



MINISTRY OF DEFENCE
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MO 9

17th March 1981

PERSONAL

Dear Clin,

DEFENCE POLICY AND PROGRAMME

3.00

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In his minute to the Prime Minister of 11th March about defence expenditure 1981/82, which is to be discussed at the Prime Minister's meeting at 8.30 am tomorrow, Wednesday 18th March, my Secretary of State said - his seventh paragraph - that he had work in hand in order to frame later recommendations to OD for future defence policy. In this connection he would like the Prime Minister to see the enclosed copy of an internal minute he is circulating within the Department setting out his guidance for the work to be done.

My Secretary of State is also showing his minute, on a strictly personal basis, to Mr Whitelaw, Lord Carrington, Sir Geoffrey Howe and Sir Keith Joseph but not to anyone else outside the Ministry of Defence; he is giving it a very tight circulation within the Department.

Yours ever,
Brian

(B M NORBURY)

Prime Minister.

This is really background for tomorrow's meeting (which is about the immediate problem of defence expenditure in 1981/82) and there should be no need to discuss it then. Mr Nott's minute will be highly controversial in defence circles, both within and without the MOD. His alternative programme (which is long overdue) will hit the Navy particularly hard. He expects the First Sea Lord to resign: he hopes he can hold the CDS but is not sure he will succeed. Even if there are no resignations, the exercise is bound to leak quickly, I am afraid. It will be characterized as a full-scale defence review (which it is) and will be brought to the attention of the Conservative Defence Committee. But all that is g

← unavoidable if a realistic defence programme is going to be put together

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DEFENCE POLICY AND PROGRAMME

I am most grateful for the several briefings which I have received in the past few weeks, for your patience in answering my many individual enquiries and for the realism and forward thinking contained in the many internal papers which I have been given to read. We have now reached the stage where we must move forward to decisions and translate a wide range of ideas into a costed programme.

2. Quite rightly I have been asked both directly and indirectly on several occasions to give clear political direction so that there is a frame within which military judgement and costing and operational expertize can best be deployed. In the days following my trip to Washington last week I have been able to give further thought to this overriding problem. The purpose of this minute is to give guidance and also to outline the proposals which I would like costed.

3. Our national economic dilemma means that many of these ideas may seem radical but taken as a whole they are designed to be a

source of future strength to defence. We are all agreed that we cannot go on as we are. Our Armed Forces do a truly remarkable job: nothing that follows qualifies in any way my very real admiration for what I have seen on my visits to units of all three Services. Indeed the morale, bearing and readiness of our forces has exceeded my highest expectations. It is no reflection on them, or on the leadership they have received that the defence programme is currently in a mess. In my view this situation results from the creeping impact of successive cuts. Under such conditions of financial seige when funds for new investment have been so tight and when lead times have been so long, it is understandable that our capital stock should have got out of step with the changing nature of the threat (Soviet doctrine, tactics, technology and equipment); with changes in our own thinking; and with the changes that have arisen in the relative costs of different parts of the defence programme.

4. Our capital stock is unbalanced, with too many resources tied up for tasks which no longer have a matching priority (and related inconsistencies in assumptions about warning time and duration of hostilities between different theatres of operations); too many resources are locked into expensive capital units and not enough in individual weapons which they may carry or fire; too little is invested in stocks of war material necessary for staying power; and, in relative terms, inexpensive second and third line reserves of manpower and equipment have been given too low a priority in our forward planning.

5. The programme that was costed in LTC 81, even at a "baseline level" is for all these reasons untenable. It must be reshaped, and I should now like the Service Departments and the Procurement Executive to undertake an immediate re-costing of the main lines of an alternative basic programme. The total costs of this programme must of course be contained within wholly realistic assumptions about resource availability, which will also allow for sufficient elbow room to cope with the unforeseen.

6. With these factors in mind I should like the following guidelines to be used for costings purposes.

The Strategic Nuclear Force

7. The Trident force has overriding priority. Every effort must be made to contain it within the figure of about £5 billion over the next 15 years and the size and structure of the force must be constrained by the financial rewards and penalties of each option.

Our Effort on Mainland Europe

8. We must continue to meet our obligations under the Brussels Treaty but with quiet diplomacy at the military level, there is some room for manoeuvre. The Army must reduce in size to a complement which will just permit the Brussels Treaty strengths to be fulfilled.

