

CONFIDENTIAL

Defence

MR. SCHOLAR

c.c. Mr. Hoskyns

London Weighting for the Armed Forces

Mr. Nott has now come back to the Prime Minister, saying that he cannot find items to offset against the proposed increases, and proposes therefore to implement the AFPRB recommendation in full.

I think that when the Prime Minister said she was reluctant to overturn the AFPRB with this small point, she was hopeful that some way round it could be found. Since there is no way round it, I must repeat my earlier recommendation that we tell the AFPRB that we think the Armed Forces London Weighting should be held to 7%. It will be seen as extraordinary if we now accept recommendations which would have the effect of making increases between 10.5% and 17.5%.

Mr. Nott's offer to absorb the extra cost within the MOD cash limit is of course pretty meaningless. The amounts are trivial compared with the uncertainties of the Defence Budget; and the point will not register at all with the other groups - notably the civil servants, on which we must keep an eye.

I do understand the concern of both the Prime Minister and Mr. Nott that we should not blemish our record vis-a-vis the AFPRB; but I can only repeat that, as the Prime Minister knows, our commitment to the AFPRB is already under review with a view to encouraging them to become more market-oriented and less comparability-based. Holding the London Weighting to 7% would be a useful first indication that the Armed Forces cannot for ever be treated preferentially.

25 February, 1982.

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