



10 DOWNING STREET

From the Private Secretary

PRIME MINISTER

SPACE : MEETING WITH PARLIAMENTARY
DELEGATION

The enclosed papers are:

Flag A - DTI briefing pack

Flag B - Mr. Clarke's minute of
1 February with his conclusions
on Ariane, Columbus, Radarsat
and Itolol.

Flag C - My letter of 5 February
recording your conclusions on
B.

Flag D - Minute just received from
S/S Defence.

RRC 6 8/2



the department for Enterprise

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Date

8 February 1988

Dear Andy,

**PRIME MINISTER'S MEETING WITH PARLIAMENTARY DELEGATION ON
SPACE: 9 FEBRUARY 1988**

As requested in Paul Gray's letter of 5 February, I attach a brief for the above meeting. Also attached is a copy of the House of Lords Select Committee on Science and Technology recommendations which were published on 26 January and copies of Hansard for 23 July 1987, and 28 January 1988. *file with PG*

As you know, the Prime Minister has endorsed the Chancellor's conclusions on Ariane 5, Columbus, Radarsat and HOTOL, as set out in his minute of 1 February. The brief has therefore been prepared along those lines. The Chancellor intends to announce these decisions on Wednesday 10 February.

I am copying this letter to Jonathan Taylor HM Treasury, Lyn Parker Foreign and Commonwealth Office, Tom Jeffery Department of Education and Science and Trevor Wooley PS/Sir Robin Butler.

Yours

Rosalind Cole

ROSALIND COLE
PRIVATE SECRETARY

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SPACE: PRIME MINISTER'S MEETING WITH PARLIAMENTARY DELEGATION,
9 FEBRUARY

Objective

- Re-affirm that the Government view is that expenditure on civil space should be maintained at about the current level (about £120m 1987/88);
- Indicate that latest discussions with industry have not produced evidence to change that view.

Line to Take

1 Already explained to the House that space expenditure has to be weighed against other priorities, and that we think current level is about right.

2 Aware that House of Lords Select Committee Report argued for increasing current level of expenditure to £200m p.a. over next five years. Full reply will be given in due course, but Government not persuaded there is a sufficiently strong industrial, commercial or scientific case.

3 On evidence presented in latest discussions, we cannot see a convincing case for joining either Ariane 5 or the Columbus programmes, but the Chancellor of the Duchy will shortly be notifying the House and I would not wish to pre-empt him.

Counter Arguments

Q Worthwhile joining Columbus for future potential?

A Chancellor of the Duchy has held further round of meetings with main aerospace companies. No agreement within industry on preferred strategy. UK participation in Columbus would cost over £400m in total. To go ahead, particularly when no clear case for any particular option, could not be justified.

Q Worthwhile joining Ariane 5 to maintain foothold?

A As ESA member, UK will still have access to Ariane launchers. Participation in Ariane 5 would be expensive political gesture. Total UK cost estimated at £80m for less than 3% share. Have already made clear we could not support man-rating requirements which will add to costs and may unbalance broader programme.

Q What about HOTOL?

A Project at early stage - no evidence of commercial demand. Would be extremely expensive - total development costs guessed at present as being well over £2 billion. Government has already helped fund "proof of concept" studies - companies now need to consider the case for their clarifying the initial results.

PRIME MINISTER'S MEETING WITH PARLIAMENTARY DELEGATION ON SPACE:
9TH FEBRUARY 1988

BACKGROUND NOTE

1. The Chancellor's letter of 1 February to the Prime Minister sets out the background to the decisions about to be announced. Briefly his recommendations were that there is no case at the moment for entering the following programmes:-

Ariane 5 and Columbus (ESA)
Radarsat (Canadian collaboration)
Hotol (British Aerospace).

However, he did see justification for committing funds to a new Earth Observation Data Centre.

