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**Cover Photograph:** The first Harrier GR.5 for the RAF (ZD324), 1 July 1987, with Harrier GR.3 (left). Photograph: AHB (RAF)

## Abbreviations

ABM Anti-Ballistic Missile [Treaty, 1972]  
ACAS Assistant Chief of the Air Staff  
ACDS Assistant Chief of the Defence Staff  
ACM Air Chief Marshal  
ACOS Assistant Chiefs of Staff  
ACX Avion de Comat Experimentale (Dassault)  
AD Air Defence  
ADV Air Defence Variant [of Tornado]  
ADGE Air Defence Ground Environment  
AE Aircraft Establishment  
AEW Airborne Early Warning  
AF Armed Forces  
AFB Air Force Board  
AFBSC Air Force Board Standing Committee  
AFD Air Force Department  
AFPRB Armed Forces Pay Review Board  
AFTH Air Force Target Headings  
AHB Air Historical Branch (Royal Air Force)  
AI Air Intercept  
ALCCM Air Launched Conventional Cruise Missile  
ALCM Air Launched Cruise Missile

AM Air Marshal

AMP Air Member for Personnel, Royal Air Force

AMSO Air Member for Supply and Organisation, Royal Air Force

AOC Aor Officer Commanding

APS Assistant Private Secretary

ASR Air Staff Requirement

AST Air Staff Target

ASTOVL Advanced Short Take-Off/Vertical Landing

ASW Anti-Submarine Warfare

AUS Assistant Under-Secretary

AVM Air Vice Marshal

AWACS Airborne Warning and Control System

AWRE Atomic Weapons Research Establishment, Aldermaston

BAe British Aerospace

BAOR British Army of the Rhine

BFG British Forces Germany

BM Ballistic Missile

CA Controller Aircraft, Ministry of Defence

Cab Off Cabinet Office

Cab Sec Cabinet Secretary

CAC Churchill Archives Centre, Churchill College, Cambridge

CAS Chief of the Air Staff

CDP Chief of Defence Procurement

CDS Chief of the Defence Staff  
CGS Chief of the General Staff  
CHX Chancellor of the Exchequer  
C-in-C Commander in Chief  
CM Cruise Missile  
CND Campaign for Nuclear Disarmament  
CNS Chief of the Naval Staff  
COS Chiefs of Staff  
CSA Chief Scientific Adviser  
CST Chief Secretary, Treasury  
DASB Director, Air Staff Briefing  
DCA Deputy Controller Aircraft, Ministry of Defence  
DCDS Deputy Chief of the Defence Staff  
DP Defence Procurement  
DPS Defence Policy Staff, Ministry of Defence  
DPWP Defence Programme Working Party, Ministry of Defence  
DS Defence Suppression  
DTI Department of Trade and Industry  
DUS Deputy Under-Secretary  
EAP Experimental Aircraft Programme  
EASTLANT Eastern Atlantic Command of NATO  
ECA European Combat Aircraft  
ECM Electronic Countermeasures

EFA European Fighter Aircraft  
EPC Equipment Policy Committee, MoD  
FB Finance and Budget  
FCO Foreign and Commonwealth Office  
FEFA Future European Fighter Aircraft  
FPMG Financial Planning and Management Group, Ministry of Defence  
GDP Gross Domestic Product  
GEC General Electric Company  
GLCM Ground Launched Cruise Missiles  
HMA Her Majesty's Ambassador  
HMT Her Majesty's Treasury  
HMY Her Majesty's Yacht, Britannia  
IDS Interdiction Strike Variant [of Tornado]  
IEPG Independent European Programme Group  
INF Intermediate Nuclear Forces  
LOA Local Overseas Allowance  
LTC Long Term Costings  
LTDP Long Term Defence Programme [NATO]  
MA Military Assistant  
MINIS Management Information System for Ministers  
MIOC Minimum Initial Operational Capability  
MoD Ministry of Defence  
MOU Memorandum of Understanding

MR Maritime Reconnaissance  
MRA Maritime Reconnaissance Aircraft  
MRAF Marshal of the Royal Air Force  
NAD National Armament Director  
NATO North Atlantic Treaty Organisation  
OD Defence and Overseas Policy Committee, Cabinet Office  
OMB Office of Management and Budget, Ministry of Defence  
OR Operational Requirements  
ORC Operational Requirements Committee, MoD  
PAC House of Commons Public Accounts Committee  
PE Procurement Executive  
PES Public Expenditure Survey  
PESC Public Expenditure Survey Committee  
PM Prime Minister  
PPS Principal Private Secretary  
PR Photographic Reconnaissance  
PS Private Secretary  
PSA Property Services Agency  
PSO Personal Staff Officer/Principal Staff Officer  
PUS Permanent Under-Secretary of State  
PUSofS Parliamentary Under-Secretary of State [Junior Minister]  
PUSofS(Army) Parliamentary Under-Secretary of State for the Army  
PUSofS(RAF) Parliamentary Under-Secretary of State for the Royal Air Force

