

CONFIDENTIAL

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PRIME MINISTER

17 December 1986

BRITISH NATIONAL SPACE PLAN: E(A)(86)60

I support the general lines of the case made by the Secretary of State for Trade and Industry.

2. I believe that at present our space programme is falling between two stools: we are spending quite significant sums, particularly in our subscription to ESA, but not sufficient to reap the potential scientific, technological, commercial and industrial benefits. For example, our investment through ESA in scientific satellites (part of the mandatory programme) is not being matched by our ability to fund experiments to fly on them. Our investment in earth observation satellites is not being backed up with the ground facilities needed to use the results. Most importantly, our industrial capability is slipping behind that of our European competitors, whose larger programmes have given them a strong technology base. Within ESA, we have concentrated on prime contractorship, ie managing international satellite building consortia, but the effect of this has been to deprive us of work on components and sub-systems, without experience of which even our competence as prime contractors will be difficult to sustain in the long term. Both scientifically and industrially we have been trading on our past successes from the days when we were pre-eminent in Europe, but this capital is fast running out.

3. I therefore believe that the correct choice is between being in space properly and not being in it at all. The former choice will mean spending more money, though in my view not as much as the Plan seeks; I consider that total expenditure rising to around £250 million by 1989/90 (as opposed to the £302 million sought) would be appropriate. There are three broad lines of argument leading to a figure of this order:

- a. The Government has agreed to a 70% real increase in ESA's budget by 1990. To maintain our existing contribution to ESA (which is already below our GNP percentage), and to maintain the existing balance between ESA and our national programme, would give a figure around £210 million. But our national programme is at present our weak spot, and should therefore increase faster than our ESA subscription.
- b. Comparison with other countries is difficult, and a relatively weak basis for policy. But if we were to spend a similar proportion of GNP to France, Germany or Italy on civil space activities we should already be spending figures of the order of £310m, £165m or £155m respectively (against an actual £108m), leaving aside any future growth.
- c. It is possible to make a detailed examination of the elements in the programme, and to take a view of the level of expenditure which would be justified on each. This is likely to be wrong in detail, but may well give a realistic overall figure for a sensible programme. This approach leads me to a figure of around £250 million, which is the one quoted above.

4. The arguments for remaining in space are set out in the Secretary of State's paper, and I can add little to them. I accept that the economic benefits to be expected are long term and hence difficult to quantify. I also accept that there are valid non-economic (for example scientific and defence) reasons for having a space capability. I therefore consider that spending on space should be increased to roughly the level suggested above. But if this cannot be done, then the option of withdrawing from such activities altogether should be considered seriously.

5. The additional sums involved in a coherent space programme are such that they could not readily be found from within the programmes of DTI or DES, and I believe that to attempt to do so would involve displacing programmes of still greater priority. I also accept that the benefits are primarily in the civil rather than the defence sphere. However, the E(A) decision earlier this year

(which I wholeheartedly support) to set defence R & D expenditure on a downward path will, unless there is a matching rise in civil R & D, mean a reduction in total Government R & D rather than a redeployment. I therefore believe there is a strong case for transferring some of this money to space. Since many of the industrial beneficiaries would be the same, this would minimise the industrial problems associated with reducing MOD funding.

6. Finally, I support the Secretary of State for Trade and Industry's view that BNSC should now be established as a subordinate Department with its own Vote. The present arrangements, in which the BNSC has no clear status and its resources are in principle at the disposal of the contributing Departments, are highly unsatisfactory and would not be accepted by any responsible industrial manager. However, given the reservations expressed by the Secretary of State for Education and Science about the transfer of PES provision from his Department, you may wish to ask for a further paper on this issue, which is not essential to a decision on the Plan. I would be happy to coordinate this paper and make recommendations on an appropriate solution if you wish.

7. I am copying this minute to Sir Robert Armstrong.

pp JOHN W FAIRCLOUGH
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