

CO-ORDINATION OF RESEARCH

1. Since there are now several who are concerned but who are not familiar with the background, it is desirable to summarise the basis on which Millbank should act with respect to R. & D. done in the operating Companies.
2. The Hot Springs Agreement in 1976 ended cost sharing of R. & D. and took away, therefore, any basis on which group R. & D. (and activities which are seen to be closely related) could be co-ordinated from Millbank in anything but the loosest way.
3. If any work in an operating Company is seen to be done directly for or under instructions from Millbank the local tax people could quite understandably interpret it as for Millbank account.
4. It was for this reason for example that UK R. & D. was not manifestly involved in the activities of the "Leaf Steering Committee". Such activities were to be seen as work done by local Companies for their own purposes shared with Millbank only on a general quid pro-quo basis.
5. Similarly, although as an immediate consequence of Hot Springs we set up a system of direct monitoring (or auditing) by the main overseas R. & D. Managers, of the relevant R. & D. programme at Southampton, access in the reverse direction to the R. & D. product of the operating Companies was (and is) on an arms-length arrangement either again on a quid-pro-quo basis or as potential licensee. It should be noted that the Millbank-paid work at Southampton is available for quid-pro-quo.
6. In general then, care must be taken that as far as research and related activities are concerned, Millbank is not seen to assume a directing or overseeing co-ordination role but rather a supporting or sustaining role in the exchange of information, exchange of methodology and any agreed pooling of results subject to the operating Companies rights to patent protection etc.
7. In addition to the tax dangers, or perhaps because of them, it is also inevitable that any attempt to "integrate" Company research with the central (levy) programme will result in the operating Companies seeking credit for their own work in calculating their contribution to central R. & D. costs and this would lead us back towards a general cost sharing situation when the bigger Companies would pay much less than smaller ones as in 1975.

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