

CONFIDENTIAL

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

E(80) 41st Meeting

55

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held at
10 Downing Street on
WEDNESDAY 26 NOVEMBER 1980 at 5.30 pm

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the
Home Department

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon Michael Heseltine MP
Secretary of State for the
Environment
(Item 2)

The Rt Hon David Howell MP
Secretary of State for Energy

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Francis Pym MP
Secretary of State for Defence
(Item 1)

The Rt Hon Sir Ian Gilmour MP
Lord Privy Seal

The Rt Hon Mark Carlisle QC MP
Secretary of State for
Education and Science
(Item 1)

Mr Michael Marshall MP
Parliamentary Under-Secretary
of State, Department of Industry
(Item 1)

Mr J R Ibbs
Central Policy Review Staff

SECRETARIAT

Sir Robert Armstrong
Mr P Le Cheminant
Mr G D Miles, Item 2
Mr R G Courtney, Item 1

CONFIDENTIAL

43

45

46

MEMOS.
1

3

5

7

9

CONFIDENTIAL

CONTENTS

Item No	Subject	Page No
1	UNITED KINGDOM SPACE POLICY	1
2	OIL PRICES AND SUPPLY	4

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

1. UNITED KINGDOM SPACE POLICY

The Committee considered a note by the Central Policy Review Staff (CPRS) (E(80) 129) covering a report on United Kingdom space policy, and a note by the Secretary of State for Industry (E(80) 135) commenting on the CPRS report.

MR IBBS said that the CPRS report concentrated on satellites for communications purposes because this was the aspect of space technology that offered the greatest commercial opportunities in the near future. The technology was changing rapidly; new markets were opening and key public purchasing decisions had to be taken shortly. There was a large potential market for United Kingdom suppliers of equipment and services involving satellite technology. The hardware component was a small proportion of the total, but unless British industry was able to supply hardware, services would increasingly be operated by overseas companies. The British approach was, however, fragmented. Other countries - notably France and Japan - were benefiting from their more coherent policies. Government needed to provide a focus for space policy in the United Kingdom and to employ its purchasing decisions and regulatory powers to promote British interests in space technology. The new Official Group on Space Policy under the Parliamentary Secretary, Department of Industry (Mr Marshall) could provide a suitable focus, and the CPRS had suggested terms of reference for this Group. The regulatory framework hinged upon obtaining control of the necessary radio frequencies in international negotiations, while safeguarding public broadcasting services. This required urgent but very careful consideration. It was desirable to confirm the United Kingdom commitment to the L-SAT satellite proposed by the European Space Agency (ESA). The Ministry of Defence was considering its future satellite requirements, and it was important to gain the maximum civil benefit from their programme. Finally, any public statement of Government policy on space needed to be carefully drafted in order to encourage industry to take the opportunities available to it, while not alienating European Community partners or generating opposition from existing telecommunications interests.

THE SECRETARY OF STATE FOR INDUSTRY said that the CPRS were to be congratulated on their rapid study of a complex subject. He endorsed their view of the large potential commercial opportunities opened up by space technology. The City was showing great interest in space; private sector finance was available if

CONFIDENTIAL

43

45

46

MEMOS.

1

3

5

7

9

CONFIDENTIAL

the regulatory framework could be suitably modified. It was not necessary to match the public expenditure of other countries; a small increase in expenditure should be sufficient if spent in the right way. There was much relevant expenditure in both public and private sectors in the United Kingdom. Mr Marshall's Group should co-ordinate (rather than supervise) Departmental programmes, and a specific space budget, as proposed in paragraph 163 of the CPRS report, was not necessary.

In discussion the following points were made -

a. There was general agreement that the proposed Group should co-ordinate rather than supervise Departmental programmes. The Group should make proposals on specific matters to the Ministerial Committee on Economic Strategy (E), the Defence and Overseas Policy Committee (OD) or the Home Affairs Committee (H) as appropriate.

b. Imminent developments in direct broadcasting by satellite would have a profound impact on existing broadcasting services with consequent political and social implications. Decisions on the regulation of satellite transmissions would have to take into account the report of the Home Office's study on direct broadcasting, expected in January 1981.

