

RJP to see + return please.

Can

To: Mr. C.H. Stewart Lockhart

Response to Mr. Ricard's letter of 12th March, 1980.

The key to your query about cost allocations is the allocation of the "Applied" work which represents 17.8% of budget.

Although such work is necessarily undertaken in close association with one or more operating companies - and in some cases is of immediate help to those companies - the work is of a general nature and is deemed to be for the mutual benefit of the participants in the Central Research expenditure. The knowledge gained from such work will, in due course, be communicated to "Participants". Examples would be evaluation of the Hauni steam tunnel undertaken in Belgium and the work with Switzerland on the formation of nitric oxides; in neither case would the participant company be charged with the work.

Any work that is, however, of only "local" value is charged directly to the companies concerned and the expenditure is then classified under "Sponsored" work.

Thus, for 1980 we estimate that 79.8% of the budget should be charged to "Participants" through the "Agreements".

The 40% referred to in the introduction - which is, of course, the sum of the Applied, Millbank and Sponsored work - was really mentioned to distinguish the longer term innovative R&D from the rest of the activities which have a shorter term aim - albeit some of which is still to be charged to Central Research, as explained above.

L.C.F. BLACKMAN.

20TH MARCH, 1980.

c.c. (n.o.o.) A.L. Heard, Esq.  
K.E. Norman, Esq.

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