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19 January 1988

*Amint DTI
reply
OOZ.*

Sir Geoffrey,

EUROPEAN TRANSONIC WIND TUNNEL

with CAP?
In your minute of 18th January, you urge me to agree to an increased contribution from the Defence Budget to the costs of the Wind Tunnel. I must say that I regard it as most regrettable that I should be subjected to this pressure by colleagues who, as a matter of policy, have sought to constrain my Department's expenditure on research and development.

As has been made clear from the outset, there is no foreseeable defence interest in the project and this judgement, I contend, lies within the professional and technical competence of the Ministry of Defence. I acknowledge that my predecessor in 1985 agreed to share the UK contribution on grounds of wider international policy. But at that time the Defence Budget was under less pressure and limitations had not been imposed on future levels of defence R&D expenditure. The extra cost to my Department for support of this civil project can be accommodated only at the expense of defence programmes to which I attach importance.

Nevertheless, given the situation that has developed and taking account of the adverse international repercussions from withdrawal to

The Rt Hon Sir Geoffrey Howe QC MP

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which you have drawn attention, I am, with the greatest reluctance, prepared to extend the current cost-sharing arrangements to cover the revised estimate of the cost of the Tunnel. I do this on the firm understanding that, first, the DTI contribution to the increased cost should not be to the detriment of their funding of joint military/civil programmes at MOD Research Establishments (which would mean that the MOD would be doubly penalised) and, second, that the cost of this project which serves no defence interest should not be included in any assessment of the MOD's compliance with constraints on R&D expenditure.

I am sending copies of this letter to the Prime Minister, David Young, John Fairclough and Sir Robin Butler, and also to John Major (to whom you may wish to send a copy of your own minute).

Yours ever,

George Younger