THE PRIME MINISTER, summing up the discussion, said that the Committee endorsed the view of the CPRS that a co-ordinated space policy was required and agreed that the regulatory framework of satellite transmissions should as far as possible encourage private sector investment in satellite-based services, while taking account of the implications for broadcasting. The Committee endorsed the remit proposed for the Official Group on Space Policy in paragraph 7 of the CPRS note subject to three amendments: in (i) the Group should "put forward proposals for the development of policies" to advance United Kingdom interests in space; in (iii) it should "co-ordinate" the implementation by Departments of policies agreed by Ministers; and in (iv) it should report to E, OD or H on specific issues as appropriate. Any extra expenditure would have to be found in agreed Departmental budgets or bid for in the normal way. There should be no

CONFIDENTIAL

CONFIDENTIAL

special contingency fund for space. The use of public purchasing to promote United Kingdom commercial interests in space clearly fell within the Government's general public purchasing policy. Detailed consideration of the next stages in the development of space policy should be left to Mr Marshall's Group in the first instance.

The Committee -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Official Group on Space Policy to consider the detailed development of space policy within its modified remit.
3. Agreed that public expenditure on space should be met from agreed Departmental budgets or included in additional bids in the normal way.
4. Agreed that public purchasing should be used to promote United Kingdom space interests, in line with general Government policy.

CONFIDENTIAL

43

45

46

MEMOS.
1

3

5

7

9

CONFIDENTIAL

CONFIDENTIAL

2. OIL PRICES AND SUPPLY

The Committee considered a Memorandum by the Secretary of State for Energy (E(80) 137) on oil prices and supply.

THE SECRETARY OF STATE FOR ENERGY said that the war between Iran and Iraq had reduced world oil production. Although the effect on oil supply was fairly small, there were worrying signs that there might be a consequential and perhaps substantial rise in OPEC oil prices fairly soon. Measures to counter this would need to be considered internationally. The issues would be discussed at the Governing Board of the International Energy Agency (IEA) which was meeting at Ministerial level on 9 December. Prior to this meeting there would be related international discussions at the EC Energy Council on 27 November and possibly at the European Council on 1 December. The attitude of the Americans was crucial and, because of the change in administration, was very difficult to predict. Nevertheless there were indications that the Americans might wish to press for international agreement on limitations on oil purchases by way of import ceilings; and some possibility that they might offer in exchange to deregulate American domestic oil prices. His view was that the United Kingdom should adopt a low profile at the international meetings; that it should not seek to lead opinion; but that it should be ready to support international action where this was unanimously supported by our partners, provided that effective monitoring arrangements were established. The aim should be to edge the consensus towards a package involving reductions in stocks, modest demand restraint, and arrangements which gave the United Kingdom a reasonable advantage in its capacity as an oil producer.

In discussion the following main points were made -

- a. Although the United Kingdom was an oil producer, the national interest was strongly in favour of moderation in oil pricing. Higher prices would worsen the recession in world trade with consequences which far outweighed the benefits to the United Kingdom from the oil price rise itself.

CONFIDENTIAL

43

45

46

MEMOS.
1

3

5

7

9

CONFIDENTIAL

b. The loss of production from Iran and Iraq and the efforts of Saudi Arabia to increase production had led to United States oil companies obtaining a disproportionate share of the available supplies. Action to ease shortages of supply to particular countries or companies was critically dependent on the willingness of these United States companies to make oil available or on the ability of the United States Administration to force them to do so.

THE PRIME MINISTER, summing up the discussion, said that the Committee approved the negotiating stance recommended by the Secretary of State for Energy. Although import ceilings had disadvantages, the United Kingdom should be prepared to go along with a consensus in their favour, provided that the United States Administration was prepared either to work for an early deregulation of American domestic oil prices, or to take effective action to release oil available to United States Companies for use by others. The Committee also endorsed the importance of adequate monitoring measures, to ensure that any agreed steps were complied with by all the countries concerned.

The Committee -

Endorsed the negotiating stance proposed by the Secretary of State for Energy in E(80) 157, subject to the qualifications noted in the Prime Minister's summing up of their discussion.

Cabinet Office

28 November 1980

CONFIDENTIAL

43

45

46

MEMOS

1

3

5

7

9