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cc MOD

10 DOWNING STREET

THE PRIME MINISTER

18 June 1984

My dear Field Marshal,

Thank you for your letter of 11 June.

I understand that, before Cabinet met to discuss the Pay Review Body Reports you had made the points set out in your letter to Michael Heseltine. I can assure you that, in our discussions, Michael emphasised that failure to give full immediate effect to the recommendations of the AFPRB would be much resented by the Armed Forces. Cabinet was in no doubt on this point.

You quite rightly refer to the record of this Government in implementing the recommendations of successive AFPRB reports. I am well aware of the problem of recruiting, manning and retention in the Armed Forces which the Government inherited on taking office.

We were pledged to remedy these deficiencies and we have done so: I understand that, with the exception of certain shortages in a few specialist trades, the Armed Forces are now fully manned and that there are no significant problems in recruiting and retaining personnel.

But, as Michael also told you, the Government must take into account the wider economic and financial implications of pay awards which are under its control. The fight against inflation is a central part of our economic strategy. Our success in reducing the rate of inflation has

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been due in no small part to a wider recognition of the role of high wage settlements in increasing costs and reducing our general economic performance. We cannot afford to let our achievement slip to the detriment of everyone, including Servicemen and women, by allowing wage levels once again to creep ahead of what the country can afford.

For these reasons we decided that, while we would accept the levels of pay recommended by the Review Bodies, they should wherever possible be implemented in two stages rather than one. We also accepted that, in fairness, the levels of charges recommended by the AFPRB should be treated in the same way. I fully understand that this will have come as a disappointment to members of the Armed Services but, equally, I hope they will recognise the reasons why we had to act as we did. I do not need to assure you that I would be the very last person to undervalue the superb professionalism and loyalty of our Armed Forces and I would certainly want to know at once if there was any significant deterioration in the presently favourable conditions of manning and retention which I am glad that the Government's policies have helped to achieve.

Yours sincerely

Margaret Thatcher

Field Marshal Sir Edwin Bramall, GCB, OBE, MC.

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PRIME MINISTER

AFPRB

Your Private Secretary has referred to mine the letter the Chief of Defence Staff has sent you on Forces pay.

2. You will remember that I informed the Cabinet that the CDS had made representations to me along the lines set out in his letter. In that discussion I had made it clear to him that, while I in no way sought to undermine the AFPRB, I had also to have regard, as a member of the Cabinet, to the broader economic and financial issues raised by the Review Body Reports. This was the sense in which I spoke to Cabinet, as is recorded in the minutes. CDS showed me the letter he intended to send you in draft and I did not attempt to deter him from sending it. I enclose the draft of a reply you might send.

Michael Heseltine

Ministry of Defence
14th June 1984

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DRAFT LETTER FROM THE PRIME MINISTER TO THE CHIEF OF THE DEFENCE STAFF

AFPRB

Thank you for your letter of 11th June.

2. I understand that, before Cabinet met to discuss the Pay Review Body Reports you had made the points set out in your letter to Michael Heseltine. I can assure you that, in our discussions, Michael emphasised that failure to give full immediate effect to the recommendations of the AFPRB would be much resented by the Armed Forces. Cabinet was in no doubt on this point.

3. You quite rightly refer to the record of this Government in implementing the recommendations of successive AFPRB reports. I am well aware of the problem of recruiting, manning and retention in the Armed Forces which the Government inherited on taking office.

4. We were pledged to remedy these deficiencies and we have done so: I understand that, with the exception of certain shortages in a few specialist trades the Armed Forces are now fully manned and that there are no significant problems in recruiting and retaining personnel.

5. But, as Michael also told you, the Government must take into account the wider economic and financial implications of pay awards which are under its control. The fight against inflation is a central part

of our economic strategy. Our success in reducing the rate of inflation has been due in no small part to a wider recognition of the role of high wage settlements in increasing costs and reducing our general economic performance. We cannot afford to let our achievement slip to the detriment of everyone, including Servicemen and women, by allowing wage levels once again to creep ahead of what the country can afford.

