

Ref. A04369

PRIME MINISTER

Top copy  
 Defence Pt 4  
 The Defence Budget

Statement on the Defence Estimates 1981

(OD(81)13)

## BACKGROUND

OD discussed the 1980 Defence White Paper on 22 January last year, and subsequently had two major discussions on defence policy on 20 March and on 8 July. On 20 March the Committee were left with the impression that there was a need to reshape the defence programme in fundamental terms to fit the resources available; but when the then Secretary of State for Defence put forward his proposals for discussion in July they were less radical than expected earlier. In OD(81)13 the Secretary of State for Defence now warns his colleagues that the need for a fundamental review to match defence commitments with the available resources still exists, and that he expects to reach conclusions in the summer. Thus the present situation is similar to that which prevailed following the OD discussion last March.

2. The Secretary of State for Defence proposes with the agreement of OD and Cabinet to publish the 1981 Statement on the Defence Estimates (SDE) about 13-15 April. This proposal should not give rise to any difficulties in relation to the Public Expenditure timetable.

3. On the form and substance of the SDE there is one important innovation this year. It follows the usual form of a statement of policy in Chapter 1, followed by an account of current activity in various defence fields in the subsequent chapters. But between the various chapters are a number of free-standing essays on the underlying considerations which have to be continuously taken into account in making and implementing policy in the defence field (the pages concerned have, in the present typescript, a "frame" round them). The Secretary of State for Defence inherited this format from his predecessor. He is likely to seek the views of the Committee on whether it commands general approval.

- (b) Defence Policy in a Changing World (Chapter 1 of the draft SDE).  
Is anything in Chapter 1 affected by the outcome of your discussions in Washington? Is it sensible in line 2 of paragraph 111 to refer to the vast resources of the United States in comparison with its individual allies? The United States tend to make the comparison with their European allies collectively, and on that basis the disparity is far less marked.
- (c) "Britain within NATO" (free standing essay following para 126).  
Do the Secretary of State for Defence and Foreign and Commonwealth Secretary feel it is right for paragraph 7 of this essay to continue to refer to the desirability of a new review effort by the Alliance in the light of the cool American reaction to this idea? Does this essay as a whole make a useful contribution to the value of the SDE?
- (d) Theatre Nuclear Force Modernisation (paragraphs 215-223).
- (1) Ought consideration to be given to providing the Tornado with in-flight refuelling facilities and tanker aircraft to give it a range equivalent to the Vulcans? Otherwise it will scarcely be able to reach the Soviet Union from United Kingdom bases.
- (2) Paragraph 218 states that the long-standing arrangements for consultation about the use of United States nuclear weapons from United Kingdom bases would apply to United States-armed GLCMs based in the United Kingdom. There is no policy problem about this: it was specifically agreed in Washington last week. But we must consult the United States Administration in advance if this statement is to be made public in the SDE. I have this in hand through the channels established in Washington last week. If we consult the United States Administration (as we must) about this, should they see in advance the whole of the section on nuclear weapons? The Foreign and Commonwealth Secretary may have views.

(3) The beginning of paragraph 219 says that there have been test firings of Tomahawk from a variety of launch platforms. Can the Secretary of State for Defence say whether these include submerged ones? If the answer is No the point should be made clear; and if the answer is Yes the whole sentence might be better omitted. We do not want to give unnecessary ammunition to those who argue that sea-launched Cruise Missiles would have been a better Strategic Deterrent choice for Britain than Trident. Our answer has always been that they would in fact be "United Kingdom unique" and therefore more expensive, since the Americans were not developing the weapon for use from submarines.

(e) BAOR's Reinforcement Plan (paragraphs 322-323).

Although the reinforcement plan has been worked out in great detail and practised to some extent in peacetime, does the Home Secretary believe that it is likely to work in a real emergency in the absence of parallel civil home defence planning and preparation? Would it really be possible to call up and despatch the reservists and TA units to Germany in those circumstances?

(f) Royal Naval Deployments (paragraphs 412-414).

Are the Foreign and Commonwealth Secretary and Secretary of State for Defence satisfied with the arrangements that have been made for a British Naval presence in the Arabian Sea? The initial discussions with the United States Navy and the French did not seem to run very smoothly and the United Kingdom does not appear to have extracted the full credit deserved from the arrangements.

