

MR NORGROVE

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SPACE AND IT 92

I strongly agree with the flavour of your advice to the Prime Minister on the second Alvey programme. There is a clear attempt by the DTI to steam-roller us into accepting Alvey II as a way of cheering up science and industry as an antidote to the bad news about space.

The DTI sent a minute about Alvey and Eureka at the end of April which crowed about how successful both programmes were and how market-orientated were their projects. The paper was full of confusion between 'return on capital' and 'value for money'. On first reading the IT 92 programme seems full of the same old stuff. The original purpose of the Alvey programme was to stimulate small and medium sized companies and the Alvey directorate was to be led by an industrialist independent from Whitehall. There were also to be clear targets and performance measures.

In fact the Alvey programme has been led by DTI-based officials and the bulk of the resources have gone to large companies where additionality must be very low. I saw the fruits of one Alvey project, on computer graphics, at IBM last month and its achievements were impressive. The IBM research people nevertheless agreed that the programme would have gone ahead with or without Government money!

The plans for a second Alvey programme have been presented without sufficient critical analysis of the benefits of the first. In particular I have nowhere seen addressed the question: how many of the claimed Alvey results would have been achieved anyway?

The DTI is very confused about its research role. It continues to confuse return on capital with value for money. It tends to pay for work that would be carried out by companies anyway. It does not push industry hard enough on subjects like launch aid - we had to force them to get an extra percent return on any Airbus super profits.

Conclusion

1. IT92 Why is so much of the Support for Innovation (SFI) budget going to profitable companies that ought to finance their own R&D? Until this basic question is addressed with a proper analysis of how effective the Alvey programme has been in terms of causing research to happen which otherwise would not, there should be no blanket approval given to Kenneth Clarke's attempt to bulldoze through IT92 without proper analysis. It is nothing whatsoever to do with the space programme and the two decisions should remain quite separate.

2. Space I also agree with the logic of John Fairclough's argument about space. To stay with the Option 1 level will be read as a retreat from space anyway and it would therefore represent a more positive policy to stop completely. Since this would be most unpopular with most Ministers, such a draconian alternative might make them take seriously Fairclough's proposals for re-allocations for space at a future E(ST) meeting.

Unfortunately his intervention is late and much of the machinery is already in gear for Kenneth Clarke's announcement this week. I nevertheless agree that it would be better if his announcement did not preclude the Fairclough proposal.

GEORGE GUISE

