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PRIME MINISTERTHE DEFENCE PROGRAMME

/ I enclose a note reporting on my examination of the defence programme. This could form the basis of discussion on Monday evening.

2. You will wish to know how the Chiefs of Staff see matters. Briefly, they are at one in strongly deploring any reductions in our contribution and funding, at a time when Soviet military effort continues to grow unchecked. If changes on the scale I postulate nevertheless are to be made, the Chief of the General Staff and the Chief of the Air Staff endorse the broad balance of the proposals; the Chief of the Naval Staff does not. The Chief of the Defence Staff would endorse it if our Brussels Treaty commitment to Europe is judged crucial to Alliance cohesion, but he is uneasy about such a judgement at a time of growing Soviet adventurism worldwide; he would prefer to reach conclusions only after thorough dialogue with our Allies.

3. I am copying this minute and enclosures to the Home Secretary, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Industry; and to Sir Robert Armstrong.

JN .

Ministry of Defence
14th May 1981

THE DEFENCE PROGRAMME

Technological Advance

1. The defence programme needs to be revised, for two reasons. Firstly, the rapid advance of military technology, exploited by massive Soviet spending, calls for change in our own investment and operational priorities. Secondly, the latest Long-Term Costing (LTC 81) has confirmed that even if the current defence programme were ideal in relation to the growing threat, it is overfull by any reasonable standard of what Britain can afford and sustain. The force structure is too large to equip and support well enough within the means likely to be available.

Don't dilute quality

2. Even if the problem were solely economic, general dilution of quality or general cutback on numbers would not be a tolerable way out. Nor can it be solved simply by cutting out "waste"; in an annual budget of twelve billions there is always scope for better value for money, but it is not possible to squeeze out anywhere near enough by this route alone.

3. These two sets of reasons compel a radical look at our programme and priorities.

Basic Approach

4. Work was commissioned on the basis, for study, of a deliberately severe reduction in resource assumptions. Shaping a long-term defence programme raises an acute problem of uncertainty, since very large elements have to be committed ten years or more in advance - much further ahead than the precise defence budget can be forecast. But it makes no sense to pitch our planned force structure at the limits of what could be supported on the most

optimistic projection. A basic structure needs to be set at a level which could - indeed must - be sustained through the inevitable shifts as budget allocations move from projection to specific decision in cash terms. The basic structure must of course be accompanied by proper provision for logistic support, training, mobility and the like, since without these the forces will not have the readiness, the staying power and the standards of operational performance needed. These cannot safely be neglected, as the measures which had to be taken last year as a result of cash problems readily demonstrate - ships kept in harbour, aircraft grounded and so on.

5. The resource assumption set for study was a projection based on holding the share of GDP spent on defence through the 1980s at the present level (about 5.25%), on cautious projections of GDP growth and of defence inflation relative to general inflation (the "relative price effect"). The run of figures this produces is set out in Column 1 of the table below, alongside the run (Column 2) which results from the March PEWP figures projected at NATO's 3% until 1985/86* and 1% thereafter. For completeness, Column 3 shows what the current programme, unchanged, is estimated to cost; and Column 4 shows the incidence of Trident costs as estimated in LTC 81 (we already know that these are out of date in detail, but cannot yet give firmer figures.)

1	2	3	4
<u>Constant GDP Share</u>	<u>Cmnd 8175 + NATO 3% until 1985/86 then 1%*</u>	<u>"Unchanged" defence programme (with Trident I not II)</u>	<u>Trident I</u>
(<u>£M at September 1980 prices</u>)			
1982/83	11495	11889	12235
1983/84	11605	12247	12604
1984/85	11725	12615	13122
1985/86	11845	12993	13457
1986/87	11965	13123	13758
1987/88	12085	13254	13785
1988/89	12205	13387	13823
1989/90	12325	13521	13757
1990/91	12450	13656	13741
Nine-year total	107,700	116,685	120,282
			4,114

* This takes no account of the newly agreed NATO "roll forward" of the 3% aim to 1987/88

6. The nuclear role is cardinal; Trident must go on. It looks probable that there will have to be a switch to the Trident II system (which would incidentally be likely to slow down expenditure in the next few years although involving greater expenditure of roughly £1 billion overall). This is being explored non-committally with the Pentagon, and there will be a further report in the next two months.

7. The aim must be to avoid cutting direct defence of the UK base, if anything more ought to be done. It seems, however, that the defensive mining capability will have to be abandoned. Some more Hawk trainers should be armed as supplementary fighters. There would be attractions in bringing Phantom interceptors home from Germany, but this is not straightforward. The size and role of the reserve forces, especially the Territorial Army should be expanded.

