



10 DOWNING STREET

From the Principal Private Secretary

8 June, 1981.

Dear Brian,

The Defence Programme

The First Sea Lord came to see the Prime Minister this morning to discuss the proposed changes in the defence programme which OD were due to consider later in the day. Your Secretary of State was also present.

The First Sea Lord thanked the Prime Minister for the opportunity to put his views to her in a separate meeting from that which the Chiefs of Staff collectively had had with her the previous week. He wished to emphasise at the outset that he was not simply arguing a Naval case, but was genuinely trying to find the best way forward for the country's defences as a whole. The final decisions on the Defence Secretary's proposals had not yet been taken, but they would be reached very soon; and he wanted to bring his views to the attention of Ministers in an attempt to influence them in making their decisions, for he did not believe that the general thrust of the Defence Secretary's proposals was right.

He did not propose to say anything about the Soviet threat, with which the Prime Minister was already wholly familiar. The point he wished to emphasise most was the serious miscalculation which we would be making if we disregarded the deterrent effect of a major maritime capability in peacetime and even in the opening phases of hostilities. And, within that capability, it was the surface fleet which provided much of this deterrent effect, simply because it was visible. It was wrong to think of surface ships as having only the role of protecting convoys and as therefore being out of date. All the evidence of the past and of the present showed that surface ships had a much wider and more varied function than this. If we cut the surface fleet in the way the Defence Secretary was proposing, the UK "would be the only man in the squad who was in step". The Soviet Union was carrying out a major surface ship construction programme. So were many of our allies. The French, for example, were already exerting a world-wide influence by the deployment of their surface ships, and if the Royal Navy was cut in the way proposed, they would claim to be the new maritime leaders of Europe. This would surely be unattractive politically.

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The First Sea Lord went on to say that only one option had been seriously considered in the present review. How heavily the programme cuts were falling on the Royal Navy compared with the Army and the Royal Air Force was starkly brought out in the graph he showed the Prime Minister. He believed that other options should be explored before final decisions were taken. For example, before the Navy's front line was so severely reduced, all Headquarters and the Ministry of Defence in particular should be stringently reviewed to make the biggest possible cuts in their staffs. The Admiralty Board were already proposing to reduce the support structure of the Navy as much as possible in order to preserve the front line to the greatest possible extent: for example, they were considering changing radically the ratio of sea/shore service, even though this would give rise to difficult problems. Another area which deserved much closer examination than it had received so far was the size of our forces on the Central Front. Many of our European allies were going through defence reviews similar to our own, and there was thus never a better time than now to adjust the size of BAOR. If we did not grasp the nettle of the Brussels Treaty now, we never would. There were 2,000 UK-based civilians and 23,000 German civilians supporting BAOR, and surely some of these could be cut. Similarly, some of the 70,000 dependants in BAOR could be brought back to the UK.

Another option was to reduce the size of our specialist reinforcement forces. While he did not believe it would be right to cut the Air Force element or the units which were trained to reinforce North Norway, he thought that there should be a close scrutiny of the UK Mobile Force in the circumstances of today's financial stringency.

The First Sea Lord said that so far his professional advice and that of the Admiralty Board as a whole had not been accepted. But he had to emphasise that if the surface fleet was cut in the way proposed, this would, in his view, unbalance our entire defence capability, and once the ships had gone, we should probably not be able to recover this century. It would have much less of an unbalancing effect on our defence capability if the reductions were to fall more on some of the other programmes he had mentioned. He would like OD to know what these other options were before they took fundamental decisions, and he wondered whether the Prime Minister would consider whether a note setting out his views might be circulated to OD in time for their meeting later that day.

The Secretary of State for Defence said that the First Sea Lord was right in saying that he had required the Royal Navy to find much bigger savings than the Army and the RAF. One reason for this was that, for the purposes of the review, Trident had been included in the Naval programme, and its cost had not been split equally between the three services. As regards the other options which the First Sea Lord had mentioned, the pay of a German civilian working for BAOR was about £1,000 a year less than the pay of a soldier. If account was taken of the cost of accommodation and other support facilities such as families'

education, the disparity was even greater. It would therefore be much more expensive to replace German civilians, many of whom were doing vital military jobs, with British soldiers. Equally, it would cost much more to bring dependants back from BAOR to the UK where new facilities would have to be provided for them.

The Prime Minister said that she was grateful to the First Sea Lord for setting out his views so clearly. Time did not permit the circulation of a note to OD, but it would be proper for the Chief of Defence Staff, who would be present at OD, to give a full explanation of the First Sea Lord's position. She would be grateful if the First Sea Lord would make the necessary arrangements with the Chief of Defence Staff.

Yours sincerely,

Anne Whitlam.

B.M. Norbury, Esq.,
Ministry of Defence.