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18 July 1988

*CDP
19/7.*

Dear John,

THE TYPE 23 PROGRAMME

With respect to equal

Thank you for your further letter of 11th July about the Type 23 frigate programme.

I note your concern that there does not appear to be any substantive analysis of the relative cost-effectiveness of expenditure on frigates, although I must say I was somewhat surprised by it since our officials have, I understand, discussed the issues in some detail. I can assure you that there is no basis for your concern.

The relative cost-effectiveness of expenditure can be addressed at a number of different levels, for example:

- a. between each of our main defence roles - nuclear, defence of the UK, maritime, contribution in Europe (plus out-of-area);
- b. within each of these roles, between different ways of performing a task - for example, the contribution of submarines, aircraft and surface ships to Anti-Submarine Warfare;

The Rt Hon John Major MP

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c. within a defined set of tasks appropriate to surface ships, between the contribution of ships with different characteristics and optimised to provide particular capabilities (anti-submarine warfare, anti-air warfare and so on);

d. between maintaining older ships in service and bringing in new ones.

Within my Department, issues at each of these levels are always under consideration and the work of the staffs concerned is informed by a substantial body of operational analysis (conducted by the Defence Operational Analysis Establishment and individual research establishments according to the nature of the study concerned) together with comprehensive financial information, including - wherever appropriate - an investment appraisal.

None of this work can, however, by its very nature avoid the need for difficult judgements, particularly where force levels are concerned. This is because, amongst other things:

a. in our wartime tasks, we intend to fight as part of an Alliance and our own contribution has to be set in that context. In the case of the maritime campaign, it is, of course, relevant that the main responsibility for providing ready forces in the Eastern Atlantic and Channel at the outset of hostilities is likely to fall on the Royal Navy.

b. The analyses we conduct have to make assumptions about Soviet force dispositions which may, in the event, prove over-optimistic. The HCDC have, for example, been somewhat sceptical about the approach taken by my representatives which played down the initial Soviet



submarine threat in the central Atlantic in war and therefore the need for direct defence provided by destroyers/frigates. The judgements reached are inevitably scenario-dependent.

c. We have to allow for the unexpected and to make assessments in conditions of considerable uncertainty. To take relevant examples, the rate of Soviet progress in quietening its submarine force, or, in the Persian Gulf, the diversity of the Iranian threat, have both perhaps exceeded our earlier expectations.

While we need to bear these points in mind, I should be happy to make available to your officials a summary of relevant operational analysis in the maritime area and for there to be discussions with the experts concerned. The visit already arranged by one of your officials to DOAE should also help generally to clarify the important contribution which operational analysis can make, as well as the need for care in interpreting its results.

Against this background, the distribution of resources between our main defence roles must ultimately be a political decision informed of course by expert advice. Within the maritime campaign, the Major NATO Commanders have identified a requirement for a RN destroyer/frigate force considerably in excess of 50 but we have persuaded NATO to limit the highlighted force goal to the exact figure of 50. As I explained in my earlier letter, developments since 1981 have, if anything, strengthened the case for frigates particularly in the towed array role. While there would be a good case for increasing our contribution in this area and this is not something we should rule out for all time, I myself believe that the Government's defence interests as a whole are best served by retaining the "about 50" approach.



Turning to the contribution of different types of surface ship within the "about 50" total, there are clearly important force mix issues which can be informed by operational analysis. We need, for instance, to consider the long term mix between ASW and AAW optimised ships and their characteristics. But the place of a Batch 1 Type 23 programme of 14-15 ships is not in doubt.

As to "productivity", there are a number of potential misconceptions. In looking at the balance of the Fleet between older and newer ships, account must be taken of capability as well as of running costs. There is no doubt in these terms that the Leander and Type 21 frigate classes are reaching the end of their useful lives, and need replacement or a major ship life extension/capability updating programme which would provide only a small further increment of life. I assume that the Treasury are not challenging the decision made in the 1981 Defence Review and followed through in our reductions in dockyard capacity that a short life/minimal capability updating policy is more cost-effective.

