(1)

Prime Minister

Content with proposal in para. 6, subject to the views of OD colleagues?

You can't do anything on 1st April, it is much too late. People need longer warning of such reductions. A.J.C. 15/3

But what are the relevant exchange rates? I do not think they will stay the same as now. We must discuss this

MO 4/4

CHANCELLOR OF THE EXCHEQUER

GERMANY: LOCAL OVERSEAS ALLOWANCE

Our officials have been in touch about the local overseas allowance (LOA) paid to Servicemen in Germany. Briefly, a review has disclosed that there should be a reduction in LOA, but there is no agreement between our Departments about what should be done.

2. The decision raises issues of great political delicacy. Any reduction in LOA must involve cutting the take-home pay of Servicemen in Germany when their cost of living there is still increasing, albeit less rapidly than in the UK. Moreover, this comes at a time when we are being criticised for cutting our expenditure on conventional forces. If LOA comes down, we can be sure that the Press will present it as a first contribution towards the cost of Trident - the 'Sun' has already launched a campaign to tell us "don't cut their cash" (copies of recent articles attached). Hitherto our policy on Armed Forces' pay has been a source of political strength.

3. Nevertheless, the evidence from the review was such that a cut is clearly justified, and I recognise that the LOA system can and should embrace both increases and decreases as the extra expenses which it is designed to cover vary over time. I therefore propose to reduce LOA in Germany, but the decision will have to be very carefully handled, not least in relation to the Foreign

Service Allowance (FSA) which is paid to the UK-based civil servants who work alongside our Servicemen in Germany.

4. It is inevitable that there will be comparisons between the ways in which we treat the two allowances - although I realise that, in theory, the two are quite distinct. Unlike Servicemen the civil servants are represented by Trade Unions, and this is another reason why we cannot afford to appear to treat Servicemen more harshly. I understand that a special review of FSA is in hand and may eventually lead to cuts. I am sure that to some extent the cut in LOA must be conditional on what is to happen to FSA, since both allowances purport to compensate for the extra cost of living abroad.

5. I am satisfied that we should aim for reductions in LOA totalling £24m. in a full year, to be accompanied by a further review of standards in Germany in the autumn of 1982. But a cut of this magnitude - which would for historic reasons be loaded towards married Servicemen - would be too onerous to impose in one step - and I agree with the C in C's in Germany that there is a limit to how far and fast a good employer can go, particularly with our employees who are unrepresented by the Trades Unions. For example, the typical married sergeant would face a loss of just over £14 a week (or nearly 8%) from his after-tax take home pay of around £182, while a married corporal receiving about £148 a week would also lose nearly £14, in his case over 9% of his net income. OD colleagues, to whom I am copying this, may have views about the political sense of cutting the net incomes of our Servicemen in this sort of way. For my part I think we should meet the problem by staging the cuts applied to married Servicemen in such a way as to limit the total reduction in the first year, 1982-83, to £17m.

6. The pattern of reductions which I propose is as follows. Rates of LOA will be reduced by 10% across the board from 1 April.

Too soon. They must have more notice

This would lead to a reduction of about £4 p.w. in the weekly take home pay of the married corporal. Thereafter rates paid to married Servicemen will be further reduced on 1 October, leaving a residual reduction for married other ranks to be made on 1 January 1983. I have also considered the possibility of applying this staging only to those already in Germany, with new arrivals going to the new, lower, rates at once. But I do not think that this kind of discrimination is sensible man management; and I am sure that it will only be possible to proceed with the later stages if FSA is reduced at least pro rata. Only this way can we protect ourselves from the very damaging charge that we have singled out the Servicemen for harsh treatment.

7 The troops in Germany have already been warned to expect a reduction in LOA from 1 April - hence the Press campaign. I think it is important for both managerial and political reasons to stick to this date if we possibly can, which leaves us very little time for decisions. Germany ought to be informed of the new rates of LOA in the next few days. So I should be grateful for your very early concurrence in what I am proposing, preferably by close of play on 17 March.

8 I am copying this minute to OD colleagues and to Sir Robert Armstrong.

S.N.

Ministry of Defence
15th March 1982

THE SUN

RHINE TROOPS IN A FURY OVER PLAN TO CUT PAY

BRITISH servicemen were fighting mad last night . . . after being warned to get set for a pay CUT.

There were angry scenes in the Naafis and messes of West Germany as the news was broken to the troops by commanding officers.

They told 65,000 Army and RAF staff to tighten their belts and prepare to lose up to a quarter of their special overseas allowance.

The men have been getting up to £7.96 a day to compensate for the higher cost of living in Germany.

But Ministers say that high inflation in Britain and the strength of the pound, have reduced the price gap between the two countries.

