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PRIME MINISTER

Space Policy
(E(A)(85)3)

Prime Minister
Notes below from
Sir Robin Nicholson
and Policy Unit.

Dub
23/1

BACKGROUND

The purpose of the meeting is to consider the medium and long-term future of the United Kingdom (UK)'s space effort. Most of that effort (£61.4 million out of £80.5 million in 1983/84) is channelled through the European Space Agency (ESA), which was founded at UK initiative in 1972. Proposals for a newly increased long-term programme will be considered at a meeting of ESA Ministers on 30-31 January.

2. There are two elements in the proposed increase. The smaller is a proposal from the Agency's Scientific Advisory Committee (on which the UK is represented by the Science and Engineering Research Council (SERC)) for an increase in the science programme, contributions to which are mandatory on a fixed basis. The proposal, which may not be accepted in full, would raise the UK's current contribution to the programme by 50 per cent in real terms at a rate of 7 per cent a year over a number of years. The second, larger element is a proposal for ESA participation in the remaining phases (B, C and D) of President Reagan's space station project. Participation in phase B, the planning phase, would cost the UK about £7 million over two years, which could be found within the Department of Trade and Industry's (DTI's) budget. Participation in subsequent phases is currently estimated to cost about £250 million over eight years from 1988/89, with some expenditure in 1987/88. These estimates may change considerably but are unlikely to be reduced. The cost could not be found within the existing space budget.

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3. You chaired a meeting of the Ministers most concerned on 11 December 1984. It concluded that the UK should enter phase B of the space station project, provided that firm criteria were established for subsequent participation by the UK. Sir Robin Nicholson was asked to explore with officials:

- i. how phases C and D could be funded within planned expenditure totals if the UK took part;
- ii. the case for, and the funding of, an increase in the science programme; and
- iii. the possibility of an inter-departmental Space Directorate based at Farnborough.

FLAG A The results of Sir Robin's discussions are in E(A)(85)3. The minute to you dated 21 January from the Secretary of State for Trade and Industry is also relevant.

MAIN ISSUES

4. The main issues are:

- i. What criteria should be adopted for UK participation in phases subsequent to phase B?
- ii. If an increase in the science programme is agreed by ESA, how should the UK share be financed?
- iii. If it is eventually decided to participate in phases C and D of the project, how should the UK share be financed?
- iv. Should a new Space Directorate be set up?

Criteria for participation in subsequent phases

5. You will want to seek the Sub-Committee's views on the proposed

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FLAG B list of criteria for UK participation in subsequent phases circulated as Annex B to Mr Tebbit's minute of 21 January. It is likely that the Chief Secretary, Treasury will want to suggest adding references to cost-effectiveness and contributions from the private sector.

Financing an increase in the science programme

6. Sir Robin Nicholson identifies three options for financing an increase in the science programme:

- i. (his preferred option) to increase the Science Vote with offsetting savings elsewhere in Government Research and Development (R & D);
- ii. to require the existing increase to be found from within the existing science programme; and
- iii. to transfer the ESA science programme to DTI and finance it jointly with the Ministry of Defence (MoD) and the private sector.

7. The Secretary of State for Education and Science would obviously prefer i. The offsetting savings required (at least £3.5-6 million a year, or at most twice that amount) would be small in relation to Government R & D expenditure as a whole (around £4 billion a year). There is some force, however, in the argument that SERC, having represented the UK in negotiations on the science programme, should fund at least some of any increase themselves. Moreover, experience shows how difficult it is to persuade other Ministers to transfer even small sums to the DES programme.

Financing of phases C and D and the Space Directorate

8. Sir Robin Nicholson proposes that phases C and D of the space station should be financed through a new Space Directorate, based on the existing department at the Royal Aircraft Establishment (RAE), Farnborough. He says that officials of the Departments concerned



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agree in broad principle. He proposes that the lead should be with DTI, given the civil nature of the space station project, but MoD and the private sector should be involved both in the project and in the Directorate more generally. The partners' shares of the Directorate's costs would depend on the use they made of it. It is not clear at the moment what changes should result in MoD's and DTI's costs on space research, either in relative or in absolute terms. These questions will require further detailed discussion as the proposal is developed, but as far as the costs of phases C and D of the space station are concerned, Sir Robin suggests that the aim should be a one-third split between MoD, DTI and the private sector.

9. You will need to establish:

- whether the Secretary of State for Defence is prepared to accept his one-third share of the funding;
- whether the proposed one-third funding by the private sector is adequate and realistic;
- whether, as the Treasury will probably propose, MoD and DTI contributions should be absorbed within existing programmes;
- whether a working party should be set up to develop the Space Directorate as proposed on the lines of paragraph 7 of E(A)(85)3.

HANDLING

10. You will wish to ask Sir Robin Nicholson to present his paper. The Secretary of State for Trade and Industry or Mr Pattie should be asked to propose the criteria for participation in subsequent phases. The Secretary of State for Education and Science will wish to comment on the funding of the science programme and the Secretary of State for Defence on the funding of phases C and D. The Chief Secretary, Treasury will have views on funding generally.

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CONCLUSIONS

11. You will want to reach conclusions on the following:
- i. whether the criteria for participation in phases subsequent to phase B should be as proposed in Annex B of the Secretary of State for Trade and Industry's minute of 21 January;
 - ii. whether the increase in the ESA science programme should be funded by savings in the Government's R & D programme as a whole as proposed in paragraphs 15 and 16 of E(A)(85)3;
 - iii. whether phases C and D of the programme should be financed by a one-third MoD/DTI/private sector split;
 - iv. whether a Working Party should be set up to develop the Space Directorate proposal on the lines of paragraph 7 of E(A)(85)3.

PLG

P L GREGSON

23 January 1985

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