Thus I see no case for moving away from the judgement reached collectively in 1981 that a destroyer/frigate force of "about 50 ships" is needed, and I believe we must plan our warshipbuilding programme accordingly. Given the number of older ships reaching the end of their lives, any move to a new force level within realistic limits, whether higher or lower, would take time to accomplish and would not affect the need to go out to tender early next year for a further substantial batch order.

Finally, there is the question of "productivity" in meeting peacetime commitments. The qualities of the surface ship, compared with those of a submarine or other forces, give it a particular utility in support of diplomacy and in operations short of war. Moreover, my own perception and that of outside commentators, including the HCDC, is that the Fleet is being run harder than any

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other equivalent force for which we possess information. There has been a considerable shift in the ratio of sea to shore service from 40/60 in 1981 to 53/47 now as part of our drive to improve productivity. I am not prepared to consider reducing "base-port" time since the implications for retention and therefore training costs are clearly adverse. Since, however, I am not seeking to provide additional ships to meet peacetime tasks, I can see no reason why you should wish to press the productivity point. We could do more with double-crewing but again I assume you would not wish to make available additional funds. In short, no useful purpose would be served by a study in this area.

I turn finally to the political dimension. I was grateful to you for your agreement to the order for three Type 23s announced by Tim Sainsbury which has clearly helped to defuse the surface fleet issue. But there remains considerable scepticism about our intentions. As my Private Secretary explained in his letter to Charles Powell of 8 July, I believe that the best way to handle the pressure in Parliament and the press is for the Government to respond quickly to the HCDC report by means of a Command Paper before the House rises, so that the issue does not continue to fester - including amongst our own supporters - into the Autumn. I suggest we should respond positively and firmly but without adding to the Government's existing commitments on the future of the surface fleet, in advance of our discussions in PES. I attach a draft couched accordingly. I should be grateful to have any comments from you, and copy addressees, as soon as possible.

I am sending a copy of this letter and the attachment to the Prime Minister, the other members of OD, the Chief Whip, and to Sir Robin Butler.

*Yours Wes,
George.*

George Younger

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SIXTH REPORT FROM THE DEFENCE COMMITTEE 1987-88, HC 309The Future Size and Role of the Royal Navy's Surface Fleet

1. In this memorandum, the Government responds to the sixth report from the Defence Committee, Session 1987-88. The report covers the principal elements of the Royal Navy's surface fleet - aircraft carriers, escorts and support ships. It does not deal with the Royal Navy's small ships flotilla, consisting mainly of MCMVs, patrol vessels and hydrographic ships, nor with its amphibious and miscellaneous ships. The Royal Navy's surface fleet consists of 143 commissioned vessels, supported by 25 front-line RFAs. It is the second most powerful surface force within NATO. The Government welcomes this opportunity once again to make known its intentions for the Royal Navy's surface fleet. It presents the following observations on the report.

The Role of the Royal Navy in Peacetime (Part II)

2. The Government notes the Committee's concern that the pressure of peacetime tasks, notably the Armilla patrol, is leading to overstretch, with implications for morale and retention of personnel. The Government is acutely conscious of the need to avoid peacetime overstretch. As was explained to the Committee, there is a policy of limiting the amount of time each ship spends away from its base port, even though the effects of this policy are substantially to reduce peacetime availability and to require a roulement of ships to Armilla and other Directed Tasks. These limits on peacetime operating patterns have not

been relaxed, notwithstanding increased commitments, such as Armilla.

3. The Government notes the Committee's concern about the level of Royal Navy participation in NATO exercises. The Government's view is that the first priority of the Royal Navy after carrying out its Directed Tasks is to train for war. Fundamental elements of this training have to be undertaken nationally. The amount of time available for NATO and other exercises is currently reduced because of our commitments to Armilla and because of the need to ensure that ships continue to spend a substantial proportion of their time in base port. The Royal Navy will continue to participate in NATO exercises, however, and will work with the NATO military authorities and our Allies to ensure that exercises are directly relevant to our training needs.