A sergeant in Munich said last night: "It's a bloody disgrace. We lose our overseas allowance when we go to Belfast because its a home posting . . . now this.

"The cost of living is much higher than in Britain.

"If Mrs Thatcher thinks otherwise she can come over here and go out with my wife for the weekly groceries."

He added: "A lot of friends are absolutely cheesed off. We're supposed to be the frontline force against the Russians and they treat us like paupers. Its a pity we can't strike."

A major's wife, just back from Berlin after a two years posting, said: "In German shops everything is much more expensive, especially clothes.

Amount

"It's hard enough leaving your home in England to go abroad but this will make it very difficult indeed to make ends meet."

Payment of the allowance cost the Defence Ministry £92million last year.

THE SUN SAYS

A 25 per cent cut would save the Government £23 million this year . . . about the same amount that Treasury Ministers are accused of losing over the sale of the State-owned Amersham International company.

Servicemen often use the allowance to save up to buy cars, fridges and other luxury goods.

The size of the cuts has yet to be confirmed.

But news of them was reached in orders to the Rhine Army's General Officer Commanding, General Sir Michael Gow and the RAF's Air Officer Commanding, Air Marshall Sir Thomas Kennedy.

LY TELEGRAPH

BAOR WARNED OF CUTS IN ALLOWANCES

2/1

By Our Defence Correspondent

British Servicemen in Germany have been warned that reductions in their rates of Local Overseas Allowance are inevitable from April 1. They have been advised in unit and station orders to review their spending "with the object of preparing to make economies where possible."

The tax-free allowance is paid to all ranks on a sliding scale to try to ensure the standard of living of the Serviceman and his family is maintained wherever they are stationed.

The main reason for yesterday's warning is that the rate of domestic inflation in Britain remains ahead of that in West Germany, affecting the justification for special overseas payments.

THE TIMES

SOLDIERS FACE PAY CUT'

2\2

By Our Defence Correspondent

Soldiers in the British Army of the Rhine and West Berlin have been warned to brace themselves for what will be seen as a pay cut. From April 1 their local overseas allowances (LOAs) will be cut.

The figure has not been decided, but it is understood the reduction could be greater than 25 per cent.

The allowances, which were high for many years, were cut substantially in 1975 as the gap between the cost of living in the two countries narrowed.

In 1977, when a cut of between 30 and 40 per cent was thought justified, the ministry was so afraid of provoking discontent among troops already unhappy at their pay rise that it decided as they were. The proposed reductions could have meant a 15 per cent drop in the net pay of many servicemen.

Whitehall officials are acutely embarrassed by this latest round of cuts in what most of the 65,000 servicemen and women in West Germany regard as one of the prime prerequisites of living abroad.

Those already serving there have been advised to "review their spending patterns and to be prepared to make economies where possible", according to a spokesman last night. New arrivals should "seriously consider deferring long-term commitments until more detailed information on the new rates of LOA is available".

The strength of sterling against European currencies is one of the reasons given for the latest reduction.

DAILY MAIL

Troops face pay cuts

2\2

BIG CUTS in the allowances paid to British troops in West Germany are likely to be made in April. The 65,000 Army and RAF personnel were warned yesterday to tighten their belts and be prepared to make economies.

The Local Overseas Allowance is to compensate for the higher cost of living in Germany. One of the reasons for the cuts is believed to be the continuing strength of sterling against the European currencies.

DAILY EXPRESS

Services cuts

2\2

BRITAIN'S 65,000 Service personnel in West Germany are to have their allowances cut from April 1.

DAILY MIRROR

BRITAIN's 65,000 Army and RAF personnel in West Germany have been warned to tighten their belts because their allowances will be cut from April 1. 2\2

Servicemen feel the allowances compensate for Germany's higher living costs. A lance corporal in Germany with his wife and one child gets £5.30 a day on top of his pay.

DAILY MIRROR

MEDIASCAN LTD.

AL SERVICE

DATE 01 MAR 1982

12/5

Reagan visit protest call

A CALL for protest action during President Reagan's visit to Britain in June, was unanimously endorsed by the Chile Solidarity Campaign's annual conference at the weekend.

The 130 trade union, political party and local solidarity committee delegates meeting in London, also approved support for the March 28 national demonstration on El Salvador.

The conference heard a member of the largest and most representative trade union grouping in Chile, the National Trade Union Co-ordinating Committee (CNS), clearly accusing the dictatorship of the murder of the Chilean civil servents leader Tucapel Jimenez.

Mr. Jimenez played a crucial role in recent moves to unify the trade union movement, campaigning vigorously for the "Charter of Chile"—a national platform of demands for democratic rights, improvements in conditions, wages and social welfare presented by CNS to the junta.

It is thought that his murder may herald a wave of state terrorist action against public figures similar to that pursued by the dictatorships in Guatemala and El Salvador.