8. It would make a lot of sense in purely UK military terms to have a slimmer BAOR of perhaps 45,000, structured around two strong armoured divisions as a manoeuvre reserve for the Northern sector of the Central Region, with someone else taking over the forward frontage for which the United Kingdom is responsible; but the military and political difficulties in the Alliance would be formidable. If these difficulties mean sticking to the current role and the Treaty figure, it would be necessary to keep very tightly to an establishment of 55,000, and also for draw on BAOR more readily than hitherto (Northern Ireland aside) for contingencies elsewhere.

9. On either option, if the Army is to be reasonably equipped its total manpower must be cut and from five to ten major units disbanded. (An enlarged TA would make this slightly easier.)

10. Even then there would still be a great deal of money needing to be saved elsewhere; and the prime remaining candidate would inescapably be the general maritime effort. Indeed the proposals in column 1 of this paper involve a reduction of up to 25% in the funding for the "conventional" Navy by comparison with current plans, and a reduction in naval manpower of some 17,000 by 1986.

Amelioration of cuts in this planned structure could only be avoided by making compensating reductions in the UK's European effort in addition to those already proposed. This would involve disbanding more major units leaving a smaller Army for all the varied calls made on it at home and abroad and taking some squadrons out of the RAF's front line.

11. Wherever the precise dividing line is drawn (between financial allocations to single-Services) there would seem to be no escape from substantial change in the structure of the maritime contribution, although there will be military and political difficulties in the Alliance. The top-quality maritime effort (after the strategic deterrent and its protection) would be concentrated upon submarines and maritime air. There would be a smaller surface fleet (with fewer high cost new ships) which would be necessary for peacetime and for periods of tension and deterrent operations. On this basis, the UK would envisage engaging in high-intensity operations against Soviet opposition only in circumstances where the US could provide the most sophisticated elements, for example in maritime air defence. It would be important, however, to exploit vigorously the flexibility of the surface fleet, including the new carriers, for deployment outside the NATO area.

12. Within a modified programme it will be all the more important to shed the Belize stationing task. In Gibraltar the dockyard would close and the airfield be transferred to civil running; further savings might be considered if Spain joins NATO. There should be a hard look at Cyprus, though the political difficulties prevent assuming large savings at present. Modest measures, as already identified, to improve the general out-of-area flexibility of UK ground forces should proceed.

13. Annexes A-C set out the main features of the altered Service programmes, with alternatives for BAOR as indicated in paragraph 9 above. Annexes D-F compare "before" and "after" front lines; Annex G lists the main specific decisions which would need to be faced this year; and Annex H notes some of the locations in the UK where effects would be particularly felt. All these Annexes are at present broad indications; elements will need to be adjusted as work continues over the next month.

Industry and Employment

14. The UK would still be spending, in total, an increasing real amount on equipment. Some particular expectations would however be disappointed, and partly through a shift away from certain labour-intensive areas (most notably ship-building) and, partly because of overseas purchases the number of jobs directly sustained in British industry would fall, from about 225,000 at present to an estimated 200,000. (The drop could be less if defence sales increased.)

15. Specific features would include these:

a. The vast majority of major future equipment projects would remain, as Annex I shows.

b. In particular, the UK would proceed with AV8B (the UK/US improved-Harrier purchase) and Sea Eagle (British Aerospace's air-launched anti-ship missile).

c. Warship building would be hard hit, and some yards would have to close.

d. British Aerospace and Marconi would lose prospective work in maritime guided weapons and electronics.

e. The long-term viability of Short's would be in question.

f. There seems no way of affording the Marconi heavyweight torpedo if the cost advantage of the US alternative proves anything like the £400M now suggested; but a UK/US bargain involving the Stingray lightweight torpedo would be sought.

g. The maritime helicopter to replace Sea King is a problem. The concept's place in the new programme is not firmly established and the cost is high. Given its importance to Westlands and the civil commercial prospects claimed for it may be best to sustain work into 1982 pending final decisions; but its long-term future must be a matter mainly for the Department of Industry and the market.

16. Defence employment would be hit in other areas also. Re-shaping the whole support base would be a complex affair and it is impossible to identify all the details now; but likely changes would include these:

a. As Annex I illustrates, Gibraltar, Chatham, and most of Portsmouth, dockyards would close as well as various other depots and installations.

b. The in-house R&D base would be cut, reducing the number of Establishments.

c. Training courses and other support would be pruned rigorously.

d. Including transfers from the public to the private sector (where, for example, as much as possible would be done in relation to the Royal Ordnance Factories) the number of MOD-employed UK-based civilians - already cut from 248,000 in 1979 to 231,000 now, and due to be 200,000 in 1984 - might come down eventually by about a further 20,000.

e. Service recruitment, particularly for the Royal Navy and the Army, would in most categories have to be sharply restrained.

f. It would be impossible to avoid redundancies, both in the Services (where officer numbers, especially in staff and support posts, would reduce substantially) and among civilian employees; the total redundancy in the Royal Navy would probably run to at least several thousands, and these would affect near-term costs.