2. The House of Lords Select Committee on Science and Technology published its report on space policy on 26 January, recommending that we join the Columbus programme, take a minor share in Ariane 5, and expand the national programme, increasing total space expenditure to about £200 million a year after five years. In arguing for this figure, they recommend it as the order of size of programme which they consider justified in some 5 years time. However their main concern is that if expenditure is not increased beyond the present level, it will not be possible to enter any of the space programmes presently being considered. Since no further new programmes are likely to be proposed for the next 5-10 years, far from being constructive members of ESA, they argue that not to enter any of the new programmes is tantamount to the UK getting out of space; there will be no subsequent ESA programmes which the UK can enter - and clearly progress is not possible on the basis of a UK national programme alone.
3. Neither Lord Caldecote nor Lord Bessborough is a member of the HOL sub-committee on space. However, Lord Bessborough was a member of the sub-committee which reported on Remote Sensing and Digital Mapping in 1983. Both take, however, a strong interest in UK science and technology policy, and Lord Caldecote is chairman of the Science & Technology Committee of the North Atlantic Assembly. He is also a leading member of the engineering profession (Fellowship of Engineering).
4. John Wilkinson is a member of the All-Party Space Committee and has been a Vice-Chairman of the Conservative Defence and Space Committees. On 13 January, after a PQ from Ernie Ross, Mr Wilkinson said that it was important for Governments to have a strategic vision of the importance of space activities, for their strategic interest and also for their commercial benefits.

5. Sir Peter Emery tabled 6 written PQ's on 26 November last about our relationship with the European Space Agency.

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children are educated as well as possible. I am sure that both those factors, together with the fact that in several schools the teaching is directed closely towards examinations, help to give us the good A-level results that we have.

Scheduled Offences

11. Rev. Martin Smyth asked the Secretary of State for Northern Ireland, pursuant to his answer of 2 July, *Official Report*, column 141, what is his estimate of the cost of listing the different representations received from bodies and individuals, including the Government of the Republic of Ireland, concerning current arrangements for trying scheduled offences in the courts in Northern Ireland.

Mr. Tom King: Assuming that only representations made since 1979 were covered, the estimated cost of identifying and listing them all is estimated to be in excess of £300.

Rev. Martin Smyth: Does the Secretary of State recognise that that is a small sum to pay to allow the House to know what input has been made into a reform of the justice system of our nation? Or, are we being led astray by the statements of his previous co-chairman of the Anglo-Irish Intergovernmental Conference, who said that with the removal of Lord Hailsham we are getting ready to introduce three-judge courts in Northern Ireland?

Mr. King: If the hon. Gentleman had tabled a direct question I would have been happy to answer it. But on this matter, as I have made clear before, we have listened to the arguments and at present we are not persuaded of the merits of the case. That is the position and nobody should read more into it than what I have said. We are not persuaded of the arguments and our position remains as it was when I made my statement on the matter.

PRIME MINISTER

Engagements

Q1. Mr. Gregory asked the Prime Minister if she will list her official engagements for Thursday 23 July.

The Prime Minister (Mrs. Margaret Thatcher): This morning I presided at a meeting of the Cabinet and had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall be having further meetings later today.

Mr. Gregory: Will the Prime Minister encourage local authorities this summer to put their services out to competitive tender, thereby securing savings of up to 30 per cent. in place of municipal Socialism?

The Prime Minister: Yes. As my hon. Friend knows, we are introducing legislation on this matter. It is a matter of regret that more local authorities have not taken this course of action because they would have had substantial savings and a much more efficient service. We shall always encourage local authorities to produce services most efficiently. The local authority Audit Commission has made many proposals and has shown the scope for saving money.

Mr. Hattersley: Can the Prime Minister assure us that this morning's Cabinet meeting took an unequivocal decision not to reduce public expenditure in real terms next year?

The Prime Minister: We had an excellent Cabinet meeting this morning. We issued a statement as follows:

"The Cabinet had its usual July discussion of public expenditure today. It reaffirmed the policy"—

[HON. MEMBERS: "Reading."] Indeed, for the sake of greater accuracy. I assume that the right hon. Gentleman would want that.

"It reaffirmed the policy that public expenditure should continue to take a declining share of national income, as set out in the last Public Expenditure White Paper", et cetera, et cetera.

Mr. Hattersley: Does the Prime Minister not know that exactly two hours ago journalists were briefed that this morning the Cabinet decided to maintain the public expenditure planning totals, which amounts to a cut next year in real terms? Why does she not have the guts to tell that to the House of Commons?