(g) Enhancement of United Kingdom Military Capability Outside the NATO Area (paragraph 416).

OD took note of the measures proposed for such enhancement at at their meeting on 8 July. The reason why some of the

proposals are now contained in a square bracket in paragraph 416 is apparently that the Chiefs of Staff still have doubts about the priority to be accorded to them. If you yourself and the Foreign and Commonwealth Secretary feel that a high priority should be given to such measures, because of the political importance attached to them particularly in regard to the Americans, you may wish to invite the Secretary of State for Defence not merely to remove the square brackets but to add emphasis to this particular section of the SDE.

- (h) Defence Procurement Strategy (free standing essay following paragraph 526).

Does the Secretary of State for Industry have any general views on this essay and on the particular point in paragraph 5 about the size of the premium which ought to be paid for a "made in Britain label"? Do the Secretary of State for Defence and Foreign and Commonwealth Secretary have any different views on the desirability of new collaborative projects (paragraph 6) in the light of the overseas sales difficulties which have now been encountered with the West Germans over Tornado?

- (i) Harrier and Jaguar Replacements (paragraphs 617b and c).

These are likely to be among the biggest defence equipment decisions which the Government will soon have to take. The previous Secretary of State for Defence told OD, in his paper on the defence programme of 3 July last year, that recommendations would be coming forward shortly. When will the Secretary of State for Defence be making proposals? What is the financial scale of the problem? Has the Secretary of State for Industry any comments on its importance for British industry, particularly British Aerospace?

- (j) Civilian Numbers (paragraphs 732-742).

Is the Lord President satisfied that a reduction of civilian numbers in the Ministry of Defence is consistent with the Government's policy to increase its defence efforts, in view of

the fact that many Ministry of Defence civilians are doing the same job as servicemen? You may like to note with approval the point in paragraph 742 that the Ministry of Defence has more apprentices under training than any other single employer in Britain.

(k) The Defence Budget (Chapter 8).

Is the Chancellor of the Exchequer satisfied with these paragraphs on the financial aspects of defence? (The Treasury has been fully consulted in their preparation). Is it right to gloss over the probable difficulties which are likely to arise from a cash limits overspend in the current financial year?

CONCLUSION

8. The Committee might be guided to the conclusion that the Secretary of State for Defence should be invited:

- (i) to circulate the draft Statement on the Defence Estimates 1981, amended as necessary in the light of discussion, for consideration by Cabinet on 19 March;
- (ii) to include a very short introduction referring to the need to study alternative deployments and operational concepts to match the available resources;
- (iii) to report back to the Committee when the studies give rise to new proposals.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

4 March 1981

Supplementary Points

The following points could be raised in correspondence, after OD has met, between the Private Secretary at No 10 and the Private Secretaries of Ministers directly concerned, viz the Secretary of State for Defence, Foreign and Commonwealth Secretary, Secretary of State for Northern Ireland (who will not have been at OD) and Home Secretary:

- (i) Arms Control (paragraphs 119-126 of SDE). Is the Foreign and Commonwealth Secretary content with these paragraphs. Or does their reference to the active participation of the United Kingdom in the negotiations on Mutual and Balanced Force Reductions and on a Comprehensive Nuclear Test Ban Treaty sound rather exaggerated given that on both subjects very little progress has actually been made.
- (ii) "Nuclear Weapons" (free standing essay before paragraph 201). This usefully provides an authoritative source of material for countering CND propaganda.
- (iii) Trident (paragraphs 206-213). When will a decision have to be taken on the option of building a fifth boat? Does the Government also need to keep open the option of buying D5 instead of C4 missiles, in case the United States Government introduce the D5 missile to their own service earlier than anticipated. Is it proposed to build Polaris replacement boats with Ohio (ie fatter) mid-sections in order to keep open the D5 option? How would this affect the total costing of the programme?
- (iv) Chevaline (paragraph 214). In the light of the most recent flight trials, is there any certainty about the date when Chevaline will enter service?
- (v) NATO Strategy (paragraph 307). When OD discussed the SDE 1980 in January last year attention was drawn to the imprecision

of the phrases "flexible response" and "forward defence". Do the conventional forces now available to SACEUR give a reality to the phrase "flexible response", or do they merely represent a slightly delayed tripwire?

