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6th April 1982

cc- Mr. Wade-Gery
Mr. Colvin
Mr. Alexander

*contd
6/5/82 B*

CABINET OFFICE	
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FILING INSTRUCTIONS	
FILING No.

Dear Sir,

At Cabinet this morning, in the course of the item on the Falkland Islands, there was discussion of the effects of Government policy on the future naval programme. My Secretary of State gave various information and figures which could be used to refute allegations that the Government was ruining the Navy. He agreed that he would circulate to his colleagues suitable material with the aid of which they could refute such allegations. I now attach a series of points which Ministers could make in this connection, together with the lines of figures and background information. Mr Nott is particularly anxious that Cabinet members should be aware of the figures for naval expenditure as a percentage of total defence expenditure. These provide the key for the statement that this financial year we will be spending £1.2bn more in real terms than when the Government came to office. It will also be seen that the amount spent on the Navy in real terms has increased by over 50% since 1950/51. The Navy also takes up a greater proportion of the defence budget than it did then. Although the amount spent on the conventional naval programme will decline from a peak in 1983/84 of £4108m to £3789m in 1991/92, at no point will the amount spent be less, at constant prices, than the figure for 1978/79. I am sure I do not need to emphasise that these figures are based on our current LTC assumptions.

I am copying this letter to Private Secretaries to all Cabinet Members and to David Wright.

*Yours ever
Nich Evans*

(N H R EVANS)

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THE ROYAL NAVY

Naval Budget

Talk of running down the Navy is nonsense. This financial year we will be spending £ $\frac{1}{2}$ bn more in real terms on the Navy than was spent in the year before we came to office. As to the future we will still be spending more on the conventional Navy, even when expenditure on modernising the strategic deterrent is at its peak, than we were in 1978/79.

Ship numbers

There will be more major ships and submarines operational in 1985 than there are today. A massive modernisation programme for the fleet is in hand. The principal threat to our peace and freedom will continue to come from the Soviet Union and we will be increasing the numbers of our nuclear submarines - which will be the main strike threat to the Soviet fleet - from 12 to 17.

Recent Orders

Last year we placed naval orders with British Shipbuilders to the value of over £400M. In the past few months we have decided to order the Heavyweight Torpedo, improve Sea Wolf and procure Sea Eagle. A further Type 22 frigate was ordered in February and last month we invited tenders for a further nuclear submarine and 4 minesweepers. The total programme for torpedo procurement alone amounts to more than £2,000M.

Carriers

It was made absolutely clear in the White Paper on the Defence Programme (Cmd 8288) that 2 carriers will be kept in service. ILLUSTRIOUS will join the fleet later this year and the construction of ARK ROYAL is progressing satisfactorily.

NAVAL EXPENDITURE AS % OF TOTAL DEFENCE EXPENDITURE

	<u>1950/1</u>	<u>1960/1</u>	<u>1970/1</u>	<u>1978/9</u>	<u>1982/3</u>
1. Defence Budget	10257	14448	13342	12883	14091
2. Naval Budget	2564	3612	3602	3607	4047
3. (2) as % of (1)	25	25	27	28	28

- Notes: (1) Figures based on Estimates, not outturn.
(2) All figures at constant 82/3 prices.
(3) 1982/3 figures excludes Trident.

THE ROYAL NAVY PROGRAMME

BACKGROUND

For its maritime tasks, the Royal Navy is currently in the middle of a major programme of new warship construction. Older and more manpower-intensive warships will be phased out during the next few years and will make way for the new types of destroyers and frigates now entering service or under construction. The surface Fleet will be smaller; but its new ships will be of advanced design and fitted with technologically sophisticated weapons and sensors. Later in the decade we shall be embarking on a construction programme for a simpler and cheaper type of anti-submarine frigate.

Last June we announced the order of a further Broadsword class (Type 22) frigate the seventh in the series - and in February this year we ordered the eighth. We will keep under review the need for more ships of this type. The progress we are making towards the next generation of frigate - the Type 23 - reflects our policy of replacing ships rather than undertaking mid-life modernisation. Feasibility studies are well under way, and we expect to finalise the broad design characteristics later this year. A good deal of work remains to be done, but our aim is to place the first order by the middle of the decade. The build-up of the Sheffield class (Type 42) destroyer force is also well in hand; it will increase to a total of 14 later in the decade. We expect the second ASW carrier, HMS Illustrious, to join the Fleet later this year and HMS Invincible to be handed over to Australia next year. The construction of the third, HMS Ark Royal, is progressing satisfactorily. The Sea Harrier programme is well advanced. The Sea King Mk 5 entered front-line service last year. Joint studies with Italy on a collaborative successor to the Sea King are proceeding well, and a final decision is expected later this year.

As to the defence of the United Kingdom base, the modernisation of the mine countermeasures force is well under way. The new Hunt class is entering service, and feasibility studies have begun into a new and simpler type of minchunter, due to enter service towards the end of the decade. In February we announced our intention of ordering later this year the first batch of a new class of minesweepers for the Royal Naval Reserve.

In the field of anti-submarine warfare, we attach particular importance to increasing the size of the nuclear-powered submarine force as rapidly as resources will permit. We have already explained our plans for the submarine-launched strategic deterrent. We announced the order for the sixteenth nuclear-powered fleet submarine last year and expect to be placing a further order soon. Design and development work on the new class of conventional submarine to replace the Oberon class is well advanced.

As to weapons systems, shortly after taking office we authorised full development and production of the Sting Ray lightweight torpedo, which is now undergoing trials with a view to entering service in the coming year. We are also bringing into service the air-launched anti-ship missile, Sea Skua, and the submarine-launched Sub-Harpoon. Our capability will be further improved by the decision announced recently to acquire a new heavyweight torpedo manufactured by Marconi. The effectiveness of the Sea Wolf air defence missile system is being upgraded. Advanced new towed sonars will be entering service shortly, and our communications will benefit greatly from the launching of new satellites ordered last year.

Major Programmes authorised for Full
Development or Production since May 1979

Eastern Atlantic

New Patrol Submarine
Heavyweight Torpedo
Sea Wolf Improvements
Seabed Operations Vessel
Sting Ray Torpedo
Electronic Support Measures for Submarines
Sea Eagle Anti-Ship Missile
Skynet IV Communications Satellite

Central Front

Challenger and Main Battle Tank Improvements (including Thermal Imaging)
Tracked Rapier