Resources

17. There remains the key issue of resources. As explained the structure outlined in paragraphs 6-11 above and Annexes A-C was evolved broadly from the severe study assumption of Column 1 of the table on page 3 above. But even if the painful consequences of moving to such a structure was accepted a shift from current planned allocation to Column 1 throughout will not finance it properly, for two reasons. Firstly, Column 1 would at best barely sustain the structure even when it settles down. Support and stocks (which ought to be enhanced) are very tight; some war stocks are now down to 4/5 days at intensive combat levels whereas

intelligence sources indicate that the Warsaw Pact has 60 days of war combat stocks; some extremely bold assumptions about the magnitude and (still more) the timing of overhead reductions have yet to be validated and may prove over-optimistic; and to set long-term planning allocations at Column 1 would almost certainly recreate in a year or two hence, and at a lower level of defence, today's problem of a structure set at or over the extreme edge of what funding will just support. Secondly, Column 1 could not finance the new posture at all in the difficult early years where existing commitments give little room for manoeuvre, and where the complex shift to the new posture will itself impose some transitional costs in redundancies and the like. Column 1 could be approached next year, for example, only by arbitrary cuts in operational activity and training on a sweeping and indefensible scale, in effect bringing the Services almost to a halt.

18. At the other end of the spectrum if changes of the kind and scale - extensive and undoubtedly painful - which the new structure envisages were regarded as politically intolerable, the likelihood is broadly that to sustain the present programme would mean restoring allocations above the pre-November 1980 level and carrying them forward on the "NATO" basis producing a line of figures something like Column 3 of the table, but with the 3% carried forward by an extra 2 years, as agreed last week in NATO.

19. There is another course which would sustain both the United Kingdom's major commitment to a good defence effort and a move towards what the economy can afford by planning the forward defence programme on an intermediate basis, but with a long-term thrust coming progressively closer to Column 1. For the years 1982/83 and

and 1983/84 this would involve confirming the allocation published in March, plus the costs of Trident in those years and a similar approach in 1984/85. Thereafter, the basic assumption for planning would be to move to a level producing, in the second five years, figures somewhat closer to Column 1, and absorbing Trident within them.

20. This would give continuing if modest real growth over the period taken as a whole. A programme to match it will require early and painful choices, which will individually attract heated criticism from one interest or another, and will add to the near-term unemployment problem. Nevertheless, the United Kingdom effort would remain in the round a creditable one by any standard of international comparison, and capable of effective and positive presentation, especially if the change was presented by comparison with today's situation and not with aspired-to plans.

21. Under any hypothesis it would be highly important, for the management of the transition to the new structure, to have some inter-year flexibility on the lines being discussed with the Treasury.

Ministry of Defence

14th May 1981

ROYAL NAVY

Aside from the strategic nuclear deterrent force, nuclear-powered hunter-killer submarines (SSNs) would go up from 12 now to 17 in 1991. Work would proceed with building new diesel-powered boats, but the number of diesel boats in service would fall from 16 now to 8 in 1991. The improved Mark 48 heavyweight torpedo would be bought from the US, if possible in some deal involving Stingray, which would continue.

2. The second new CVS (anti-submarine carrier) would be brought into service but not the third - ARK ROYAL, to be launched in June - unless one or other of the ships could be disposed of abroad. No more Sea Harriers would be bought.

3. The fleet of destroyers/frigates would be reduced from 59 now to 38 in 1986 and 36 in 1991 and reduce further thereafter. This would come about

- a. by undertaking no more expensive mid-life modernisations; and
- b. by disposing early of a considerable number of the Royal Navy's present surface ships. These would include the ASW carrier Hermes, the destroyer Bristol, and the amphibious assault ships Fearless and Intrepid. (This would bring forward to 1984 the date at which the Royal Marines are to lose their specialist amphibious landing capability.) Six older destroyers and sixteen older frigates would be sold or scrapped.

4. No more Type 42 (air-defence-optimised) ships would be ordered; planned improvements to their capability would be cut sharply; there would be no move to a new type in this role. Only at most two more of the complex Type 22 (anti-submarine-optimised) ships would be ordered and there would be a move to a smaller and simpler new ASW frigate, the Type 23.

5. The existing defensive mining capability would be abandoned as well as plans to update it to improve protection of our home waters. The number of mine-counter-measure ships would rise slightly; that of fleet auxiliaries would be halved by 1991. The size of the hydrographic fleet would be halved and the ice-patrol ship Endurance phased out in 1982.