- (vi) Warsaw Pact Forces in the Central Region (paragraph 316).  
What new assessment of the Warsaw Pact forces in the central region has NATO made in the light of the current situation in Poland? It seems possible that the Polish divisions may now be a liability rather than an asset to the Warsaw Pact, requiring shadowing by Soviet divisions.
- (vii) Air Defence of the United Kingdom (paragraphs 335-337). Is an adequate number of aircraft available in the first line of air defence described in paragraph 336? If not, what priority is being given to increase their number?
- (viii) Merger of 41 Commando Royal Marines (paragraph 347). Has the merger of this Royal Marine Commando, which was announced on 20 January, caused any particular stir either in this country or with our NATO allies?
- (ix) "Low Flying" (free standing essay before paragraph 401). Is this in the right place in the SDE? And should it be included at all? Low flying is an irritant, eg to farmers. Will this essay do anything to improve the situation?
- (x) Northern Ireland (paragraphs 503-506). Is it expected that there will be further withdrawals of units on emergency tours in the Province? Is there real military justification for isolated units which have to be supplied by helicopter and may be resented by the local population, eg in places like Crossmaglen? Should OD give further thought later in the year to the prospects for getting all troops off the streets in Northern Ireland?
- (xi) Princes Gate Siege (paragraph 508). Is the Home Secretary satisfied with this account of the Princes Gate siege? Is it accurate? Ought not "shortly afterwards" in line 12 to be "subsequently"? The interval between shots being heard and

the dead hostage being dumped on the doorstep was surely about 5 hours (1 pm to 6 pm).

- (xii) Main Battle Tank (paragraph 616a). Will the half-fleet of Chieftain tanks which will remain in BAOR have the guns and armour to match the Soviet threat? If so, why is the other half-fleet going to be replaced with Challenger? If not, why is the whole fleet not being replaced?
- (xiii) Chemical Warfare (paragraph 616h). Is there any real protection against chemical warfare except the possession of an offensive capability? Is there any suggestion that the United Kingdom should acquire such a capability?
- (xiv) Naval Programme (paragraph 619). To what extent is the nuclear powered fleet submarine programme likely to be affected by the Polaris replacement programme? Is Vickers going to remain the only nuclear yard? Are Invincible and her two sister ships going to be purely anti-submarine carriers? Will they not also have a useful intervention capability outside the NATO area which might be advertised? In the light of our experience with Sting Ray, will it really be sensible to seek to develop a new British heavyweight torpedo rather than buy from the Americans something which they are going to develop anyhow?
- (xv) Defence Sales, Operational Analysis, Royal Ordnance Factories Royal Dockyards, Electronic Warfare and Research (series of free standing essays following paragraph 627). Is the format right? Whereas most of the essays in the SDE are designed statements of general policy, some of these seem more in the nature of reports on work in progress. Some of these subjects appear to lend themselves to the latter treatment. On points of detail, is there anything to report on the future of the Royal Ordnance Factories? In regard to the Royal Dockyard, the situation set out in the table 3.7 shows a halving in the number of major refits and normal refits completed in the period



CONFIDENTIAL

1975-76 up to 1979-80 with a labour force in the dockyard which is only slightly reduced. Is that acceptable?

- (xvi) Servicemen and Women (paragraphs 701-711). Are there any plans for cutting the numerical requirement for servicemen in view of the fact that demographic trends are likely to make recruiting more difficult in the future? (Paragraph 708).
- (xvii) The Womens' Services (paragraphs 722-724). In view of the emphasis placed on the increased use of women in the armed forces (paragraph 722), why does the table at 4.2, which gives strengths of trained United Kingdom Service personnel in the regular forces, show an anticipated reduction in numbers of Service women in 1982? Has the proposal to arm women now gained general acceptance?
- (xviii) Defence Statistical Services (paragraph 820e). This paragraph recommends a 15 per cent reduction in the amount of data currently collected, as an administrative economy. If economy is an aim in this field, is the size of volume 2 of the SDE really justified? Are all these various statistics genuinely required for management purposes or are some of them being produced from force of habit?
- (xix) The Defence Estate (paragraph 821). It is an important element in the Government's policy that surplus and under utilised public sector property should be disposed of wherever possible. What progress has been made as regards the Defence Estate?
- (xx) Last year's SDE cost £8.50. This year's will no doubt be more than that. Is it wise to insist on a price which virtually places it beyond the reach of the private purchaser?

4th March 1981