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MO 20/17/6

PRIME MINISTER1982 CIVIL SERVICE PAY NEGOTIATIONS

I received on 28th July my copy of the Lord President's minute to you of 23rd July.

2. I am quite unable to accept Christopher Soames' proposals. We have only just explained in Command 8288 the thrust of our defence policy based on a commitment to implement in full the NATO aim of a 3% annual growth in defence expenditure in real terms in the next two years, and our firm decision to plan to implement the aim in full for a further two years up to 1985/86. The reductions I have been planning in staff numbers to reduce to 200,000 UK based civilians by 1st April 1984, and those stemming from the defence programme changes announced in Command 8288, are an integral part of my strategy of cutting the support areas in order to release resources for front line forces. It is only on that basis that I have been able to convince Parliament and the Party of the need for change, particularly the closure of Chatham Dockyard and the running down of Portsmouth Dockyard. If the money so released is not made available, we should have to announce a reduced commitment for 1982/83, cut the defence programme accordingly and explain to NATO and the public that the purpose was to keep cash in reserve in order to pay Civil Servants more. We would have gone through all the agony for nothing.

3. I am sending copies of this minute to the Lord President; and to the Chancellor of the Exchequer and the Secretary of State for Employment; and to Sir Robert Armstrong.

31st July 1981  
Ministry of Defence