← 6. Gibraltar dockyard would close by the end of 1982 and Chatham in 1984, and the scope of work at Portsmouth would be sharply reduced by 1984. Up to fourteen stores or other depots elsewhere in the UK would be closed.

7. The Royal Navy's manpower establishment would reduce from 68,000 now to 50,000 by 1986 and to 47,000 by 1991. Civilian manpower would reduce from 68,800 now to 48,500 by 1986.

ARMY

Costings of two options for BAOR have been carried out:

Option A. Keep current task and 65 km forward-defence frontage. Establishment to be held tightly to the Brussels Treaty 55,000 (as compared with 58,400 now). Organisation to be three regular divisions (of which one brigade would be held in UK) plus a UK-based Territorial Army division, instead of the current four in-station armoured divisions.

Option B. Surrender forward-defence task, save for a "token" brigade, and provide a strong armoured forces as Northern Army Group reserve with 45,000 stationed troops in two regular divisions, plus a UK-based TA division.

2. The total Regular Army trained establishment, now some 142,300 would by 1988 be about 133,000 with Option A and 129,000 with Option B. Five major units would be disbanded in Option A, and ten in Option B. Option B would be rather more expensive than Option A over the next ten years because of the costs of change, but by then would be up to £100M a year cheaper.
3. The Territorial Army establishment would be increased from the present 73,000 to about 86,000.
4. Only one major Army equipment project (the Wavell data-handling system to help operational headquarters in 1 British Corps deal with intelligence and other information rapidly) would be cancelled,

but many planned buys would be cut or slowed down and various improvement programmes would be reduced. The buy of the new Challenger tank would be held at a bare one-division's worth. There would be a substantial reduction in the buy of the new mechanised combat vehicle and many of the present FV432 vehicles would be run on to the end of the century. Extra Milan infantry anti-tank guided missiles would be bought (including more for the TA), and war stocks of most levels of ammunition would be increased.

ROYAL AIR FORCE

Overall, the RAF front line would decline from 649 aircraft to under 600 in 1983/84, and rise thereafter to 631 in 1986 and 662 by 1991.

2. The Tornado programme (now deeply committed, and made very inflexible by the complex collaborative arrangements) would be kept, but the option would be held open of taking the last 20 aircraft in the interception rather than the strike version for use in UK air defence.

3. An extra 36 Hawk trainers would be armed as supplementary fighters for UK defence, but any replacement of the Bloodhound SAM system would be postponed well in the 1990s. An examination would be carried out of bringing back the two Phantom squadrons from Germany for UK defence, putting Wildenrath airfield on care and maintenance but preserving the option of forward detachment.

4. The last three Nimrods (currently stored) would be brought into service in the maritime patrol role, and there would also be consideration of converting to this role the three Nimrods currently used on special duties (to which spare VC10s might be adapted). The Sea Eagle anti-ship missile programme would remain. Buccaneers would be run on in the maritime role, so relieving the (more expensive) Tornado front-line.

5. The remaining Vulcans would be disbanded early, before Tornado replaces them, and the start of the Jaguar run-down brought forward. The direct Jaguar replacement (AST 403 - the Trilateral Combat Aircraft) would be abandoned, accepting a lack of air combat capability.

60 Harrier AV8Bs would be produced in collaboration with the US. The JP233 anti-airfield weapon project would continue and new weapons for suppressing enemy air defences and for attack on armour would be bought.

6. To save money, over the next three years flying hours in most roles would be brought down close to the SHAPE minimum rate.

7. VC10s would replace Victor tankers used in combined tanker/transport roles. Replacement (eg by Jetstream) of present communications aircraft would be postponed until the later 1980s.

8. The RAF would cease to operate Gibraltar airfield.

SECRET
ROYAL NAVY

1 April 1981 1 April 1986 1 April 1991
OPERATIONAL TOTAL OPERATIONAL TOTAL OPERATIONAL TOTAL

SHIPS

Nuclear Powered Strategic Ballistic Submarines (SSBNs)	2	4	3	4	2	4
Nuclear Powered Attack Submarines (SSNs)	8	12	13	16	13	17
Conventional Powered Attack Submarines (SSKs)	12	16	12	15	6	8
ASW Carriers (CVS)	1	2	1	2	2	2
Assault Ships (LPD)	1	2	0	0	0	0
Destroyers (DD)	10	13	10	14	11	14
Frigates (FF)	33	46	18	24	16	22
Mine Counter Measures Vessels (MCMV)	26	33	30	38	30	36
Hydrographic Survey Vessels	6	11	4	5	3	5
Royal Fleet Auxiliary (RFAs)	13	15	9	10	6	7