9. Current strengths on the Continent will have to be reduced where necessary, and planning should be on the basis of three Divisions in peacetime in BAOR, with a fourth Division composed predominately of TA units based in this country, to be moved to BAOR upon reinforcement. The withdrawal of formations and units from BAOR to the UK in peacetime is not ruled out; neither is the disbandment of individual units (with their possible replacement by reservists). A reduction in the scale of purchase of MCV 80 should be studied. I am not persuaded that the planned balance of anti-armour weapons is the right one: I would like to see studied options for a reduction in the size of the future tank force with more anti-tank guided weapons combined with anti-tank helicopters.

10. For the RAF the costing should assume we have no Tornados permanently based in Germany; and that our effort there is concentrated on short range close support. The cost of 60 AV8(B)

aircraft should be included, to meet ASR 409 (the timescales and savings involved in an alternative assumption of the purchase of 60 Harrier GR 3 should be costed). No provision is to be made for aircraft to be acquired to meet AST 403. High priority is to be given to acquiring better air delivered anti-armour weapons. Plans should be assumed for acquiring, by an off-the-shelf purchase, conventional cruise missiles (either air or ground delivered) for the long range strike role, possibly based in the UK.

Maritime Forces

11. Our maritime effort in the Eastern Atlantic and Channel areas should concentrate on the deployment and protection of ballistic missile submarines with free access to their bases, the security of our continental reinforcement ports, and, in conjunction with United States Navy, the disruption of Soviet maritime activity with the aim of containing it north of the Greenland-Iceland-UK gap. This will have to be at the expense of UK effort in the direct protection of reinforcement shipping on the assumption that United States reinforcement will mainly flow out of the Gulf of Mexico and move across the south Atlantic along the line of the Azores and on to Europe.

12. The costings should be based on an imaginative and positive look at our naval role outside the Eastern Atlantic and Channel in peacetime including, for example, limited deployment of the new Invincible class ships, in a wider role alongside the United States Navy.

13. In terms of naval equipment, the SSN building programme should proceed at no faster pace than is necessary to maintain ship building capacity for Trident (I would be content to see variations in the long term force level studied). The new class



of patrol submarines should go ahead as planned. Sting Ray should go ahead and we must cost the UK/US options for a new heavy weight torpedo.

14. There should be a sharp change of direction in our surface ship plans reflecting the switch away from direct defence and the protected convoy. No more Type 42s should be built and the Type 44 programme abandoned. Funds should not be included for the Sea Dart improvement programme, or only at the very minimum level which enables us to get some value from our existing investment in Type 42s. The Type 22 programme should be terminated as soon as possible and replaced by the very much smaller Type 23 frigate. We should investigate using corvette type vessels as towed array ships. I should like shortliffing for the destroyer/frigate force examined, and do not rule out a reduction in the long term force level.

15. No advanced Sea King Replacement is to be acquired and there is to be no additional Sea Harrier buy.

16. In the briefing CDS and I had last week at Norfolk, Virginia I was impressed by the contribution of Nimrod/Orion aircraft in the anti-submarine role. The existing Nimrod force is to be maintained and if possible strengthened by bringing airframes out of reserve and their transfer from other roles. In the maritime strike role, it seems probable that Sea Eagle should be procured for use from Tornado GR1.

Defence of the UK Base

17. The air defence of the UK needs strengthening and we should negotiate the purchase of more Tornado F2 at the expense of reducing numbers of GR1 aircraft. I am convinced that we can change production schedules by negotiation. The two Phantom air defence squadrons in Germany should be regarded as forming part

of the defence of the UK base; we should also investigate the possibility of buying some additional second-hand Phantoms. Missile defence should be provided by Rapier and existing Bloodhound with planning for an area SAM abandoned.

18. Plans should proceed for cheaper MCMVs, and an enhanced minesweeping capability.

Specialist Reinforcement Forces and Out of Area Effort

19. Three RM Commandoes are to be retained. No provision is to be made for specialist amphibious shipping. The additional measures to support out of area activity agreed by OD last year are to be included in forward planning: no other additional provision is to be made.

Reserves

20. I would like all three Services to give greater priority in their costing to Reserve forces. Numbers should increase. Money should be included for increases in all essential war stocks. Plans should include the most imaginative use possible of civil assets including taking up vessels from trade, civil aircraft, and civilian-owned vehicles and making arrangements to fit weapons to them. Financial provision should be considered for the purchase of surplus civil aircraft at very low cost (as with the VC10s) for adaption for air flight refuelling etc, and for modifications to new British civil aircraft orders enabling their subsequent conversion for military tasks.

