

October 1996

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## **Submission To The House of Commons Select Committee Inquiry into the Prior Options Reviews**

The following submission has been endorsed by the Council of the Royal Society. There are four key points:

- the Government has not provided evidence for the assumptions underpinning the Prior Options process as currently being applied to PSREs;
- those assumptions need to be set in the context of national strategy for research, both within the Science Base and at Departmental level;
- care is needed to ensure that Prior Options does not damage the highly successful collaboration that has built up between Universities and Research Council Institutes; and
- repeated reviews questioning the continued existence of PSREs, over and above the normal reviews undertaken periodically by Research Councils or Departmental owners of PSREs, adversely affect efficiency and productivity.

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### **Full text of submission**

1. The Council of the Royal Society has taken an active interest in the programme of Prior Options reviews of Public Sector Research Establishments (PSREs), following an equal interest in the preceding Scrutiny exercise. We have expressed concern on a number of occasions, both about proposals affecting Research Council institutes and about other PSREs. Our overriding concern is that the programme is being driven by a generic belief in the merits of privatisation, without adequate regard to the strategic role of publicly funded research in promoting the national good. If the latter is ignored, the various models of privatisation being explored under Prior Options could lead to a serious erosion of the UK research base.

2. The issue must be tackled strategically: it cannot be treated as a purely administrative matter. It is simply not possible to modify management or ownership of PSREs without directly affecting their missions. PSREs have already adapted their missions to the strategic objectives of the White Paper *Realising our potential*. The case has not been demonstrated that all PSREs need to make further adaptations to their missions.

3. The Government has made claims for the benefits that will arise from some form of privatisation of PSREs. But it is not self-evident that the benefits to the Research Councils, or to their institutes, outweigh the costs. For example:

- It is said that loss of their institutes would remove from the Research Councils a large fixed expenditure, and thus give them greater flexibility to meet changing scientific demands and freedom to determine their priorities year by year; but that flexibility and freedom would evaporate if, as part of a privatisation package, the Research Councils were required to guarantee the new owner (or manager) a minimum level of business irrespective of the scientific strategy currently being pursued. Such a guarantee would be specially onerous if, set in cash terms, it became a growing portion of a decreasing Science Budget.
- Loss of the institutes would remove a major legal liability, but at an estimated cost of £130M just for the BBSRC institutes currently under review, and several times that sum for all the PSREs.
- Privatisation would, indeed, give the individual institutes greater freedom to direct their affairs; but only if they could secure the necessary volume and quality of business from a market that may be less able to understand their aims and potential than their parent Councils.

The Government needs to bring forward evidence to substantiate its claims.

4. Nor is it obvious how privatisation would benefit the Government in procuring the scientific input necessary for its legislative or regulatory roles. The defining characteristic of a private body, free to direct its own affairs, is that it can orient its mission in whatever direction it likes. It can also go bankrupt (the ultimate form of mission drift). Far from privatisation allowing a Government Department or Research Council to 'procure' its research from wherever the best package is to be found (ie increased competition among 'suppliers' leading to better value for money), it could mean that, as a result of mission drift beyond the control of the erstwhile owner, there was no suitable 'supplier' left. The Government must explain how, in these circumstances, it would get the work done.

5. Regulatory initiatives can arise not only from policy considerations but also from scientific and technological developments. A vital aspect of PSREs is that they have freedom to devote some resources to self-initiated research broadly relevant to their missions, without having first to justify each project to an investor or customer. This freedom is a key source of innovation. It must not be eroded.

6. Research Council Institutes and Universities have established many fruitful ways of collaborating in recent years. By defining Universities as private bodies eligible to bid for ownership and/or management of PSREs, the Prior Options programme runs the risk of dissipating the mutual trust on which this collaboration is based. Conversely, if PSREs are privatised by a non-university route and become preoccupied with meeting a series of commercial objectives, they will be perceived by universities as less natural partners for collaboration in basic research. Either scenario is likely to weaken one of the strengths of the UK Science Base of recent years.

7. A strategic approach to the management and ownership of PSREs would include an assessment of the limits of privatisation. In our 5 March 1996 statement, we identified four broad instances where a research function or mission should be conducted in, or at least funded by, the public sector:

- basic research, including research that may have long-term potential for wealth creation;

- strategic research potentially relevant to a sector of the economy but without, as yet, identified customers;
- research needed to underpin the statutory, policy and regulatory functions of government;
- research needed to underpin other functions of government, such as defence, environment and health.

8. Finally, we draw attention to the damage, in terms of productivity and morale, that PSREs suffer from the repeated examinations of recent years. Good management requires that all PSREs should be subject to periodic, external reviews of the type carried out by Research Council visiting groups; but a degree of stability between such reviews is essential if they are to perform to their best ability. It is vital that these matters are properly understood and debated. We are therefore grateful for the Select Committee's continuing interest, and would be pleased to contribute in any way we can.