

CCBB



TO:

PRIME MINISTER

FROM:

KENNETH CLARKE

20 October 1987

ESA MINISTERIAL MEETING: 9/10 NOVEMBER 1987

1 As I suggested at E(ST) on 1 October, I am writing to set out the line I propose to take at the European Space Agency (ESA) Ministerial Meeting on 9/10 November at the Hague.

2 I attach a note setting out the background including the major initiatives being proposed by ESA, the position of other Member States and the possibility of greater private sector involvement. Against this background, I propose to take the following line at the ESA meeting:-

- (i) The UK should acknowledge ESA's past contribution and affirm that it intends to continue to play a constructive role in its affairs.



(ii) However, we should express concern at the recent trend in ESA towards increasingly grandiose objectives, which, *attractive though they may be, have little regard* with apparent growing disregard for financial, practical and commercial realities.

(iii) We should suggest that before Europe embarks on the ESA Executive's latest ambitious proposals, the time has come to re-think ESA's priorities, strategy and methods of operation within a more reasonable financial profile.

(iv) Until such a fundamental re-appraisal has been undertaken, we should urge our ESA partners not to proceed with the new infrastructure initiatives, or new commitments on other optional programmes.

(v) We should also resist strongly any proposed increases in the mandatory Science (largely funded by SERC who are opposed to any increase) and General Budget areas.

(vi) In proposing a re-appraisal of ESA's strategy and operations, we should suggest the following guidelines:-

- The ESA Executive be instructed to present within a set time (say, by mid 1988) a range of



costed options for each programme area, highlighting value-for-money considerations and identifying private sector funding possibilities for each option. We shall have to accept that some of the longer term programmes will not attract industrial funding, but even here we should insist on some industrial and user involvement in the design and timing decisions.

ESA must, therefore, encourage private sector participation in all its optional programmes by:

- reviewing carefully the case for proceeding with projects where no private sector money is involved, if possible identifying users who will be ready to take over operational or recurring expenditure following development;
- setting milestones project-by-project where the case for increasing the existing private sector involvement would be specifically addressed.

3 The proposed UK approach is likely to attract sympathy from a number of other Member States who are worried about the cost



and direction of the Executive's package of proposals. It is doubtful, however, whether any other Member would wish to take quite such a firm line as I am recommending. There is consequently a risk that there may be sufficient support for some optional programmes to proceed, notably Ariane 5 and Columbus, albeit in attenuated form. If this were to happen then it may result in the UK being excluded from any future participation in these two programmes. There may also be animosity from other countries at the UK if we are not prepared to join any new programme or if, as I expect, we are the only Member blocking any increase in the Science budget.

4 It remains my view, however, that if we are to inject some commercial reality in to the thinking of ESA and to bring the private sector in to give space programmes the industrial orientation they urgently need, then we must be prepared to take a firm line now. I therefore hope you and colleagues will endorse my proposed line for the ESA meeting.

5 I am copying this minute to members of E(ST), Sir Robert Armstrong and John Fairclough.

KENNETH CLARKE



ESA MINISTERIAL MEETING: 9/10 NOVEMBER 1987

Background

1 ESA plans envisage two major new initiatives: Ariane 5, a new version of the European launcher with increased carrying capacity to meet the anticipated demand to launch heavier satellites in the mid 90's; and Columbus, the planned US-led international space station, in which President Reagan had invited participation, not only from Europe but also Japan and Canada. The French have also pressed hard for the inclusion of the space plane Hermes to provide Europe with the competence to put man in space by the year 2000.

2 The ESA Executive has been looking for agreement to a single, all-embracing package. This appears increasingly unrealistic with costs now estimated to increase across the board by roughly 150% in real terms by 1992. The position on the initiatives is:-

Ariane 5 - technical progress satisfactory, so that the project is sufficiently defined to move to full development.



Columbus - Prospects for agreement with the US on collaborative arrangements look reasonable, though not yet fully secured. Of the three main elements in the programme, the only one requiring an urgent decision is the Pressurised Module which will be physically attached to the space station. The UK has minimal user interest in this module though we have achieved responsibility for some demanding software technology from our industry.

Hermes - Much technical and operational uncertainty remains and consequently there is little confidence in cost estimates, which have risen alarmingly since the Challenger accident showed the need for more complicated design. The project does not appear to be ready for full development.

As part of the ESA Executive's current recommendations, increases are also sought in the two mandatory programmes, the science programmes, where the Executive is proposing a 5% per annum real increase for five years on top of the 5% per annum increase agreed in Rome in 1985, and the general budget. Unlike



the other optional programmes, the unanimous agreement of Member States is required for these increases.

Position of Other Member States

3 There are indications of growing concern among some other Member States over the scope and costs of the package likely to be put forward. Of the major partners, Germany is thought to have major reservations on Hermes and on full scale development of Columbus at this stage. France is more supportive of the Executive's approach, but has doubts about some of the increases in expenditure recommended. Less is known about the Italian position, though they appear to have funds in place to support the early, less costly, part of the plan. Consequently the UK is unlikely to be alone in questioning the Executive's ambitious aspirations, though a number of Member States may be able to back a programme whose costs were limited to the doubling of expenditure envisaged at the Rome meeting in 1985.

Private Sector Involvement

4 E(ST) agreed on 1 October that we should go forward to the ESA Ministerial Meeting next month on the basis that there would be no additional funds. Following that discussion I set in hand a review of our domestic space programme to determine:



- the extent to which a substantially greater private sector contribution to our national programme is feasible;
- how that increased private sector funding would call for adjustments in the priorities and management of that programme; and, I hope, give better value for money; and
- whether such an approach would over time release resources which could be deployed on pursuit of ESA objectives which we endorsed.

I am afraid that the private sector could only be induced to take the question seriously after the restatement of our position which I made to counter their lobbying at a recent international conference. Discussions with the private sector now suggest that a greater injection of private sector funding may be possible, although this would still fall well short of the ESA Executive's proposed increases. But I need more time in which to make a clearer assessment of the prospects and to have discussions with Ministerial colleagues who also fund part of our domestic space effort. Consequently I see no way in which the main themes of a substantial re-alignment of our domestic space effort could be set in place before the ESA Ministerial meeting on 9/10 November.