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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon George Younger TD MP
 Secretary of State for Defence
 Ministry of Defence
 Main Building
 Whitehall
 London
 SW1A 2HB

GDD 12/7.

11th July 1988

Dear Secretary of State

TYPE 23 FRIGATE ORDER

Thank you for your letter of 7 July.

I am concerned that there does not appear to be any substantive analysis of the relative cost effectiveness of expenditure on frigates. These are very large sums of money and I do not see how such expenditure can be regarded as justified without an analysis of this sort. As regards the productivity of the fleet, I think we need an analysis of the costs and benefits of substituting current expenditure for capital expenditure.

This leaves me in a difficult position. In the absence of these analyses, placing the orders would represent spending a considerable amount of money in pursuit of a force goal whose value has not, at least to me, been clearly demonstrated. Some may argue that we need these new frigates to replace old ones. This would miss the point that the timing of such replacement investment depends on the size of fleet we want to achieve.

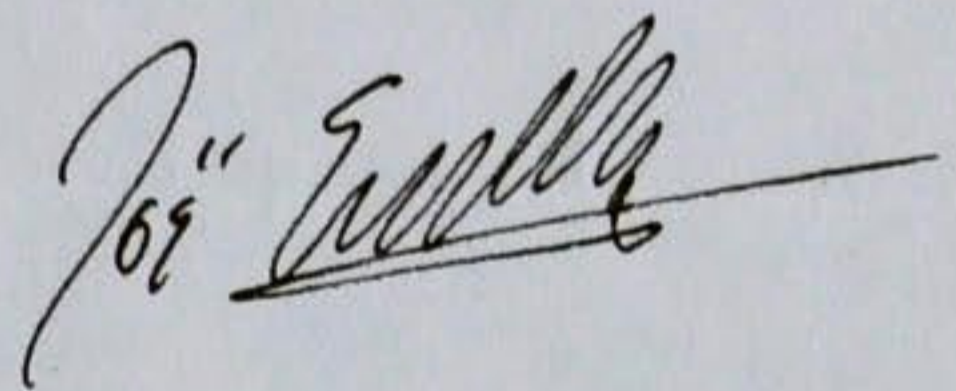
At the same time I recognise entirely that you are under political pressure. In view of this I feel I must agree that the order of the 3 frigates should go ahead on 11 July. However, if it is to do so, I believe we need now to undertake an analysis on relative cost-effectiveness and on improving the productivity of the fleet. Our officials can settle the scope of this work. Ideally it should be completed before the end of our PES discussions but, failing that, before any new tender for frigates is announced.

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I am sure you will agree that until we have had time to consider the outcome of this work, no reference should be made in public to the timing of the next tender, or to the possible number of vessels involved. Your draft announcement will need amending accordingly.

I am copying this letter to the Prime Minister, other members of OD and to Sir Robin Butler.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Major", with a horizontal line extending to the right.

for JOHN MAJOR

(Approved by the Chief Secretary
and signed in his absence)

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Yours sincerely,

JOHN MAHER

(Approved by the Chief Secretary
and signed in his absence)