AIRCRAFT

Sea Harrier	10		10		10	
Sea King helicopter	32		32		32	
Lynx helicopter	21		33		30	
Wasp helicopter	23		2		2	

WEAPONS STOCKS

TORPEDOES	3036		2315		3130	
SEADART (Area air defence missile)	570		920		1295	
EXOCET (Ship to ship missile)	111		222		200	
SUB-HARPOON (Submarine launched anti-ship missile)	0		265		369	

MANPOWER

RN(+ WRNS)	67976		50606		47444	
ROYAL MARINES	7927		7883		7856	
CIVILIAN	68654		48500		44200	

ARMY

This table shows 3 Regular Divisions permanently based in BAOR with 1 predominantly TA Division moving from the UK as a reinforcement for 1st British Corps. The first figure in each column shows the number of units (or of equipments) in place; the second figure shows numbers of reinforcing units from the UK; the figures in brackets show TA units. The table excludes battalions in Berlin (3), Hong Kong (5), Cyprus (1) and Gibraltar (1).

	<u>1 April 1981</u>		<u>1 April 1986</u>		<u>1 April 1991</u>	
	<u>UK BASE</u>	<u>1(BR)Corps</u>	<u>UK BASE</u>	<u>1(BR)Corps</u>	<u>UK BASE</u>	<u>1(BR)Corps</u>
Armoured Regiments	1	9	1	11	1	11
Armoured Reconnaissance Regiments	2	4+1 (2)	2	2+1 (2)	2	2 (3)
Artillery Regiments	2	13+1 (2)	2	12+1 (3)	2	12+1 (3)
Air Defence Regiments	2 Bty	2+1 (3)	2 Bty	2+1 (3)	2 Bty	2+1 (3)
Engineer Regiments	3 (1)	6+1 (5)	3 (1)	6+1 (5)	3 (1)	6+1 (5)
Infantry Battalions	27 (17)	14+4 (21)	26 (15)	13+6 (23)	24 (17)	13+6 (23)
SAS	1	- (2)	1	- (2)	1	- (2)
Army Air Corps Squadrons	2	10+2	2	9+2 (1)	2	9+2 (1)

PRINCIPAL EQUIPMENTS -- (for 1(BR)Corps)

Tanks	719	764	764
Field Artillery	261+82	261+82	275+82
Air Defence Weapons	178+203	191+203	191+203
Armoured Personnel Carriers	1106	1106	1074
Medium Range Anti- Tank Guided Weapons	386+351	564+357	564+357
Helicopters	135+24	120+42	120+42

MNNPOWER

Regular Army	142300	136800	133000
TA	73660	83660	88660
Civilian	53075	50600	50600
BAOR Locally Engaged Civilians	23000	22000	22000

RAF

<u>AIRCRAFT</u>	<u>1 April 1981</u>		<u>1 April 1986</u>		<u>1 April 1991</u>	
	<u>UK</u>	<u>RAFG</u>	<u>UK</u>	<u>RAFG</u>	<u>UK</u>	<u>RAFG</u>
<u>Strike/Attack</u>						
Vulcan	53	-	-	-	-	-
Tornado GR1	-	-	44	72	28	84
Buccaneer	25	15	29	-	29	-
Jaguar	-	48	-	-	-	-
<u>Offensive Support</u>						
Harrier	28	36	24	- 36	- 36	- 36
Jaguar	33	-	30	-	12	-
<u>Air Defence</u>						
Phantom	80	20	80	(-)	34	-
Lightning	34	-	34	-	-	-
Tornado F2	-	-	15	-	130	-
Bloodhound SAM - (Launchers/Missiles)	48/85	48/96	108/216	-	108/216	-
Rapier Short range A/D (Launchers/Missiles)	16/480	32/960	16/480	32/960	16/560	32/960
<u>Maritime Patrol</u>						
Nimrod	32	-	34	-	34	-
Vulcan (Reconnaissance)	8	-	-	-	-	-
<u>Airborne Early Warning</u>	11 Shackletons to be replaced by 11 Nimrods by 1 April 1986					
<u>Air Transport</u>	No change (11 VC10s; 50 Hercules, all based in the UK)					
<u>Support Helicopters</u>	57	13	58	23	54	23
<u>Air-to-Air Refuelling</u>						
Victor	19	-	19	-	19	-
VC10	-	-	8	-	8	-
<u>Reconnaissance</u>						
Canberra	22	-	-	-	-	-
Jaguar	12	12	12	12	12	-
Tornado	-	-	-	-	12	12
Nimrod R	3	-	3	-	3	-
<u>Search and Rescue Helicopters</u>	27	-	24	-	24	-
<u>WEAPONS</u>						
Air-to-Air Missiles	4686	-	5800	-	6800	-
Air-to-Surface Missiles	296	-	446	-	446	-
Conventional Bombs	12100	-	12100	-	12100	-
Airfield Attack Weapons	-	-	1500	-	1500	-
Defence Suppression	-	-	200	-	750	-
Anti-Armour	27800	-	21600	-	22100	-
Torpedoes	447	-	477 ?	-	447	-
<u>MANPOWER</u>						
Service	93500	-	91000	-	91000	-
Civilian	28659	-	26400	-	26400	-