The Prime Minister: I am telling the right hon. Gentleman precisely what happened. Why does he not have the guts to accept it?

Mr. Michael Marshall: Is my right hon. Friend aware of the growing anxiety about reports that Her Majesty's Government have failed to reach agreement on an interdepartmental basis on the budget for space expenditure and that the proposal of the British National Space Centre for increased space activities will therefore be rejected. Does that not call into question our future commitment to the European Space Agency and to the BNSC?

The Prime Minister: I do not believe that it does. It is quite correct that we have not been able to find the considerable amount of extra expenditure that was requested. As my hon. Friend is aware, we spend through the taxpayer some £4.5 billion on research and development. We are not able to find any more resources; therefore, it would mean a switch of resources from one research or technology development to another. My colleagues felt that they could not make that switch and therefore we shall continue our subscription to the European Space Agency, but at present we are not able to find more money. I hope that the private sector, if interested in the results from such research, will come forward with considerable resources.

Q2. Mr. Meale asked the Prime Minister if she will list her official engagements for Thursday 23 July.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Meale: Will the Prime Minister [HON. MEMBERS: "Reading."]

Mr. Foulkes: For greater accuracy.

Mr. Speaker: Try to paraphrase, please.

Mr. Meale: Will the Prime Minister extend her pledge and give a categorical guarantee that she will veto any attempt to introduce VAT on bus and rail fares or on newspapers?

The Prime Minister: I answered that question in detail last week. I am not quite sure to which of the three aspects

The Prime Minister: Extensive representations were made to keep in existence a very good school, very popular with parents. What the hon. Gentleman cannot stand is that that school gives great opportunity. Parents wanted it to be kept in existence. It is a very popular decision, which will bring opportunity to many pupils. The hon. Gentleman speaks about legislation. One can lay down regulations only under existing legislation.

Q4. Mr. Tim Smith: To ask the Prime Minister if she will list her official engagements for Thursday 28 January.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Smith: Does my right hon. Friend agree that the strike proposed for next week by certain nursing unions can only hurt patients? Will she therefore condemn the action and invite the Leader of the Opposition to do the same?

The Prime Minister: Yes, Mr. Speaker, I agree with my hon. Friend. Strike action in the Health Service harms the patient and puts heavier burdens on those with higher professional standards who refuse to strike. I condemn such action. I hoped that it might have been condemned by all parts of the House. At any rate, it is condemned by those who care about the Health Service.

Q5. Mrs. Mahon: To ask the Prime Minister if she will list her official engagements for Thursday 28 January.

The Prime Minister: I refer the hon. Lady to the reply that I gave some moments ago.

Mrs. Mahon: How does the Prime Minister justify her previous remarks? Why cannot she defend the nurses who are taking action in defence of the National Health Service as vigorously as she defended the workers in Solidarity against the dictatorial rule of General Jaruzelski?

The Prime Minister: Harming patients is taking action against the National Health Service.

Dr. Goodson-Wickes: Does my right hon. Friend share my deep disquiet at the disclosure in the House of individual medical histories? Does the unethical practice adopted by right hon. and hon. Opposition Members achieve anything, save add to the distress of the parents concerned?

The Prime Minister: I am not aware of a particular case. I would have thought that the general proposition put by my hon. Friend is correct.

Mr. Steel: Will the Prime Minister recognise that following—

Mr. Dobson: It is Vatman.

Mr. Speaker: Hon. Members must not interrupt in that way.

Mr. Steel: Following her unsuccessful attempt to divide the nurses' unions will the Prime Minister recognise that the one thing she could do to restore morale in the National Health Service would be to state unequivocally that the nurses' pay award will be funded in full without cuts in the budgets of health authorities?

The Prime Minister: We had that identical question either last Question Time or the time before. Identical questions get identical answers. As Government we shall

deal with the proposals from the review body in the way in which we have dealt with them before. When we know what the proposals are we shall decide precisely how they are to be funded.