Labour MP and opposition foreign affairs spokesman Stanley Clinton Davis announced the hypocrisy of President Reagan. And Geoffrey Drain, general secretary of the local government union NALGO compared the effects of the monetarism in Chile to the present situation in Britain.

THE SUN

Troops line up behind the big Sun pay battle

2/2

BRITAIN'S Rhine Army soldiers last night gave their blessing to The Sun's campaign to stop their pay being docked.

In camps and Naafis throughout Germany they were "seething" about the Government's plan.

One angry squaddie said: "The lads are close to revolt — but that will never happen.

"We will just have to stand for it as soldiers."

Married men with families will be hardest hit by the cut in overseas allowances.

From TONY SNOW in Dortmund

A soldier with two young children said: "We've heard from people in the Pay Corps that the cut could be as high as 30 to 50 per cent.

"That would be terrible."

The allowance, for 65,000 soldiers and RAF men is to compensate for the difference in living costs between Germany and Britain.

The Government claim inflation and the strength of the pound have reduced the gap.

They are expected to announce an allowance cut of up to 25 per cent, from April 1.

A married corporal, who is based near the British Army HQ at Rheindalen, added:

"The allowance accounts for about a third of my income. I earn £15.41 a day. On top of that I get £7.27 a day allowance.

If I lost £3 a day of that it would mean a £90-a-month cut and that would really pinch.

Money

Whatever way the Government describes it, for us it's a pay cut. And it's not fair.

When the CO told us the cut was coming he advised us not to take on any new financial commitments and to make economies wherever possible.

Married men will be the hardest hit because the allowance is based on rank and the number of kids you have."

He added: "I thought Maggie Thatcher was one for the troops. Now I'm not so sure."

A 25-year-old soldier slammed the plan. He said: "It will mean a drop in living standards and the lads feel it's not fair."

We're going to suffer most, say the wives

By PHILIPPA KENNEDY

ARMY wives fear they will suffer most from the cuts.

A corporal's wife said: "We shall be like prisoners on the base.

"We won't be able to afford to go out for a meal or a drink and that's one of the good things about being abroad."

She added: "We might as well be in Colchester or Aldershot as in a foreign posting, if we can only afford to drink in the Naafi."

Jobs for wives on Army bases in Germany are scarce. Most do not speak German well enough to land work outside.

The wives claim food and clothes are much dearer in German shops.

A small joint of beef costs £4 to £5 and cheddar cheese is £1.10 a pound. A child's anorak is about £22.

THE TIMES

Science report

Computer keeps Met men ahead of the cuts

By Pearce Wright, Science Editor

2/2

The Meteorological Office has stopped its long-range weather forecasting work and a programme of exploration of the upper atmosphere using small rockets carrying scientific instruments to accomodate the Government squeeze on spending. Howevers these research cuts have been offset, to an extent, by the advances being made in developing improved methods for short-range forecasts.

Preliminary results suggest that the Meteorological Office, at Bracknell, Berkshire, will stay leader in this field of research, which costs about £6m a year.

The short-range work is split into three main categories. The first two involve a method of describing the weather systems by hundreds of equations. The first gives a geoneral picture, covering the whole of the northern hemisphere, and the southern hemisphere down to 30 degrees South, which makes it possible to supply from Bracknell flight-planning data to the world's airlines for almost any part of the globe.

The second is for the more detailed regional forecast, for periods of up to 36 hours, derived from analyses of conditions over Europe and extending to the east coast of North America and the Mediterranean.

In both of these mathema- is divided like a mesh, and in tical models the atmosphere the one designed for detailed regional forecasting the size of each segment of the mesh is a block 50 km horizontal length for the most accurate prediction. There is a further sub-division because each block is sliced vestically in up to 15 layers of the atmosphere.

The calculations, which can only be done on the new Cyber 205 giant computer, about 40 times faster than machinery hitherto available, only begins when the observational network of weather stations, satellites, buoys, aircraft and radio balloons provide the necessary temperature, pressure, moisture levels and other data from across the world.

When those figures are fed into the equations, the computer works out the interactions in progress in the weather machine.

The plans for transferrin this work from research t an operational forecastin system is described by Dr K H. Stewart, director of re search, in the annual repor of the Meteorological Office

He says significant im provements have bee achieved by using an earl version of the model for de tailed analysis of the regiona conditions. It has been pos sible to extend the period o predictions for guidance fron about 48 hours to more thai four days.

At local level Dr Stewart's research group has a tria project of short period fore casting, up to six hour ahead, of cloud and rainfal patterns. The scheme is combined piece of applie and fundamental resear leading both to an impr ment in forecasting a deeper understanding cloud formation and d sal.

