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The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON SW1

Prime Minister²
Good news. After
some discussion
the funding for
ERS-2 looks
guaranteed.

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Date

30 August 1989

Dear Norman

GLOBAL CLIMATE: ERS-2

John Major wrote to David Young about ERS-2 on 12 July.

I am concerned that interested colleagues may well not feel able to provide funds to meet the balance of the cost of ERS-2. More important still, I am concerned that John's proposals mean that we shall not know whether the UK is able to participate in ERS-2 until after the Survey discussions are concluded. This may not be until after the ESA Council in October, when decisions on ERS-2 are to be taken: meanwhile we are losing the opportunity to improve the prospects for the selection of a BAe polar platform for Columbus because we cannot let our ESA partners know that we will commit ourselves to ERS-2 if the BAe platform is chosen.

At the Prime Minister's meeting on 19 April, there was a clear consensus in favour of UK participation in ERS-2. This being so, I think that we should seek to avoid a prolonged and complex negotiation in which all parties haggle over Departmental contributions, whilst the UK loses opportunities at ESA. I have therefore decided that I am prepared to find the balance of the cost of ERS-2 - i.e. the rest of the cost except for whatever is settled in relation to Kenneth Baker's helpful offer of a contribution to cover the ATSR instrument, which my officials will need to discuss further with his. This implies an increase in my space baseline for the PES years of a further £3.8m, £4.5m and £2.2m.

David Young made it clear in his minute to the Prime Minister of 1 February that he did not have headroom for expenditure on ERS-2 within the budget allocated by DTI to the British National Space Centre. He proposed to cover the increase in the DTI space budget by transferring funds from other DTI cash-limited programmes, recognising that this would require

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some re-ordering of departmental priorities, and he re-affirmed this position in his bidding letter to you of 17 May. It was thus very surprising to see that in John Major's response to David's bidding letter, dated 19 July, he expressed the view that David should find the funds for the 50% share in ERS-2 (the original offer) through a re-ordering of priorities within the space programme. I have to stress once again that this is not possible: and the additional ERS-2 bid which I am now putting forward will likewise have to be accommodated by further reductions, in my other cash-limited programmes. John proposed a number of such reductions, and we shall need to discuss these in our bilateral. *especially publicly*

As a matter of tactics, we need to establish our position on ERS-2 well before the crucial ESA Council in October. On any realistic view, the UK is going to have to participate in ERS-2, given its environment dimension. Since my bid for ERS-2 is closely related to the other components of the my bid over baseline, these components of my bid over baseline, these components need to be considered together with ERS-2. I shall therefore be pressing you for agreement to all elements of my bid for space, subject to agreement on offsetting savings on other cash-limited budgets, at our bilateral on 18 September, so that I can authorise BNSC immediately afterwards to indicate support for ERS-2 subject to a satisfactory UK outcome on the choice of platform for Columbus. The actual commitment to ERS-2 would take place at the October ESA Council itself.

I am copying this letter to the Prime Minister, to other members of E(ST), to Sir Robin Butler and to John Fairclough.

John Major
Nickolas

