanent Community body located in the UK at the present time and that the EUMETSAT decision would not alter that position.

To summarise, it was clear that the case for having the EUMETSAT HQ in the UK was at least as good as that of the FRG and certainly better than that of France. A decision would hinge on the question of finance and HMG's ability to put together a competitive bid. After further discussion it was agreed that such a bid would involve at the maximum the provision of:

- a. A site - available at no extra cost
- b. The construction of a building - estimated cost £500,000

- c. Temporary accommodation during the construction phase - £40,000 pa for 2 years
- d. As additional contribution of £2.8m to match our interpretation of the FRG bid. It is proposed to spread this over the 7 years following the completion of the HQ building in 1989. - approx £400,000 per annum for 7 years.

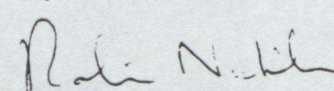
This gives a budgetary profile over the next 10 years as follows:

YEAR	TEMPORARY ACCOMODATION	BUILDING CAPITAL	ADDITIONAL BUDGETARY PROVISION	TOTAL
86/87	£20,000			£20,000
87/88	£40,000	£250,000		£290,000
88/89	£40,000	£250,000		£290,000
89/90	-	-	£400,000	£400,000
95/96	-	-	£400,000	£400,000

Thus, after the first year, any UK bid would involve the provision of up to an extra £400k per annum, over and above the regular membership subscription (already provided by MOD) for the remaining 9 years of the first phase of EUMETSAT operations. It was agreed that this would have to be found from within the budgets of concerned departments, which were considered by the meeting as the Met Office/MOD and BNSC/DTI. The BNSC (Mr Leeming) would be prepared to recommend that the DTI should consider providing 50% of the annual cost of the necessary inducement package. The Director of the Meteorological Office said he was prepared to offer £50,000 pa towards these extra costs and hoped that MOD would in principle be willing to seek approval for the balance.

Given this situation, the meeting felt the position should now be put to Ministers and, as Chairman, I agreed to write to you as the Minister responsible for Space to set out our conclusions and to seek your views, and those of your colleagues in the MOD and FCO, as to whether the UK should now proceed with a formal bid for siting the EUMETSAT HQ in the UK on the basis of the financial package outlined above which is designed to match the German offer. In my personal view, for which there was some support in the meeting, the technical strength of the UK's case is such that we may not have to match the FRG's bid pound for pound. In view of the proposed European Council meeting in mid March, it is essential to take an early decision if a UK bid is to be effectively presented and argued, in the run up to the meeting.

I have copied this letter to Mr Eggar (FCO) and to Mr Lee (MOD).

Robin Nichol

 ROBIN NICHOLSON

