



TO:

PRIME MINISTER

FROM:

GEOFFREY PATTIE

31 May 1987

*Minute suppressed by
Dr Channon and sent by Pattie
to the P M on a personal hand.
P M saw the covering letter but
not this. Pa now.*

*DLV
4/6*

SPACE

1 E(A) invited me to explore further the possibility of finding funds from industry funds to enable the Space Plan (Option 3) to proceed (E(A)(87)7th meeting).-

2 I am pleased to say that the main suppliers of space hardware, British Aerospace and GEC, and the major users, British Telecom and Cable and Wireless, have now agreed to provide between them £10 m per annum for the first three years of Option 3. This would probably be through a new company which would be set up alongside BNSC to fund jointly those parts of the space programme in which they would be most interested.



3 This is indeed substantial proof of the importance industry attaches to the UK Government deciding to participate fully in Europe's growing involvement in space.

4 Even after the DTI and MOD contributions, however, this still leaves a funding gap. The figures are as follows:

£m	1987/8	1988/9	1989/90
Current space provision	112	113	119
Option 3	154	177	200
Difference	42	64	81
<u>LESS contribution</u>			
DTI	6	9	12
MOD	5	6	9
Industry	10	10	10
Shortfall	21	39	50

I believe this shortfall could be manageable.



5 I have considered ways in which the DTI contribution could be increased. I believe that a greater emphasis on industrial participation could be placed on the Alvey and EUREKA programmes in later years and by so doing some funding could be made available for Space.

6 The DTI contribution could therefore become:

	1987/8	1988/9	1989/90
£m	10	15	20

If MOD were able to make a matching increase its contribution would become:

£m	9	12	17
----	---	----	----

This would leave an overall shortfall of:

£m	13	27	34
----	----	----	----



7 As far as MOD is concerned it must be in their interests to have a viable industrial capability in the UK and not be entirely dependent on the US. For other Departments, all have some interest, direct or indirect, in space activities. Even the Territorial Departments have companies and Universities with space involvement within their jurisdictions.

8 Politically, I am concerned at the continuing delay in making some announcement about the Space Plan. E(A) first considered the Plan on December 18 last and DTI had the Plan for some time before that. R & D generally has become something of a political issue and the Space Plan is seen in the same context. A decision on Option 3 would not only be sound - it would be very favourably received.

9 As I have reported, I have been favourably received by the key players in industry. They have made clear, however, that their involvement is obviously conditional on Option 3 proceeding.



10 I am also concerned about the position of Roy Gibson, the Director General of BNSC. Gibson is highly regarded internationally and I know that he has been approached about taking other appointments. He has stonewalled successfully in ESA for some months but I do not feel that I can keep him on board indefinitely. As long as he believes there is a chance of Option 3 being approved he will remain.

11 Should the eventual decision be against Option 3 and in favour of the status quo, I support the advice given by John Fairclough, namely that Options 1 and 2 are sub-optimal programmes and that we should announce our progressive withdrawal from ESA. This could take place over the next three or so years and would of course mean our pulling out of all programmes and the cancellation of the project definition stage of HOTOL.

12 On timing, the postponement of the ESA Ministerial Council from June to November makes it necessary to extend the preparatory programmes on Ariane V, Columbus and Hermes to the .



end of 1987. The cost of this is estimated at £8.7 million in the current financial year, and a further £3.9 million in the following year. Extensions to programmes of this sort require the approval of all participating countries. A decision will be needed by the end of May and there is therefore a danger of the UK finding itself in a Framework type isolated position.

Approval of Option 3 would enable sufficient funding to be made available.

13 I am ready to discuss this situation if you wish.

A handwritten signature, likely of Geoffrey Pattie, consisting of stylized initials and a long horizontal stroke.

GEOFFREY PATTIE

CONFIDENTIAL



file

rc
cepg

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

MR UNWIN
CABINET OFFICE

SPACE

Thank you for your minute of 14 May about space,
which I have shown to the Prime Minister.

The Prime Minister has commented that there
cannot possibly be a decision on this before
the election.

DAVID NORGROVE

15 May 1987

CONFIDENTIAL

DSH