



B/F. JQ

10 DOWNING STREET

*From the Private Secretary*

24 November 1982

CANADA: TRAINING CHARGES

The Prime Minister has seen your letter of 22 November and has noted that you will be providing further advice when the outcome of last week's talks between a Ministry of Defence team and Canadian officials is known.

I am copying this letter to Roger Bone (FCO) and John Kerr (HM Treasury).

A. J. COLES<sup>1</sup>

Richard Mottram, Esq.,  
Ministry of Defence.

SM



Prime Minister

MINISTRY OF DEFENCE

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MO 14/6

22nd November 1982

The MOD are holding talks with the Canadians to try to sort out the difficulties. But it is clearly not the case that we charge the Canadians for training while they do not charge us.

A.J.C. 23/11

*ml*

Dear John,

CANADA: TRAINING CHARGES

You wrote to Roger Bone on 1st November about charges for the use of military training facilities in Britain and Canada. As the Defence Secretary is responsible for our policy on training charges, I am replying to your letter.

The facts are:

a. Canada enjoys the special concessionary rates on ground training charges applied to NATO and other countries with which the UK has reciprocal training arrangements. Tuition charges are calculated on the basis of extra costs incurred - not the full costs - taking into account the planned student throughput for the course in question. Capital and administrative costs are excluded from this calculation. Charges for naval training are calculated on various bases, but the price of the Submarine Commanding Officers' Qualifying Course - which has been a particular cause of Canadian complaint - recovers, at most, a proportionate share of the cost of fuel consumed. Ammunition is the one commodity for which full costs are recovered for all courses - it, of course, has to be replaced. The details of Canadian attendance on UK courses in the last three years are set out at Annex A.

b. As to Canadian training charges, access by UK forces to Canadian facilities is not free of charge. Details of the agreement on charges are set out at Annex B. The Canadians include elements (such as administration costs) never included in MOD's own extra cost calculations.

By the Canadians' own reckoning, they received Canadian \$12.8M payment from MOD for these facilities in 1981/82, whilst themselves paying MOD Canadian \$5.3M for UK training courses.

A J Coles Esq



Because of Canadian concern over charges, a MOD Team was in Ottawa last week to explore with Canadian officials the possibility of reciprocal arrangements for offsetting costs (some agreements have already been reached over the last year). I will let you know the outcome of these talks.

On the issue of training charges generally, the Defence Secretary has commissioned a study on how best to reconcile defence policy, sales and financial considerations which will be considered by the Defence Council in the New Year.

I am copying this letter to Roger Bone (FCO) and John Kerr (Treasury).

*Yours etc,*

*Richard Mottram*

(R C MOTTRAM)

CANADIAN TRAINING IN UK

1. Students trained in UK

	1979		1980		1981	
	Students	Student/ weeks	Students	Student/ weeks	Students	Student/ weeks
NAVY	116	1152	172	1324	174	1248
ARMY	93	1748	79	1454	83	1309
AIR FORCE	21	148	25	190	24	184
<b>TOTAL:</b>	<u>230</u>	<u>3048</u>	<u>276</u>	<u>2968</u>	<u>281</u>	<u>2741</u>

2. Courses with Canadian participation 1982/3

NAVY	22
ARMY	29
AIR FORCE	5
<b>TOTAL:</b>	<u>56</u>

SUFFIELD AND WAINWRIGHT

The financial terms of the agreement covering the training of British Forces in Canada are:

"The UK shall reimburse Canada all costs incurred by Canada in respect of the British training programme including the cost of personnel, materiel, equipment, supplies, services (including civilian labour) and facilities provided from Canadian military or other Government sources or commercial sources, as well as any related administrative or other charges which are added to the cost of these items. Except where otherwise stipulated ... the costs to be recovered ... with respect to land and buildings ... shall be those arising out of the maintenance or construction of buildings".

The Agreement also provides for payment in advance which the Canadians have been resisting in Germany.

The UK is charged the pay, allowances and support costs of all Canadian staff attributed to the British presence (eg 50 military posts at British Army Training Unit Suffield (BATUS)), maintenance costs of buildings including a proportionate share of shared buildings, maintenance of roads, etc, on the training areas and miscellaneous support costs, including an element for Department of National Defense (DND) support costs. This is not a full cost charge; it excludes interest on capital or rent for land or buildings. But it does seem to be more inclusive than our NATO extra cost training charge (or our Messing and Accommodation (M&A) price) by including a DND overhead.

The Agreement is to last until August 1991 subject to a year's notice of termination by either side in writing.

Canada, UK/Canadian Relations, P+5



22 NOV 1982