NOTE: The figures include in UK totals the following current overseas deployments Harrier: 4 in Belize, Support Helicopters 14 in Cyprus/Hong Kong. There are in addition 6 Regular RAF Regt Field Sqns throughout the period: Auxiliary Sqns will rise from 3 to 9.

ANNEX GLIST OF THE MAJOR MEASURES WHICH HAVE BEEN IDENTIFIED FOR INCLUSION
IN THE MAJOR STATEMENT IN JULYNavy

1. Cancel ARK ROYAL third and last of class of new ASW carriers - to be launched by The Queen Mother on 2nd June, or announce the intention to sell one of the other two new ASW Carriers.
2. Dispose of HERMES carrier which entered service in early 1960s, three/four years earlier than planned.
3. Dispose this year (several years earlier than planned) of three County Class guided missile destroyers two of which only entered service in 1970.
4. Dispose of the Amphibious Assault Ships INTREPID (early in 1982) and FEARLESS (in 1984). They entered service in mid-1960s and had been planned to serve throughout the 1980s.
5. Dispose between 1981 and 1985 of 13 Leander class frigates which entered service in late 1960s (8 of which were modernised in the 1970s) and which it had been intended to retain until 1990s.
6. Dispose this year of eight Rothesay Class frigates which entered service in early 1960s and which it had been intended to transfer to reserve with subsequent disposal in mid/late 1980s.
7. Dispose of the Ice Patrol Ship ENDURANCE in 1982. Implications for UK support of Falkland Islands.



8. Halve hydrographic fleet with loss of capability of defence and civil surveys.
9. No modernisation of the latest class of Air Defence Destroyers (Type 42). These have been in service since late 1970s and seven are still under construction. They will now be disposed of from the early 1990s, much earlier than planned and there will be no Successor class of ship.
10. Sharp drop in other planned future shipbuilding orders - frigates, submarines and support ships.
11. Close Chatham dockyard by 1984 and Gibraltar dockyard by 1982 and considerably reduce Portsmouth dockyard by 1984.
12. Close about 14 naval oil fuel depots and stores and armament depots in the UK over the next few years.
13. Go for the US heavyweight torpedo instead of the Marconi option.
14. Make 1,500 naval officers and 5,000 ratings redundant by 1984/85; reduce total size of Navy by 17,000 by 1986.
15. Abandonment of the existing defensive mining capability and all plans to update it.
16. Cancellation of ship-borne air defence modernisation plans and ~~contacts~~ with British Aerospace, Marconi, Ferranti and Sperry.

Army

1. Reduction in size of Regular Army by over 9,000 by 1991.
2. Change in structure and level of stationed forces in BAOR.
- 3.* Increase in size (up by 13,000 by 1991) and rôle of TA.
4. Scaled down programme for new Armoured Personnel Carrier (MCV 80) - announced last year - affecting GKN and Rolls Royce Motors.
5. Cuts in Blowpipe improvements programme affecting Shorts (Belfast).
6. Defer by one year programme for new collaborative rocket launcher (MLRS).
7. Cancel Wavell Battlefield Communications System affecting Plesseys.
8. Cancel Boxer - a new Crisis Management Communications System, affecting GEC.
- 9.* Announcement of plan to buy self-propelled Rapier affecting BAe Dynamics.

Royal Air Force

- 1.* Reduce number of Tornado Strike version by 20 and increase number of air defence version correspondingly.
- 2.* Buy 60 AV8B improved Harrier in collaborative programme with US. Work for British Aerospace.
- 3.* Plan to acquire better weapons for Tornado and other aircraft.
- 4.* Convert VC10s for dual-purpose tanker/transport role, thus improving UK air defence.
- 5.* Convert three remaining Nimrods to Mk II standard improving this element of anti-submarine capability.
- 6.* Arm more Hawks for air defence of UK.
7. No provision for Jaguar replacement (AST 403).
- 8.* More use of RAF reserves for airfield defence.
9. Transfer Gibraltar airfield to civil operation.
10. Disband remaining Vulcan squadrons on 1st April 1982.
11. Defer for four years plans to acquire replacement communications aircraft.
- 12.* Continue Sea Eagle.