Mr. John Browne: Does my right hon. Friend accept that our nation led the world in the exploration of land, sea and air, bringing great commercial, political and cultural advantage to our country? Does she believe that our national interest is greatly served by leading in the exploration of the new domain of space? If so, will she please give due weight to Lord Shackleton's report and give a clear indication to the House precisely as to what is our national space strategy?

The Prime Minister: Money spent on research in space has be weighed against the other competing demands for research money. That is what we are doing. We are keeping, of course, the full subscription to the mandatory programme of the European Space Agency. Some of the other programmes are optional. I understand that ESA itself is reviewing some of its programmes.

Q6. Mr. Pike: To ask the Prime Minister if she will list her official engagements for Thursday 28 January.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Pike: Will the Prime Minister try to find time today to discuss with the Government Chief Whip and her ministerial colleagues, the hon. Member for Pendle (Mr. Lee) and the hon. Member for Rossendale and Darwen (Mr. Trippier) the outcome of a meeting that they attended with me earlier this month with Burnley, Pendle and Rossendale district health authority when that authority listed a contingency plan for cuts within the Health Service which it said would affect patient care and levels of service within the area if nurses' pay is underfunded next year? Does she recognise that Sir John Page, of the regional health authority, said this week that the health authority, which has now withdrawn that ploy, must now submit another? Does she accept that the cuts are already at an unacceptable level? Will she make additional funds available now?

The Prime Minister: I took the precaution of inquiring about the position of Burnley, Pendle and Rossendale health authority. According to our records, the number of in-patients is up by 7.5 per cent.—

Mr. Campbell-Savours: Oh, come on.

The Prime Minister: I am coming on. Day cases have gone up by 80 per cent., capital building completed has cost £6 million—the phase 3 development of Burnley general hospital. A pharmacy is under construction at a cost of £1.9 million. In the pipeline, it is planned to spend £5.9 million on Pendle community hospital. Waiting lists are down by 30 per cent. since 1983. Perhaps the hon. Gentleman would like to say thank you.

Q7. Mr. Roger King: To ask the Prime Minister if she will list her official engagements for Thursday 28 January.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. King: Is my right hon. Friend aware that February's edition of the authoritative motoring magazine *Car*, has tested 12 cars on a price-quality audit? Number 10 was a Mercedes-Benz, number nine was a Citroen,

HOUSE OF LORDS SELECT COMMITTEE

1

PART 6 SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

The case for space

6.1 The case for space is not only one of science and technology. It is political, cultural, economic and military as well. The Committee recommend that the United Kingdom play a visible and effective part in the exploration and exploitation of space (5.9).

National and international programmes

6.2 The United Kingdom should remain within ESA and work for more effective and less costly ESA programmes (5.19).

6.3 The United Kingdom spends too little on national space programmes, compared with expenditure through ESA. This balance must be adjusted to get better value for money. Satellite programmes with commercial potential should be moved outside the ESA framework (5.12--13).

6.4 Bilateral collaboration in space should be developed, including defence cooperation with the US and collaboration with the Canadians on RADARSAT (5.21).

United Kingdom Space Policy and a national space plan

6.5 The Government's silence over BNSC's space plan was misleading and contributed to the atmosphere of damaging uncertainty during 1987 (5.25).

6.6 The United Kingdom needs a clear policy for space which is adhered to firmly and consistently. The Government should formulate a positive space policy and make a full statement of that policy. This should be supported by a national space plan which should be published and updated regularly (5.110).

6.7 Objectives for United Kingdom space policy are set out (5.111).

BNSC

6.8 BNSC should be made stronger, preferably by becoming free-standing within Whitehall, with its own Vote. ACOST has a responsibility for advising on this issue. BNSC should answer to a Minister in the Department of Trade and Industry. Industrial partners should be brought into BNSC. The next director general might come from industry (5.29--32).

ESA's long-term plan

6.9 The United Kingdom should play a more constructive role in ESA in the future and be prepared to take part in some ESA projects about which it has reservations, in the interests of full collaboration (5.36, 5.113).

Man in space

6.10 For the foreseeable future space offers enough opportunity to telecontrolled craft for the involvement of man in space to be an expensive and hazardous diversion. It is not necessary to put a European in space independently of the Americans. The Government should argue for the modification of ESA's declared pursuit of European autonomy in space (5.44, 5.113).