Role of the Royal Navy in Wartime (Part III)

4. The Government notes the Committee's comments on NATO's forward maritime strategy and on the resources which the Royal Navy has to meet its tasks. In assessing priorities, it is important not to confuse the policy aim of ensuring that shipping arrives safely with one particular means of achieving it, through the direct defence of ships in convoys. Nor can the effectiveness of NATO's maritime strategy be assessed by looking at the role of surface ships in isolation from the contribution of submarines or maritime aircraft, or at Royal Navy and Royal Air Force capabilities in isolation from those of our Allies. The Government attaches high priority to countering the Soviet

submarine threat and to ensuring the security of the Northern Flank. We believe that this will best be achieved by a forward maritime strategy, while possessing flexibility to respond as necessary to opposing force dispositions in the event of war.

The Size of the Destroyer/Frigate Fleet (Part IV)

5. The Government notes the Committee's concerns about the numbers and availability of destroyers and frigates. The Government points out, however, that the reduction in the size of the destroyer/frigate force from 59 in 1981 (not 50 as stated in the report) to 47 on 10 June 1988 has been in line with its stated policy.

6. The Government rejects the Committee's analysis of the availability of destroyers and frigates, which misleadingly measures availability by the number of individual ships which remained available throughout 1987-88. On the Committee's definition, maximum availability is achieved by eliminating turnover in the fleet, for example by avoiding replacing old ships with new ones or putting ships into refit when others are taken out. Such an indicator of availability is meaningless. The important measure is how many ships are at any one time either available for operational deployment immediately or within a short period if required: on this basis 40-43 destroyers and frigates have been available in recent months. Moreover, it is important to appreciate the impact of changes in refit policy on availability within the total destroyer/frigate force. In February 1979, 19 out of 65 destroyers/frigates were in refit,

leaving 46 available; in June 1988 the comparable figures were 7, 47 and 40. Thus, although hull numbers have reduced, changes in refit patterns have meant that the reduction in available ships has been much smaller. There are a number of errors in paragraph 44 concerning the availability of HMS SOUTHAMPTON, HMS BRISTOL and HMS ROTHESAY.

7. The Government notes the Committee's concern about the absence of a reserve of frigates and destroyers to be brought in to supplement the operational fleet. It points out, however, that the operational escort fleet is now significantly larger than was envisaged in 1981, following the decision after the Falklands campaign to retain in active service those ships originally intended to be placed in standby.

The Age and Capability of the Destroyer/Frigate Fleet (Part V)

8. The Government rejects the Committee's conclusion that the escort fleet will be maintained at about 50 by retaining in service "older vessels which had been approaching the end of their useful lives." The Government currently has a very large naval shipbuilding programme including 10 new frigates on order. The Government accepts that the destroyer/frigate fleet has to be evaluated against the submarine and air threats it has to encounter. Nevertheless, this is also true for our Allies and the Government was surprised that the Committee took no interest in our performance relative to them: in fact the average age of the Royal Navy's frigate fleet is just over 12 years, which compares very favourably with equivalent fleet ages, as recorded

in published sources, for the US (15.6 years), France (16.6 years), the Federal Republic of Germany (15.1 years), and Italy (12.4 years).

9. The Government welcomes the Committee's acknowledgement of the important capability enhancements which have been made to the Royal Navy's escort fleet and agrees that these must be seen in relation to the threat. The Government does not accept, however, that the overall level of capability in the surface fleet will be less than was envisaged in Cmd 8288. As the Committee itself acknowledges in another part of its report (paragraph 9), substantial additions to plans for the surface fleet were made following the Falklands campaign, including the retention of the third aircraft carrier, the retention of HMS FEARLESS and HMS INTREPID, and the retention of more destroyers and frigates in the active fleet. Moreover, our fleet plans now include an additional Type 22 frigate not envisaged in Cmd 8288 and four Type 22 frigates as replacements for Falklands losses which are more capable than the ships they replaced. The Government also rejects the Committee's conclusion that more and longer refits are planned now than when Cmd 8288 was published. Thanks to revised upkeep cycles associated in large part with the arrival of more modern ships into the fleet, today's refit programme is substantially less than was planned in 1981.