The main source of for the study is the Eur weather satellite, Met transmitting pictures of c cover to a ground station Malvern, Worcestershire. addition a network of speci radars at Camborne, in Corn wall, Upavon, in Wiltshi Clee Hill, in Shropshire, and Hameldon Hill, in Lancashire, is monitoring rainfall. They transmit every 15 minutes over telephone lines a pattern of rainfall to the centre at Malvern where the data is combined to form a composite picture of the weather over the country as a matrix of 5km squares.

II

5

going to be profitable in future."

Mr Asquith says that the stewards always accepted that it would take several years for the alternative products in their corporate plan to come on stream — which was why they urged Lucas in 1976 to prepare for the sort of crisis that has now hit Burnley.

The likeliest product would be heat pumps for low energy housing, two of which were manufactured experimentally before a Government grant for the project was withdrawn.

"Our position is that Lucas has made £7½ million out of Burnley in the past two years and they must use that money to maintain a reasonable level of workforce here after those who wished to retire have done so," says Mr Asquith.

"They should use the research and development facility here to bring on alternative products which will create work on the shop-floor."

THE SUN

TORY MP BACKS THE SUN

2/7

THE SUN'S campaign to stop cuts in allowances for British troops overseas is being backed by ex-defence minister Keith Speed.

He declared yesterday: "We will see that servicemen get a fair deal in this."

Mr Speed, Tory MP for Ashford, Kent, was sacked as Under-Secretary of State for the Navy last year in a row over defence cuts.

Warned

He stepped forward after The Sun reported that servicemen had been warned of cuts to their local overseas allowance from April 1.

Troops serving in Germany are especially furious because of the high cost of living there.

They claim money could be saved by cutting down on civil servants at service bases.

An RAF sergeant at Rheindalen, West Germany, declared: "They live rent free, and don't even pay for heating or lighting."

DAILY EXPRESS

We'll attack the British, say rebels

2/8

By MICHAEL EVANS in Nairobi

A TEAM of British soldiers due to fly to Uganda to act as advisers were warned yesterday to keep out or face rebel gunfire.

The warning was given by Francis Dwengye, a leader of the underground movement trying to topple President Milton Obote.

He said: "If Britain sends military advisers to Uganda, they will be regarded as our enemies. They will become targets for the guerrillas."

Britain is sending a 36-strong military training team, under Colonel John Claverring, to instruct Uganda's police and army.

An advance party is expected to arrive in Kampala at the weekend as guerrillas plan a new offensive against the Obote régime.

Dwengye visits London each month to help mobilise sympathy for the guerrillas. "We advised against the British coming out here," he said.

Rifles

"Obote believes in the gun rather han negotiations," he claimed. "We've got over 2,000 rifles now and we believe we have the people behind us."

London is the international base for three co-ordinated Uganda "freedom" movements.

Former Uganda president Professor Yusufu Lule, is a leader of the umbrella organisation, the Uganda Popular Front. He lives in Knightsbridge.

Apart from Obote, the rebels' main target of hate is Uganda's Vice-President Paulo Muwanga.

He owned a fish and chip shop in Bromley, Kent, while in exile during Idi Amin's murderous rule.

MORNING STAR

Council and CND expose 'civil defence'

2/3

Morning Star Reporter

LAMBETH council in London launched a campaign yesterday in conjunction with the local CND, churches and neighbourhood groups, to expose the "total sham" of the government's nuclear war civil defence emergency plans.

Council leader Ted Knight told a press conference that copies of the government's nuclear war emergency plans would be made available for public inspection at three public libraries and the town hall.

A fortnight of events organised by CND with the council's backing, includes 14 exhibitions and the showing of the anti-nuclear weapon films The War Game and Jonathan Dimbleby's The Bomb.

A double-decker peace bus was to visit organisations including schools, tenants' bodies, and religious organisations from whom it had received invitations, the bus would contain exhibition material and there would be talks on the issues.

CONFIDENTIAL

File

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10 DOWNING STREET

OD
LCO DTde
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CDL MOD
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From the Private Secretary

16 March 1982

Dear David,

Germany: Local Overseas Allowance

The Prime Minister has seen your Secretary of State's minute of 15 March to the Chancellor of the Exchequer. As I told your office this morning, the Prime Minister considers it undesirable to take the proposed action to reduce rates of local overseas allowance from 1 April. She believes that those affected must have much more notice than would now be possible. She has also asked for more detail about the relevant exchange rates - she is inclined to doubt whether exchange rates will remain at their present levels. Finally, Mrs Thatcher has commented that a Ministerial discussion of this issue seems desirable.

I am copying this letter to the Private Secretaries to members of OD and to Sir Robert Armstrong.

Yours ever

John Coles.

D.B. Omand, Esq.,
Ministry of Defence.

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