Space station and Columbus

6.11 Given that the Americans are going to build a space station, Europe is right to participate. British participation should be confined to the Advanced Pressurised Module and, subject to certain qualifications, the polar platform. If the Americans, for whatever reason, see advantage in delaying their space station programme, the United Kingdom should urge them to do so (5.44--51).

6.12 Appropriate steps must be taken in the ground sector to prepare for the data generated by the polar platform or by an alternative system of interacting smaller satellites (5.52).

Hermes

6.13 The United Kingdom should play no part in Hermes (5.55).

Ariane

6.14 The Committee oppose the man-rating of Ariane 5. Nevertheless, the United Kingdom should keep a foothold in launcher development by supporting Ariane 5, even if man-rated, at the same level of funding as Ariane 4 (5.56).

Funding

6.15 United Kingdom spending on space outside ESA should not fall below half of spending through ESA. Within a decade the target for spending should be equal funding through ESA and outside ESA (5.58).

6.16 The allocation of resources to space should take account of the fact that the United Kingdom's space policy depends on political and other non-scientific reasons as well as scientific considerations. There is no fixed percentage of the national budget which ought to be spent on R & D (5.59).

6.17 If the United Kingdom aspires to remain a leading participant in space exploration, the resources devoted to space science and engineering will have to rise (5.60).

6.18 The present level of total national spending on space is wrong. It gets the worst of all worlds. While the Committee cannot give precise figures, they believe the optimum level in present circumstances to be of the order of £200 million after five years (5.61--63).

6.19 Increased private sector expenditure on space should be encouraged. This will grow provided the Government gives a lead. British industry should spend more on R & D. But it is not reasonable to suggest that, in an area where commercial returns are distant, British industry should step in where the Government itself has declined to act (5.64--65).

Economic analysis

6.20 Provided that its limitations are recognised, economic analysis of space programmes should be normal practice in BNSC and ESA (5.67).

Launchers

6.21 The United Kingdom must have access to a reliable low-cost launch system for satellites. International competition should supply this market. In the longer-term the prospects of HOTOL should be explored, as an international venture. If at the end of the proof of concept stage of HOTOL the future looks promising, the Committee favour pressing ahead, subject to certain conditions (5.69--75).

Communications

6.22 Current British policy in military communications satellites is welcomed (5.78).

6.23 The public sector should support R & D in the communications field, particularly in the ground segment (5.79).

6.24 The role of British Telecom as the United Kingdom's representative or signatory to international satellite organisations should be reconsidered in favour of BNSC (5.80).

Industry

6.25 British industry will be disadvantaged if a gap develops between the United Kingdom and other ESA countries in their commitment to space (5.83).

Science

6.26 Exciting scientific discoveries in space and from space can be expected. Care is needed to ensure that the infrastructure costs of space research do not eat into the funds for research using that infrastructure (5.89).

Remote sensing

6.27 The development of remote sensing should form a central plank of United Kingdom space policy. This requires a settled policy for development, to assist satellite procurement, education and training of manpower, and provision of ground segment facilities. Remote sensing will depend on public funding for the foreseeable future (5.92--94).

6.28 The Government should make an immediate statement of their continuing interest in Earth observation, whether by means of the polar platform or a number of smaller satellites. Decisions about future satellites should take the need for continuity and the prospects of commercialisation into account (5.51, 5.95).

6.29 Future remote sensing programmes should be defined by the public and private user communities rather than by space equipment suppliers (5.98).

6.30 The main technique for emphasis in British remote sensing effort should be radar, though not to the exclusion of other techniques where appropriate (5.99).

6.31 The Government should examine the options for an independent remote sensing satellite programme. The emphasis should be on civil satellites with resolution good enough for military purposes. The programme could involve one or more partners (5.101).

6.32 Any transfer of weather satellites to the private sector should be resisted (5.96).

Microgravity

6.33 Microgravity research in the United Kingdom should have a small increase in funding in order to establish a healthy research community alert to world developments (5.106).

AEROSPACE: Space Policy
Pt 3