Future Orders (Part VI)

10. The Government notes the Committee's comments about the level of frigate orders since 1982. These do not appear to take

account, however, of the Government's stated intention to reduce the size of the escort fleet from 59 ships in 1981 to about 50 today. Since the report was published, the Government has announced its decision to order 3 new Type 23 frigates.

11. The Government notes the Committee's comments on future orders, which confuse the degree to which Ministers are committed to maintain a fleet of a certain size with the policy of not disclosing planning assumptions in long term costings or offering commitments on order patterns in advance of orders actually being made. The Government observes that it has been the practice of successive Governments to make no such commitments.

12. The Government notes the Committee's conclusions on the number of ships required to be ordered over the next six and a half years in order to retain an escort fleet of about 50. It points out that its recent order for 3 new Type 23 frigates more than meets the Committee's assessed requirement to order 2.6 ships a year.

13. The Government notes the Committee's concern about the uncertainty over programmes and projects in the warshipbuilding industry. The Government points out, however, that its policy towards the surface fleet is clear and provides a reasonable basis upon which individual shipbuilders can judge future prospects in a competitive market.

14. The Government notes the Committee's views about the place for corvettes in the Royal Navy's surface fleet. The Government has no plans to introduce such ships.

Aircraft Carriers

15. The Government notes the Committee's conclusion that, besides the contribution which might be made by our INVINCIBLE class carriers to amphibious operations, adequate dedicated amphibious capability must also be provided. The Government has been considering the case for an Aviation Support Ship for some time and has recently announced that invitations to tender for such a ship will be issued in the Autumn.

Support Ships (Part VIII)

16. The Government notes the Committee's view that the option of using cheaper vessels as supplements to the RFA fleet, instead of fully-armed AORs, deserves further examination.

Manpower (Part IV)

17. The Government notes the Committee's views on the pressure which peacetime commitments are imposing on the surface fleet and the need to retain officers and ratings, particularly in key specialisations. As indicated above (paragraph 2), the Government has given and will continue to give these matters close attention.

18. The Government notes the Committee's views on the priority of procuring simulators. A large number of training simulators are already in service or on order.

Conclusions (Part X)

19. The Government welcomes the Committee's recognition that it has enhanced RN capability in comparison with the Cmd 8288 plan, while achieving very substantial cuts in manpower, thus improving efficiency. It rejects the Committee's conclusion that the philosophy underlying Cmd 8288 has been discarded without being replaced by a Ministerially approved long-term plan for the Navy. The Government's policy towards the size and shape of the fleet reflects the approach set out in Cmd 8288 as modified by Cmd 8758, which set out the lessons learned from the Falklands campaign. The size of the surface fleet, including about 50 destroyers and frigates, is consistent with that policy and with the currently assessed requirement. The Government agrees with the Committee that there are compelling reasons for continuing to invest in and upgrade the capability of our surface maritime force, but that there can be no universally acceptable measure of the appropriate size of the surface fleet. The Government will in future years continue to consider carefully the maritime capability needed to meet our war tasks, and the place of the escort force within that capability, taking account of available resources.

20. The Government welcomes the Committee's acknowledgement that arguments for increasing spending on surface ships must be set in

the context of the other elements of the defence programme and of the pressures in recent years on the defence budget. The Government also welcomes the Committee's acknowledgement of the substantial investment which has been made in other areas of maritime capability. The Government has not neglected and has no intention of neglecting the Royal Navy's surface fleet.

21. The Government notes the Committee's concern that the size of the destroyer/frigate fleet will fall significantly below "about 50" and about the level of future escort orders. The announcement of its decision to order 3 new Type 23 frigates will presumably help to allay these concerns.

22. The Government notes the Committee's conclusion that a defence review should be conducted if sufficient money is not available for all the UK's defence commitments. The Government has provided substantial additional resources for defence, including additions in the last Public Expenditure Survey round, so that commitments can be sustained. There is thus no need for or question of a defence review, whether "by stealth" or otherwise.

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