Overheads

21. The changes in emphasis in the front line programme should produce consequential changes in all forms of administrative and logistic support. These savings should be identified as far as possible and costed. In addition plans should be based on phased reductions of officer numbers by 10% for each of the

Services over the next three years. The reductions are to fall on staff jobs and headquarters numbers in particular. The administration of the Army must be smaller and more streamlined (most of the peacetime functions of HQ BAOR should in future be performed by HQ 1st British Corps). The Papers before the Defence Council this afternoon confirm that we must turn every effort to reducing civilian numbers to 200,000 by 1st April 1984; this reduction should itself produce major economies in administration as well as in our manpower bill.

22. Provision for training and medical organisations is to be pruned. Staff/student ratios are to be sharply increased within the next two years. One tier of officer training (Staff College/National Defence College/RCDS) should be closed. Service hospitals are to be re-organised to eliminate most if not all of the surplus capacity: if necessary the medical services are to be merged. A real streamlining of all non-combatant arms is needed.

23. Major cut-backs must be achieved in Research and Development carried out in-house, going well beyond those in the report produced by Lord Strathcona. Several establishments and facilities must be identified for closure or sale.

Resources

24. You will also wish me to lay down guidelines for resources. The Government is committed to the 3% NATO guideline until 1985/86, and I shall staunchly uphold this central NATO benchmark. Our present financial mess shows, however, what happens if we commit ourselves a long way ahead to a programme right up against the most optimistic assumptions about resources, and which leaves little or no room for cost growth or for short term changes to adjust to the unforeseen. Before my departure to Washington I asked for some figuring to be worked out, and this is shown at Annex.

25. I have also set out at Annex the approximate division of this core budget into the management areas of the Department. This reflects the guidance set out earlier: it assumes that Trident provision will be accommodated within the Navy and PE shares reflecting the importance of treating the programme as part of the cost of our contribution rather than something special or additional to "Service" programmes. PUS should turn this division into year by year target figures.

26. It is essential that new programmes are constructed to fit within these ceilings. It can be done. When we have the results we can all sit down together and go through it with open minds.

The Next Steps

27. This minute should be sufficient guidance for you to re-shape your individual programmes, and for your staffs to cost them. PUS should arrange, in consultation with the Chiefs of Staff, for the re-costing to be carried out, and for any detailed instructions to be issued if these are needed to ensure consistency. The results should be submitted by PUS to me by 24th April, so that I can study them before I return to the office. I will consider them with a very small group on which I should be grateful if CDS should represent the Service view. But I shall be happy to receive any views the Ministers, Chiefs of Staff or others wish to put forward.

28. PUS should also co-ordinate an action plan setting out the major individual decisions required in order to implement the re-shaped programmes, with timescales for their implementation.

29. The Minister of State and the three Service Ministers should jointly scrutinize the manpower and overhead reductions. The costings will necessarily have to include some broad brush assumptions but I should like the details to be filled out in time for announcement by mid June, otherwise we are going to be in conflict with the debates on the White Paper, which I shall try to defer.
30. CDP should look with CSA at the implications for R&D of these changes in direction on the assumption that there is to be a further sizeable cut in our in-house effort.
31. I will be talking to you all over the next few weeks on my return from the Gulf about how the work is progressing, and I hope to be able to meet many of the staffs who will be working on this exercise. Many people will have to be consulted in the Department about individual items to be costed but I want the exercise itself and knowledge of it to be confined to as few people as possible on your staffs. All those involved must be on their guard against the dangers of generating unnecessary rumour, and of leaks. Any such slanted presentation of the costing exercise will cause quite unnecessary damage to the morale of the Services which should otherwise be sustained by the Government's implementation of the Recommendations of the Pay Review Body.
32. Finally I emphasize that this note is intended to give political guidance not least because it has been consistently sought. From hereon it is necessary to move forward speedily to conclusions but it is my intention to encourage, and not stifle, frank and candid internal discussion over the next two months about the difficult choices which face us. Having said

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this I am confident that if everyone pulls together we can enhance our front-line capability in future years by a greater concentration of our limited resources on key areas of our collective defence.

16th March 1981

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ANNEX RESOURCE ASSUMPTIONS

A. DEFENCE BUDGET

£M AT 1981 SURVEY PRICES

	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>	<u>1986/87</u>	<u>1987/88</u>	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>
	11,889	12,247	12,615	12,993	13,123	13,254	13,387	13,521	13,656

B. ALLOCATION BY TARGET HEADING

	<u>1971/72- 1975/76</u>	<u>1976/77- 1990/91</u>	<u>1985/86</u>	<u>1990/91</u>	<u>(Post Trident)</u>
Navy *	26%	27%	28%	27%	26%
Army	53%	34%	33%	33%	33%
Air Force	30%	29%	30%	31%	33%
PE *	8%	7%	7%	7%	6%
Misc	3%	3%	2%	2%	2%

* including Trident