



CONFIDENTIAL

Prime Minister

3 April 1987

E(A)(87)15 - SPACE

I regret I shall be unable to attend the meeting of E(A) on 6 April. Michael Ancram will attend in my place. I do wish, nevertheless, to place on record my own reaction to the paper on space.

The paper correctly records that DAFS has registered strong opposition to these proposals. I fully support the position my officials have taken. I have no doubt at all that financial cuts in the agricultural R & D programme, coming on top of the major changes to agriculture as a result of the CAP decisions, and other policy measures we have taken and announced, will be seen as a further major assault on the agricultural industry. The proposed cuts in the DAFS R & D programme would lead to closures of whole facilities in Scotland - at least one and possibly two Research Institutes and a College. This would have very damaging effects in Scotland, where agricultural science is a relatively large part of the science base.

The paper also records that 2000 jobs have been lost in agricultural R & D over the past two years as a result of a previous PES decision to effect a 10% reduction effective from April this year. Scotland has borne its full share of these cuts, amidst a great deal of adverse political comment. Considerable effort has gone into implementing these cuts in a way designed to pursue our wider policy objectives - increased efficiency, improved links with industry, and addressing new and emerging problems, particularly the issues related to land use, where we have established a new research institute specifically for this purpose. To make further major reductions now will be to negate much of this effort; will cut into relevant and high quality scientific programmes; and will almost certainly discourage further positive support from industry just at the point where a good deal of progress is being made in developing links between publicly funded science and the industrial sector.

Nor could I countenance higher charges for advisory services at this time, before we have evaluated the effect of current levels in the market place. The introduction of charges is generally accepted now, but to take decisions suddenly to increase levels already agreed would certainly provoke a widespread hostile reaction throughout the rural community.

If colleagues were to decide that the space programme requires contributions from agricultural R & D, and other targetted research programmes, then I consider it quite impossible - indeed foolish even to be contemplating - major cuts in 1987/88. Quite simply, it is too late to achieve savings in this financial year. Staff require notice (generally six months) and summary dismissal is out of the question. Capital programmes are largely taken up with continuing commitments. Even if some cuts were to be made in 1988/89, we should have to begin the process almost immediately if the necessary administrative steps were to be accomplished in time: announcement of the decision could not be deferred.

I wish to record also that should colleagues decide on a programme of reductions in R & D programmes, then I could not agree to the specific figures proposed for individual Departments in paragraph 5 of the paper. I note that a target of £60m has been identified for 1989/90: and that the total of the lower of the two figures proposed for that year is £69m. If cuts are made, then my Department must not take more than is required, or is appropriate, given its overall share of all R & D undertaken by the Agricultural Departments.

Finally I should also say that I have noted that one possible consequence of the proposed cuts in Peter Walker's R & D budget is closure of Dounreay. While this is outwith my direct responsibility, I have to record here my very grave concern at any threat to this establishment, which would have major consequences for employment in this part of Scotland.

I am copying this letter to members of E(A) and Sir Robert Armstrong.

M R