

CONFIDENTIAL



file

JH
bc Robin Nicholson
(CPRS)
Nicholas Owen

10 DOWNING STREET

From the Private Secretary

21 April 1983

Dear Jonathan,

British Technology Group

The Prime Minister had a discussion with your Secretary of State this afternoon about the proposals in his minute of 28 March about the future role of the British Technology Group (BTG).

The Prime Minister said that she welcomed your Secretary of State's proposal to end BTG's monopoly, whereby it had the right of first refusal to exploit the results of Research Council research, including that done by universities. But she had a number of doubts about your Secretary of State's proposals. She believed that the BTG, as he envisaged it, would become a large bureaucracy; and that it was unnecessary to maintain a public sector body of this kind, with the power to set up companies and take shareholdings. If the aim was to provide an organisation which would turn pure research into a commercially exploitable form she doubted that any single person or institution could oversee this; and she could see no reason for creating a further institution, given the existence already of FFI and ICFC.

Your Secretary of State said that he had started from a position of similar scepticism. But he had been persuaded that, in the commercial climate in Britain at present, some such organisation was necessary. In the United States there was sufficient venture capital to permit the commercial exploitation of pure research in the private sector without the involvement of public funding. But experience had shown that sufficient venture capital was not available in the United Kingdom, and that with low industrial profits and high taxation it was unlikely to become available in the near future on an adequate scale. Without some Government involvement vital research would be exploited abroad, or would not be exploited at all. The BTG, stripped of its monopoly power, should take a much more active position than it had in the past. It would need to seek out the research work, and persuade those involved to see the commercial possibilities of their work. He did not envisage a larger BTG; if anything it would be smaller than at present. On the relationship between BTG, FFI and ICFC, all these three organisations were complementary to one another. What was needed was an organisation in England which would perform some of the functions in which the Welsh and Scottish Development Agencies had already had some success. He would like to see the remuneration of those in the BTG linked to BTG's success, and so to arrange matters that the BTG was eventually privatised.

CONFIDENTIAL

/ The Prime Minister

BTC

CONFIDENTIAL

- 2 -

The Prime Minister said that she was not impressed by these arguments. She did not believe that an analogue, on the lines suggested, to the Welsh and Scottish Development Agencies was necessary in England. She would wish to be much clearer about the terms of reference of the BTG, about how it would ultimately be privatised, the relationship with FFI and ICFC, and how the Government would set about choosing people with the qualifications and ability necessary to carry out the task your Secretary of State envisaged for BTG. She added that, if there was a role for a BTG, she envisaged it being carried out by a handful of people, and not by a large bureaucracy. The Prime Minister handed your Secretary of State a list of points about which it had been suggested to her further clarity was required. I attach a copy of this for your convenience.

Your Secretary of State said that he wished to consider the matter further, and expected to put a further note to the Prime Minister on the issues which had been raised.

I am sending a copy of this letter to Sir Robert Armstrong.

Yours sincerely,

Michael Scholar

Jonathan Spencer, Esq.,
Department of Industry.

CONFIDENTIAL