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From John W Fairclough FEng  
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CONFIDENTIAL

The Rt Hon Kenneth Clarke QC MP  
Chancellor of the Duchy of Lancaster  
Minister for Trade  
Dept of Trade & Industry  
1 Victoria Street  
London SW1

2 February 1988

Dear Chancellor,

*fat flap*

In his letter to George Younger of 28 January, John Major asked me to set out my views on the case for continuing with the European Transonic Windtunnel. I have also seen a copy of your letter of 31 January to Sir Geoffrey Howe.

I certainly agree that it would be helpful to have an up to date assessment of the industrial benefits of the wind tunnel as John Major has suggested. I know that the project was reviewed thoroughly in 1985, including the prospect of attracting industrial contributions. Since then, however, the costs have risen and you now have a new policy on innovation support. The move away from near market support does argue for looking again at the benefit which UK companies might be expected to pay for, whatever the position on industry funding in other countries. We shall also need to take account of recent developments in simulation techniques, although they may not be an adequate solution in all cases.

I am sure that the MOD should participate in this evaluation. Not only have the MOD supported the project for the last three years, but I understand that RAE personnel are actively involved in the ETW Steering Group. I find it hard to accept that there is no military justification for the project particularly as it was inspired by NATO and it will have a life of 30 or more years. There may be no immediate justification but what about the longer term?

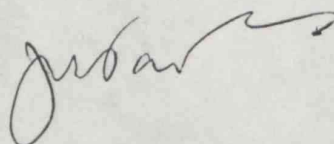
We are not, of course, starting with a clean sheet of paper and the cost benefit equation is not the whole story. As you know I have a particular role to coordinate policy on international R & D matters. We do need to take account of the implications for achieving other objectives of withdrawing from this project. This applies in particular where we are looking for German support. I am thinking in particular of the renegotiations of CERN, the extension of JET and our desire to participate in the European Synchrotron Radiation Facility (ESRF). I suggest that your reassessment of the benefits of the project and the case for Government expenditure should come first but that there should then be wider consideration of this international dimension. I would be very ready to participate in this.

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This brings me to my last point. Given the role I and my staff have in trying to coordinate international R & D issues, particularly in Europe, I am concerned that these reassessments of the science and technology policy case for the expenditure get made at such a late stage. The present costings have been known in the UK since last summer. As John Major says in his letter, the normal convention is for collaborative projects to proceed by stages, each requiring agreement, thus allowing review of costs and benefits at each stage. This has clearly not happened on the right timescale. Departments' concerns about increased costs should have been raised at a much earlier stage both internally and if necessary with our partners. There may be wider issues here of the domestic management of international projects. This is a point to which you have also referred. If you and others would find it helpful, I should like to ask my staff to consider with officials from other interested Departments ways in which we could improve our performance in this respect.

I am copying this to recipients of John Major's letter.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'John W Fairclough', with a stylized flourish at the end.

JOHN W FAIRCLOUGH

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