



MINISTRY OF DEFENCE
 MAIN BUILDING WHITEHALL LONDON SW1
 Telephone 01-~~3307822~~ 218 2111/3

MO 3/9

17th January 1984

Dear John,

LOCAL OVERSEAS ALLOWANCE - GERMANY

File with AT.

In my letter of 25th February 1983 I gave details of new rates of Local Overseas Allowance (LOA) which were to be introduced in Germany as a result of a review in November 1982. The new allowances represented decreases in LOA rates for single personnel of between 23% and 26% and for married personnel of between 6% and 11%. The reductions were staged so as to give Servicemen time to adjust to the new rates.

LOA is paid to members of the Forces to meet the extra costs of living on overseas stations. The LOA budget is repriced each year to ensure that the rates continue to be related to current requirements, and the 1983 repricing on Germany has recently been completed. You will wish to be aware, in view of the Prime Minister's earlier involvement and interest, that the repricing shows that further reductions in LOA are needed to bring the purchasing power of the allowance back to the level judged appropriate in November 1982. A table is attached which shows the new rates.

The table shows that the reductions involve decreases in net take-home pay of up to about 4% and the management implications of this are bound to be very unwelcome. To ease their impact it is proposed to stage the reductions by applying 50% from 1st March and 50% from 1st June. The staging of reductions arising from a repricing exercise is unusual but it recognises the need to handle sensitively what the Servicemen will see as a significant cut in take-home pay. My Secretary of State is satisfied that, with this staging, it is consistent with the good management of the LOA system world-wide to make the reductions which the repricing has shown to be necessary. The new rates have been agreed by the Treasury with whom we have discussed the proposal for staging.

A J Coles Esq



My Secretary of State intends to announce the change in answer to a Parliamentary Question which will be put down for Answer in the week of January 23rd. The Chairman of the Commanders-in-Chief Committee, Germany, will make an announcement to Servicemen in BAOR and RAF(Germany) on the same day. An early announcement is important to give Servicemen as much notice as possible of the first cut on 1st March.

I am copying this letter to John Gieve in the Chief Secretary's office and Richard Hatfield in Sir Robert Armstrong's Office.

*Yours ever
N H R Evans*

(N H R EVANS)

LOA GERMANY REPRICING - NOVEMBER 1983

	£ per day			
	SOR	SO	MOR	MO
<u>BFA</u>				
Existing rate	1.92	3.17	5.14	6.29
Revised rate	1.36	2.53	4.34	5.10
Difference	-0.56	-0.64	-0.80	-1.19
<u>BERLIN</u>				
Existing rate	1.76	3.07	4.56	5.88
Revised rate	1.37	2.35	3.95	4.73
Difference	-0.39	-0.72	-0.61	-1.15
<u>US ZONE</u>				
Existing rate (as at 1.12.83)	2.77	3.45	6.37	7.67
Revised rate	2.09	2.75	5.40	6.18
Difference	-0.68	-0.70	-0.97	-1.49
<u>ISOSETS</u>				
Existing rate	1.92	3.17	5.64	6.94
Revised rate	1.36	2.53	4.94	5.88
Difference	-0.56	-0.64	-0.70	-1.06

NOTES

The above rates are assessed in detail for so-called "marker" ranks - Corporal and Captain - rates for other ranks being derived from them by a formula.

SOR	=	Single Other Rank
SO	=	Single Officer
MOR	=	Married Other Rank
MO	=	Married Officer
BFA	=	British Forces Area
ISOSETS	=	Isolated detachments

Defence: Armed Forces Pay Pt 2

18 JAN 1984



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cc C80
CO

10 DOWNING STREET

From the Private Secretary

23 January 1984

Local Overseas Allowance - Germany

I regret that there was an error in my letter on this subject which will have reached you earlier today. In the second sentence "1 June" should read "1 May".

I am copying this letter to John Gieve (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

A. J. COLES

Nick Evans, Esq.,
Ministry of Defence.

CT

Ref: LOA - Germany.

John.

John Cleave telephoned with a query on your letter to Nick Evans MOD dated today. He believes that the two dates for the implementation of LOA reductions should read 1 March and 1 May and not 1 March and 1 June. Your note to the Prime Minister, on attached letter from CST to Prime Minister of 20.1.84 does mention the dates as being 1 March and 1 May. John Cleave is worried that the MOD may act on the 1 March and 1 June dates. Please can you clarify the position.

Thankyou,

Sue.

23.1.84.

Jo VR



10 DOWNING STREET

From the Private Secretary

23 January 1984

Dear Nick,

Local Overseas Allowance - Germany

The Prime Minister has seen your letter of 17 January and the Chief Secretary's minute of 20 January on the above subject. Mrs Thatcher has noted that Treasury and MOD Ministers are now prepared to accept a compromise arrangement whereby the reductions in LOA for Germany would take place in two successive equal stages on 1 March and 1 June. She has further noted that your Secretary of State intends to announce the change in a Parliamentary answer this week.

I am copying this letter to John Gieve (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

Yours ever

Joh Cole

Nick Evans, Esq.,
Ministry of Defence.

VR