

NOTE FOR THE RECORDFuture Defence Policy

The Secretary of State for Defence, Mr. Nott, called on the Prime Minister this morning to talk about the options which were emerging from the Defence Review at present under way in the Ministry of Defence.

Mr. Nott said that he was working on the basis that his Department's costings should be held to the 3% plus 1% figure envisaged in the PESC estimates. Earlier costings had been in excess of those figures. The options which were emerging from the new costings were going to be difficult to get through the Party. They included:

- (a) A reduction in BAOR from its present level of 4 divisions to either 2 divisions or 3 divisions. The 2 division option was, in fact, likely to prove more expensive because of the need to construct facilities in this country. Mr. Nott said that he was therefore likely to recommend going for 3 divisions. He thought that this could be sold to SACEUR. He intended to keep one brigade of the withdrawn division in being in the UK. He also intended to try to meet commitments on the Northern flank from the forces in BAOR rather than from those in the UK. The Brussels commitment to maintain 55,000 troops on the mainland of Europe would be maintained. There would be no savings until the total numbers in the Army began to come down in 1984. The eventual reduction would be of the order of 5,000 men;
- (b) the Phantom units in Germany would be withdrawn to the UK. This would cause a row but should be manageable;
- (c) the Surface Fleet would be reduced over 10 years from a figure of 60 destroyers and frigates to a total of 35. Two dockyards, probably those at Chatham and Portsmouth, would be closed. There was a real possibility that the present Admiralty Board would resign;

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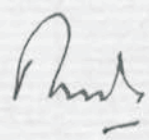
(d) expenditure on Trident should be delayed. Mr. Nott said that he would be recommending that we should not acquire Trident 1 but that we should wait for Trident 2. This would mean that the allocated expenditure in the years 1982-84 could be used elsewhere in the Defence Budget. In the Defence Secretary's view, we did not in any case need Trident 1.

The Defence Secretary said he believed a new, professional and viable defence force could be developed on the basis of the plans he was now considering. He found the prospects "quite exciting". Nonetheless, there would be considerable difficulties in persuading the Party that the plans were realistic. The plans depended crucially on the decision about Trident and on there being no reduction at all in the 3% plus 1% formula envisaged in PESC. It was impossible for the Ministry of Defence to find any additional savings. As it was, there would be a large number of redundancies and various pieces of equipment on which the Forces were very keen, eg the heavy torpedo and the Sea King replacement, would have to be foregone.

In response to a question, the Defence Secretary confirmed that he believed that the costs of Trident could be accommodated in the present PESC estimates from 1984/85 onwards.

The Prime Minister agreed that she would have to see the Chiefs of Staff at some future date in order to discuss with them their reaction to the new defence policy which was emerging.

The Prime Minister gave the Defence Secretary no commitment in the course of this conversation about her attitude towards his insistence that the Defence Budget would have to be excluded from a further round of public expenditure cuts.



5 May 1981

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