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PRIME MINISTER

c Sir Robert Armstrong

Future Force Levels and Further Capital Works
(OD) (FAF) (84) 2)

BACKGROUND

1. At their last meeting in June 1983, the Sub-Committee agreed to the construction of the Mount Pleasant airfield and "invited the Secretary of State for Defence to make separate recommendations in due course for further capital works, notably Army accommodation and port facilities, taking account of the scope for economies" (OD(FAF)(83) 2nd Meeting, Conclusion 3).

FLAG A.

2. In his Note (OD(FAF)(84)2), the Secretary of State for Defence describes the short term force levels which he regards as necessary in present circumstances (i.e. a core element of 3,174 from May 1984 and a "short term increment" of 700: this would represent a reduction of 166 men from the position in November 1983); and argues that no decisions are needed now on the actual force levels that will be necessary from the military standpoint in the longer term. However, a working assumption on the garrison size in the longer term is needed in order to determine what support facilities, and what consequential capital works programme, ought now to be set in hand. Studies by the Chiefs of Staff (set out in Annex B of the paper) reveal that the additional capital works requirement is very largely insensitive to changes in garrison numbers. Mr Heseltine therefore recommends, as a working assumption, a garrison of 2,800 which would mean further capital works to an estimated cost of £124m. - £142m. (listed at Annex C). If these new facilities are to be ready on time (i.e. February 1986 for operational facilities and December 1986

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for the remainder), work should start on site this October. This means agreeing the proposals this month (i.e. February), to leave sufficient time for tenders to be called and contracts awarded.

FLAG E

3. Mr Heseltine is concerned that the timing of any announcement of additional works should take account of the state of play over normalising relations with Argentina. The Foreign and Commonwealth Secretary is circulating a note to OD colleagues on the Argentine reply to the approach made through the Swiss Government which is to be discussed by OD immediately prior to this meeting of OD(FAF).

FLAG C

4. The Secretary of State for the Environment minuted you and OD(FAF) colleagues on 21 February to report progress on constructing the airfield at Mount Pleasant. The project is on programme and budget, and the assumptions about costs and timing endorsed by OD(FAF) last June still appear sound.

FLAG D

5. Also relevant, but not calling for discussion or decision, is the Progress Report on Economic Development of the Islands by the Minister for Overseas Development (OD(FAF)(84)1).

6. The Secretary of State for the Environment, Chief Secretary, Treasury, Minister for Overseas Development and the Chief of the Defence Staff have been invited to attend.

HANDLING

7. You will wish to invite the Defence Secretary to introduce his note; and the Secretary of State for the Environment to report progress on constructing the airfield (for which purpose he may wish to make use of some visual aids). The Foreign and Commonwealth Secretary might then be invited to advise whether, and if so how, our exchanges with the Argentine Government through the



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good offices of the Swiss Government as protecting power, discussed at OD, affect Mr Heseltine's recommendations and the timing of any announcement. The Chief Secretary, Treasury, may wish to comment briefly on the implications for public expenditure.

8. In the ensuing discussion, the following points will need to be addressed -

(a) Further capital works

Does the Sub-Committee agree that a capital works programme, based on the assumption of a future garrison of 2,800 people, is reasonable? Can, and should, the minimal garrison options be ruled out?

(b) Scope for economies

At the meeting of OD(FAF) in June 1983, it was stated that savings of up to £30 million might be made if the contractors' work camp could be adapted for subsequent use as military accommodation and facilities for the RAF and the Army could be shared. Have these, and the scope for any other economies, been fully explored and taken into account in the estimates before the Sub-Committee?

(c) Announcement of further capital works

Is an announcement unavoidable? If so, could decision on further capital works be credibly presented as an extension, and no more, of the present building programme? How much public weight can be put on the argument that the new airfield will play an important part in the plans for the economic development of the Islands? (Paragraph 10(ii) of the Progress Report by the Minister for Overseas Development (OD(FAF)(84)1) refers to the need to make the Falkland Islands more attractive to new immigrants; an airfield permitting easier communication with Europe could be important in this respect.)



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CONCLUSIONS

9. Subject to the discussion, you may wish to guide the Sub-Committee to the following conclusions -

(a) agree to maintain the Falklands garrison at the force levels recommended by the Secretary of State for Defence, subject to review in the light of continuing developments in normalising relations with Argentina;

(b) invite the Secretary of State for Defence to carry out a further review of force levels in the Autumn, as he recommends, and to report to the Sub-Committee;

(c) authorise further capital works, at an estimated cost of £124m.-£142m., and agree that tenders be issued in time to allow work on-site to begin in October 1984;

(d) invite the Secretary of State for Defence and the Secretary of State for Foreign and Commonwealth Affairs to consult over the timing and content of any announcement of further capital works.

David Goodall

A D S Goodall

29 February 1984