Other

- 1.* Firm plans for providing out-of-area capability.
2. Privatisation/Re-structuring of ROFs.
3. Re-organisation of R&D Establishments including privatisation and closure.

* These items are 'good news' domestically, although some (like withdrawal of Germany Phantoms) may not be welcome to NATO.

CONQUEROR

DEFENCE EQUIPMENTA. Major equipment programmes which will continue largely as planned.

£M
September 1980
prices

<u>Programme</u>	<u>Costs</u>
Tornado GR 1 aircraft for strike, interdiction, counter-air and reconnaissance operations.	3200
Tornado F2 air defence aircraft.	2300
Rapier ground to air low level air defence missile (towed and self-propelled versions)*.	1240
Sting Ray lightweight torpedo (launched from ships and aircraft).	800
Sea Wolf shipborne close-range air defence missile system.	700
Improved Harrier Short Take Off/ Vertical Landing offensive support aircraft.	650
Nimrod MR2 long range maritime patrol aircraft for anti-submarine operations.	580
Ptarmigan tactical trunk communications system for BAOR.	550
SP 70 self-propelled artillery howitzer (including ammunition).	500
<u>Ninrod Airborne Early Warning aircraft.</u>	450
Lynx helicopter for anti-submarine and battlefield operations.	400
<u>JP 233 air launched airfield attack weapon.</u>	380

* some future elements of this programme are still in early definition stage.

B. Programmes which will continue but with reductions in expenditure during the period.

	<u>Earlier planned costs</u>	<u>Revised programme costs</u>	£M September 1980 prices
Armoured personnel carrier for infantry (Mechanised Combat Vehicle 80)	850	400 -	
Sea Dart shipborne surface to air medium range air defence missile and associated radars	900	470	
Challenger Main Battle Tank and tank improvement programme.	800	650 -	
Nuclear powered fleet submarines	770	650 -	
Type 22 anti-submarine frigates	700	260	
Future heavyweight torpedo (revised programme assumes US alternative)	400	280	
Future Support Ships for the Fleet *	400	350	
New class of diesel-powered patrol submarines	350	250	
Proposed future class of Frigates (Type 23)*	300	200	
* programmes still at an early stage in planning			

C. Programme subject to further consideration

Replacement for the Sea King anti-submarine helicopter	650	500
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D. <u>Programme to be discontinued</u>	<u>Cost</u>
AST 403 (replacement aircraft for Jaguar offensive support aircraft)	350

Notes

1. Criterion for major programmes is a planned spend of £300M or more over 1982/83 - 1990/91. The costs relate to these years.
2. Warship costs exclude the weapon systems fitted in the ships. (These systems appear separately in the table, where applicable).

CONQUEROR

DEFENCE PROGRAMMEMAJOR LOCATIONS AFFECTED BY PROPOSED CHANGESA. SERVICE/CIVILIAN UNITS ETC

	<u>Civilian Staff</u> <u>(Figs approx)</u>
1. <u>Royal Navy</u>	<u>Likely</u> <u>redundancies</u>
a. <u>Dockyards and RN Support Establishments</u>	
(i) <u>Chatham area</u>	<u>4600</u>
(ii) <u>Portsmouth area</u>	4200
(iii) <u>South Wales</u>	<u>1050</u>
(iv) <u>Gibraltar</u>	1100
b. <u>RN Training Establishments and Barracks</u>	

Based on the assumption of a substantial move towards ship-based training preliminary indications of job losses are:

	<u>Service</u>	<u>Civilian</u>
(i) <u>London and Home Counties</u>		
(a) within 12 months	90	20
(b) later	360	275
(ii) <u>Portsmouth area</u>		
(a) within 12 months	10	10
(b) later	1530	1050
(iii) <u>W. Country</u>		
(a) within 12 months	340	100
(b) later	300	310
(iv) <u>Gibraltar</u>	90	70
2. <u>Army</u>		

A number of major establishments will close in due course, as the UK training organisation, the Army's infrastructure run down.

For example, there are question marks over the Junior Leaders regiment at Dover and the Junior Soldiers unit at Taunton. Details of employment changes will depend on relocation of units from BAOR, expansion of the TA, the scope for using other surplus defence accommodation and on putting units in the best place for their role (e.g. training, reinforcement).

3. RAF

Major changes:

		<u>Job losses</u>	
		<u>Service</u>	<u>Civilian</u>
a.	As soon as possible:		
	(i) Close Maintenance Unit, Kemble, Gloucestershire;		500
	(ii) Close one RAF Hospital (unspecified);	125 officers	
	(iii) Cease to operate Gibraltar airfield.	750 airmen	
b.	Withdraw Phantoms from RAF Wildenrath (to be put on care and maintenance) to Leuchars, 1984/5.		

