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MANAGEMENT IN CONFIDENCE

cc A. Clarke
PC



MINISTRY OF DEFENCE
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MO 4/8D

4 January 1991

Ric Minnie

Dear Charles,



SERVICE MORALE

I said that I would let you have a note about the effect on the morale of the services of undertaking Operation Granby at the same time as 'Options for Change' are underway. There is not an easy answer, but I enclose a note discussing the issue and giving some suggested lines to take if the issue is raised during the Prime Minister's visit to the Gulf.

Yours sincerely

Sir Webb

CRB

(S WEBB)
Private Secretary

5/i

temporarily retained

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Sir Charles Powell KCMG
10 Downing Street

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SERVICE MORALE

1. The Defence Secretary's statement on Options for Change in July last year was widely welcomed. The Services recognised that the world had changed, that defence spending no longer required the same priority, and that it would be possible to make significant reductions in the force structure and planned programme. They were also conscious that in recent years we had been trying to do too much with the available resources, which resulted in inadequate support to an overstretched front line. They welcomed particularly, therefore, the Defence Secretary's references to future forces which were smaller but better in the sense of fully manned, properly housed, well-equipped and supplied with the necessary spares and stocks.

2. Since July:

a. In-year savings measures to counter higher inflation are having a significant impact on individual servicemen;

b. Operation GRANBY has supervened;

c. Unavoidable uncertainty about the details of the future force structure has been compounded by press speculation and a growing sense that budgetary pressure may result in a force structure smaller than foreshadowed last July and not "better" than today.

3. As to 2(a), the effects of inflation and the recession have required, since last April, in year cuts worth some £700M against plans for 1990/91. As so much of the programme was already committed (on equipment and manpower) many of the savings measures fell in areas affecting activity (fuel, ammunition, movements, stores, spares etc) and living conditions (works, clothing and furniture). It has been necessary to make a significant part of

the savings specifically on running costs, with consequent effect on Service training and civilian support.

4. The Services are beginning to perceive that in 1991/92 we face similar problems on an even larger scale, which will be compounded by the need to accelerate the rundown to the smaller force structure (following PES 90). (Taken together, last summer's emergency savings exercise and the current Long Term Costing (LTC) will have had to remove around £2.4 billion - which is more than 10% - from the programme for 1991/92 as costed a year ago).

5. All three Services have responded very positively to GRANBY and morale has been lifted by the demands of a difficult and important operation. The Prime Minister will find servicemen in the Middle East in good heart, and well-prepared for whatever comes. At the same time GRANBY has brought home to them the accumulated consequences of financial pressures on spares, war stocks and other support expenditure. To deploy 2 armoured brigades admittedly in very testing circumstances we have effectively denuded the remaining 6 brigades in Germany of the wherewithal to fight, or even to train.

6. Meanwhile, on Options we have been carrying forward the detailed staffing and consultation with Allies which the Defence Secretary foreshadowed in July. This inevitably takes time, prolongs uncertainty and gives rise to speculation internally and in the media. Most doubts surround the future size, shape and role of the Army. (The CGS found on his visit to the Gulf last weekend that morale was high in the context of GRANBY but there was widely expressed concern about what would happen afterwards). The Defence Secretary is pushing forward the question of the future size and shape of the Army. The planned low key announcement on Army Structures this month will help but there will inevitably be uncertainty until the future of individual units has been settled.

7. There has also been speculation about, for example, the possible closure of the RN bases at Portland and Rosyth (no decisions have been taken) and about the future size of the surface fleet (stimulated by Select Committee enquiries); and comment on the practicability of implementing Options concurrently with GRANBY (e.g. Sunday Times of 23 December suggesting troops returning from the Gulf to redundancy notices). All these anxieties are compounded by the growing belief that the squeeze on the defence budget will continue to prevent the investment in people, equipment and infrastructure necessary to secure "smaller but better". Despite the high morale stemming not least from the Government's commitment to the Operation itself, the Prime Minister may encounter concern and even scepticism about the future.

8. The Services therefore face a uniquely difficult period in which they are both undertaking Operation Granby and responding to the changes in Eastern Europe.

LINE TO TAKE

- commend the positive and professional response of the Services to GRANBY and make clear that financial constraints will not inhibit our support to the operation;
- underline that defence will always be a high priority for HMG, and GRANBY itself is evidence of that;
- stress that the force structures and roles envisaged in Options for Change imply the continuation of a significant and worthwhile role for all three Services - in Europe and where necessary outside;
- acknowledge that unprecedented scale and pace of international change makes it impossible to make firm

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predictions, but all experience since July suggests that we are on the right course in Options. Worries about the impact of change on individuals are inevitable and understandable. We will clarify prospects as soon as possible (if raised: in implementing rundown we will keep redundancy to a minimum; the fairly rapid natural turn-over of the Army will help).

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