

*I have no doubt whatsoever about what was intended. I should never have agreed to the D.C.S. interpretation of the Prime Minister's*

PRIME MINISTER

*A draft reflecting your understanding is attached for your signature*

I have seen your Private Secretary's letter of 4 August to mine. As requested, I am attaching a revised draft of a letter for you to send Alec Merrison. This reflects the conclusion of the meeting on 12 July as set out in your Private Secretary's letter.

I wish, however, that I shared your recollection of the conclusion of the meeting. My memory is that you reluctantly accepted that £5m should be added for BAS to whatever vote for the Science Budget might be agreed by Ministers. Moreover this corresponds with the conclusion of OD that, if you were unable to persuade Alec Merrison and Hermann Bondi to re-order their scientific priorities, then the additional money for BAS would need to be found out of contingency reserve.

*Yes - but, it was clear that no such £5m was known and we could take the D.C.S. requirement into account in the calculation.*

I am certainly clear - as my Private Secretary said in her letter of 22 July to yours - that Alec Merrison and Hermann Bondi came away from the meeting with an understanding that the £5m would be an addition to the Science Budget as indicated above. To earmark the money within the Science Budget would, I believe, run a serious risk of souring relations between the Government and the Advisory Board for the Research Councils, who would see the requirement to earmark £5m for BAS as reneging on a virtual commitment. I am sorry to put this in such stark terms but I believe that that is how the matter would be viewed.

I am copying this minute to Francis Pym, John Nott, Leon Brittan and Sir Robert Armstrong.

*KJ*

6 August 1982