6. For these reasons we decided that, while we would accept the levels of pay recommended by the Review Bodies, they should wherever possible be implemented in two stages rather than one. We also accepted that, in fairness, the levels of charges recommended by the AFPRB should be treated in the same way. I fully understand that this will have come as a disappointment to members of the Armed Services but, equally, I hope they will recognise the reasons why we had to act as we did. I do not need to assure you that I would be the very last person to undervalue the superb professionalism and loyalty of our Armed Forces and I would certainly want to know at once if there was any significant deterioration in the presently favourable conditions of manning and retention which I am glad that the Government's policies have helped to achieve.

Defence
Amendments
Part 2

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10 DOWNING STREET

From the Private Secretary

12 June 1984

Armed Forces Pay Review Body 1984

As you will see from the attached letter, Field Marshal Bramall has written to the Prime Minister to express "the disappointment and concern felt by the Chiefs of Staff at the Government's decision not to implement the AFPRB recommendations in full".

I should be grateful if you could provide , by close on Thursday 14 June, a draft reply for the Prime Minister to send.

BF

(Andrew Turnbull)

Nick Evans, Esq.,
Ministry of Defence

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CT

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CHIEF OF THE DEFENCE STAFF

The Right Honourable Margaret Thatcher MP

11 June 1984

Dear Prime Minister.

ARMED FORCES PAY REVIEW BODY 1984

I am writing to you direct (although of course with my Secretary of State's knowledge) because I feel it is my duty to express to you the disappointment and concern felt by the Chiefs of Staff at Her Majesty's Government's decision not to implement the Armed Forces Pay Review Body's (AFPRB) recommendations in full from 1 April 1984: but instead to hold back, for 7 months, 4.6% of the award, thus reducing it, on average and over the whole financial year, to below 5%. This, as you well know, will create pension troughs and have a significant impact on gratuities for certain individuals.

Our disappointment stems from the fact that this has been the very first time that this Government has felt it necessary to alter, in any way, the recommendations of the AFPRB in which the Armed Forces, having no negotiating machinery of their own, have developed such complete trust and confidence. Even this temporary interruption of comparability constitutes a going back on the public, much welcomed

and well understood promise made before and after the 1979 Election to give them full comparability, in relation to others with similar skills, and always to maintain that position in the future - a pledge repeated many times since, in The Queen's Speech of 1979, in one of the Defence White Papers and again by yourself in a written reply in the House of Commons on 18 May 1981. This latter was given despite similar financial stringencies at that time.

If steps are not taken in the future to correct any such impression, the Armed Forces will come to see it as a weakening of the credibility of the Body which, far from recommending preferential treatment, merely produces an accurate reflection of what others with similar skills and responsibilities have in fact been paid, or are being paid, in the current period under review. This particularly applies to our relationship to the Police, who are one of our main comparators and who, last Autumn, had paid to them their full award which has always traditionally been taken to set the principle for the award of the Armed Forces in the following April.

After all their dedicated professionalism and loyalty which you Prime Minister will, I know, be the first to recognise, the Armed Forces are bound to see this administrative act of political expediency by this Government of all Governments as one of very considerable ingratitude.

But our main concern, which we would like to put on record, is the effect that this frittering away of comparability (however small at this stage) could have, in the future, on recruiting, manning and retention. We remember so vividly when similar administrative adjustments started to be made in the mid-70s, some of them quite small in themselves but quickly resulting, by 78/79, in the Forces

having fallen 37% behind their comparators. This, as you will remember, had a critical effect on retention and manning, with numerous ships, aircraft and tanks unable to be fully operational. No one would wish to see this vicious circle, which your Party and Government have done so much to correct, repeated all over again; but you should know that, as we come out of the recession, outside job opportunities for the more highly skilled Serviceman are already resulting in an upswing in applications to leave the Armed Forces, and our experience tells us that any unfair treatment such as this unusual staging of the AFPRB recommendations tends to accentuate and accelerate this process.

My colleagues and I therefore request, Prime Minister, that you emphasise at an early opportunity the Government's continuing commitment to the principle of comparability for the Armed Forces.

Yours sincerely

Jim Prior