4. Other Units

Closure of the National Defence College at Latimer-within the year - will result in the loss of 80 civilian jobs. Further reductions - unquantifiable at present - are envisaged in Service medical facilities.

5. Service Redundancies

The Navy foresee redundancies of about 1500 officers and 5000 ratings between early 1982 and 1984/85. The Army would also need a redundancy scheme the size of which is not yet known. The RAF could manage without.

B. R & D ESTABLISHMENTS - PROPOSED CLOSURES

It has been assumed that the following Establishments would close and the sites be disposed of or transferred to industry:-

<u>Establishment</u>	<u>Location</u>
National Gas Turbine Establishment	Pyestock
Propellants, Explosives and Rocket Motor Establishment	Westcott, Aylesbury and Waltham Abbey
Military Vehicles and Engineering Establishment	Chobham, Surrey and Christchurch, Dorset
Royal Aircraft Establishment, Tunnel Site	Bedford
Admiralty Surface Weapons Establishment	Portsmouth

Overall reductions in Civil Service manpower at R & D Establishments total about 5,000. The prospects of industry's providing alternative employment cannot be assessed at this stage. Closures are assumed to take place in 1983/84 except at Portsdown, which is assumed to close in 1986/87. Action on disposal or transfer would start well in advance at all Establishments.

C. EMPLOYMENT IMPLICATIONS FOR INDUSTRY OF MEASURES LISTED
IN ANNEX G

<u>MEASURE</u>	<u>FIRM/LOCATION</u>	<u>CHANGE IN EMPLOYMENT</u> See Note (1)	<u>TIMING</u>
Cancel Sea Dart system improvements	BAe Dynamics Hatfield & Bristol	- 150	} from 1981/2
	Marconi Radar <u>Leicester</u>	-1200	
	Ferranti Edinburgh	- 150	
Reduction in shipbuilding orders	Vickers Barrow	} Up to -20000 in total	} from 1981/2
	• Yarrow Clyde		
	⊙ Vosper Southampton		
	Swan-Hunter Newcastle		
	Cammell-Laird Birkenhead		
Buy US Heavy-weight Torpedo	Marconi Space and Defence Systems, Neston & Portsmouth	- 400	in 1981/2
	Marconi Avionics Basildon	- 3000	in 1986/7
Reduce orders of infantry combat vehicle (MCV 80)	GKN Wolverhampton/Telford	} Not yet identifiable.	
	Rolls Royce Shrewsbury		
	Vickers Newcastle		
Cancel Blowpipe Quadruple Towed Launcher	Shorts Belfast	- 120	1981-84
Cancel WAVELL (Army Automatic Data Processing system)	<u>Plessey Liverpool</u>	- 40	} Immediately - more in later years
	Plessey Weybridge	- 160	
Cancel special tank ammunition (Depleted Uranium)	BNFL Preston	-30-50	Immediately

<u>MEASURE</u>	<u>FIRM/LOCATION</u>	<u>CHANGE IN EMPLOYMENT</u>	<u>TIMING</u>
Cancel BOXER (military communication system)	GEC Telecoms Coventry	Not yet known	from 1983/4
Reduce buy of CLANSMAN (Army tactical radio)	MSDS Hillend	Not yet known	from 1983/4
	MEL Crawley		
	Plessey Telford		
	Racal Wembley & Nottingham		
Defer SP70 self propelled gun by 1 year	ROF Nottingham	- 100	in 1984
Buy 60 Harrier AV8B	BaE Kingston	+ 2-3000 at peak	in 1987
	Rolls Royce Bristol		
	(and other Equipment suppliers)		
Convert Nimrods to Mk II	BaE Woodford	+ 200 at peak	in 1983/4
Delete provision for AST 403	BaE Warton	-3000 } at peak -1000 } in early 1990s -1900 }	Losses start in mid-80s
	Rolls Royce Bristol		
	(and other Avionics Companies)		
Restructure ROFs	ROF Birtley	See note 2.	
	Bishopton		
	Blackburn		
	Bridgewater		
	Chorley		
	Enfield		
	Glascoed		
	Leeds		
	Nottingham		
	Patricroft		
	Radway Green		
	Featherstone		
	Powfoot		
London (HQ)			

- (1) Loss (= -) or gain/maintenance (= +) of jobs or job opportunities. Includes actual redundancies, and new job opportunities that will be foregone.
- (2) Depends on terms of restructuring/privatisation. Total workforce is 21,000. Likely timing is between 1981 and 1983.