



CONFIDENTIAL

PC 135

PRIME MINISTER

SPACE

Since the Election, Kenneth Clarke and I have reviewed the position on space. As you know, E(A) considered that there was a case for Option 3 of the Space Plan but colleagues were not prepared to find the necessary funds from their own budgets.

2 We need to know our level of participation without which we have little or no chance of securing the best chances for UK industry to participate. The Director General of ESA will be visiting the UK in the first week of August to begin the last round of talks before the ESA long-term plan is finalised. Whatever our conclusion, I believe that it is important to decide one way or the other before the Recess.

3 I accept that Option 3 would represent a worthwhile programme and the shortfall of funds has been reduced by the £10 million for 3 years industry was prepared to offer towards it. But there is still a substantial shortfall for (the figures are given in Annex A) and I have concluded that I cannot give space higher priority than the other support that my Department gives to R&D. Indeed I have not felt able to propose additional funds for space in my PES bid. If we were to go ahead, I see no alternative to finding the money from the Reserve and I accept that pressures on public expenditure would make this very difficult.

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4 A decision not to proceed with space would require careful presentation. I would like to combine it therefore with a positive announcement about our approach to R&D and make our long expected response to the IT86 report at the same time. This would involve announcing firm proposals to proceed with a significant programme of user-led collaborative research and development of applications of IT. Funds for this could be found from within my existing baseline.

5 I would welcome the chance to discuss this with you.

6 I am copying this minute to Sir Robert Armstrong and to John Fairclough.

A handwritten signature in dark ink, appearing to be 'D Y'.

D Y

14 July 1987

DEPARTMENT OF TRADE & INDUSTRY

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ANNEX

£m	1987/8	1988/9	1989/90
Current space provision	112	113	119
Additional contributions:			
DTI	6	9	12
MOD	5	6	9
Industry	10	10	10
	133	138	150
Space plan (Option 3)	154	177	200
Shortfall	21	39	50

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