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LOOSE MINUTE

Note Spoke to 105  
AUS(af) - he will  
have with Treasury to  
D/AUS(GF)/11/- entire standard  
cc: PS/PUS line is taken.  
DUS(FB)  
Hd of GF1

PS/SofS

SO 7/2

£100m + £30m a week

FALKLAND ISLANDS: COSTS

I have been asked to provide briefing on the estimated costs of Operation CORPORATE. We have only a provisional and incomplete picture at present.

2. We have some figures for the initial setting up cost, which add up to £85m. This is very largely fuel (£51m) plus the cost of chartering ships and tankers (£18m). Negotiations on some aspects of charter charges are still in progress and we know of other omissions in the estimates eg Vulcan modifications. The total setting-up cost could be around £100m.
3. We also have some rough and incomplete estimates of the continuing monthly cost - at least £25m to £30m, again largely for fuel and charter. If the forces now committed remained on station for the rest of the financial year, the running costs could be £275m to £330m (ie 11 x 25 or 30).
4. The extra costs in 1982/83 could therefore be in the region of £400m. To arrive at £275m on the basis of the figures which we now have would imply assuming that the operation lasts about 6 months.
5. I should stress the uncertainty and potential inaccuracy of the above figures. I should also stress that they are 1982/83 cash flow estimates. They assume that the forces have been supplied from stock virtually free. Reprovisioning costs will arise in future years. Moreover some of the action now being taken may reduce cash flow in the current year, at the expense of greater costs later eg deferring Dockyard redundancies. The total cost of the operation could therefore be rather larger than the initial cash costs, depending upon how many stores and equipments need to be replaced.
6. I have no idea of the source of the press information. My people have not revealed any figures. I have also checked with Treasury, who were seeking some briefing for Chief Secretary last week. I then insisted that no figures should be quoted without the specific authorisation of the SofS. Treasury confirm that they have said nothing and indeed some of the comments in the Daily Mail article do not sound like Treasury briefing!
7. If asked about the £275m, the SofS might consider replying on the following lines:
  - (a) The costs of the operation will obviously depend upon its duration and intensity. It would be premature to make any assumptions about this.
  - (b) Estimates of costs already incurred are not complete (some contractual negotiations are still in progress) but they are significantly below the figure of £275m.

/(c)..

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C O N F I D E N T I A L

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(c) It is early in the financial year and we do not yet need to have more money voted. But when we know what addition to the Defence Budget cash limit is required, we shall seek Parliamentary approval for it.

If asked whether additional taxation etc will be required, SoFS might prefer to refer this question to the Chief Secretary.



26 Apr 82

J G ASHCROFT  
AUS(GF)

C O N F I D E N T I A L

# Cost so far: £275m

THE cost of the task force is now believed to have reached £275 million.

This will not be drawn from the Defence Ministry's £14 billion budget, but from the Government's contingency fund.

Defence sources stress 'discipline' in expenditure, but say that the Prime Minister has told Defence Secretary John Nott 'to spend what is necessary to recapture the Falklands.'

The force, with its staggering arsenal of weaponry, carries enough bullets and missiles for 20 days' fighting.

One indication of the cost was a Rapier anti-aircraft battery requesting permission at Ascension Island to fire 180

missiles to become battle ready. Each missile costs £9,000 . . . making a total of £1,620,000 for this exercise alone.

Whitehall officials say that the final bill for the operation will not be known for some months after completion. It will take account of new orders for ammunition to re-

place that used in training and combat.

Costs also include requisitioning and chartering about 35 civilian ships, and giving some of their crews 150 per cent. pay.

The Defence Ministry has pledged to pay a 'fair price' to owners of requisitioned ships.