PUSofS(RN) Parliamentary Under-Secretary of State for the Royal Navy

PVR Premature Voluntary Release

RAFG Royal Air Force Germany

R&D Research and Development

RN Royal Navy

RO Royal Ordnance

RPE Relative Price Effect

RSAF Royal Saudi Air Force

SACEUR Supreme Allied Command Europe

SACLANT Supreme Allied Command Atlantic

SAGW Surface-to-Air Guided Weapons

SAM Surface-to-Air missile

SDE Statement of the Defence Estimates

SDI Strategic Defence Initiative

SHAPE Supreme Headquarters Allied Powers, Europe

SKE Station Keeping Equipment

SOC Sector Operations Centre

SofS Secretary of State [for Defence]

STOVL Short Take-Off and Vertical Landing Aircraft

TA Territorial Army

TAF Tactical Air Force

TNA The National Archives, Kew

TNW Theatre Nuclear Weapons

TTTE Tri-national Tornado Training Establishment

USAF United States Air Force

VAT Value Added Tax

VCAS Vice Chief of the Air Staff

VCDS Vice Chief of the Defence Staff

## List of Persons

**Adams, AVM M.K.**, ACAS (Operational Requirements), 1984; (ACDS (Operational Requirements), Air, MoD, 1985-86

**Alexander, Michael**, PS/Prime Minister, 1979-82

**Amery, Julian**, Conservative MP for Brighton Pavilion, 1969-92

**Andrews, Ian**, APS/Secretary of State for Defence, 1986-88

**Armstrong, Sir Robert**, Cabinet Secretary, 1979-87

**Atkins, Robert**, Conservative MP for Preston North, 1979-83, and South Ribble, 1983-97

**Baker, Kenneth**, Minister of State for Industry and Information Technology, Department of Trade and Industry, 1981-84

**Battishill, Anthony**, PPS/Chancellor of the Exchequer, 1977-80; Under Secretary, HM Treasury, 1980-82, 1983-85

**Beaumont, N.J.**, Head DS 12, MoD, 1982

**Beetham, MRAF Sir Michael**, CAS, 1977-82

**Berthon, Vice Admiral Sir Stephen**, DCDS(Operational Requirements) 1978-81

**Biffen, John**, Chief Secretary to the Treasury, 1979-81

**Blaker, Peter**, Minister of State, MoD, 1981-83

**Boorman, Lieutenant General Sir Derek**, Director of Military Operations, MoD, 1980-82

**Bramall, Field Marshal Sir Edwin**, VCDS (Personnel & Logistics), 1978-79; CGS, 1979-82; CDS, 1982-85

**Brennan, Denis**, PS/Secretary of State for Defence, 1984-86

**Brittan, Leon**, Chief Secretary to the Treasury, 1981-83; Home Secretary, 1983-85; Secretary of State for Trade and Industry, 1985-86

**Broadbent, R.J.**, PS/Chief Secretary to the Treasury, 1984-86

**Brook, Air Commodore D.C.G.**, PSO/CDS, 1980-82

**Budd, Colin**, APS/Foreign Secretary, 1984-87

**Bush, Dr H.J.**, HM Treasury, 1979-2003; PS/Minister of State, HM Treasury, 1981-82

**Butler, Robin**, PPS/Prime Minister, 1982-85; 2<sup>nd</sup> PUS, HM Treasury, 1985-87; Cabinet Secretary, 1988-98

**Callaghan, James**, Leader of the Labour Party, 1976-80; Prime Minister, 1976-79

**Cameron, MRAF Sir Neil**, CDS, 1977-79

**Cardona, George**, Special Adviser, HM Treasury, 1979-81

**Cardwell, Sir David**, Chief of Defence Procurement, 1980-82

**Carrington, Lord**, Foreign Secretary, 1979-82; NATO Secretary General, 1984-88

**Cartledge, Bryan**, Deputy Secretary of the Cabinet, Cabinet Office, 1983-85

**Carver, Lord**, CDS, 1973-76

**Channon, Paul**, Secretary of State for Trade and Industry, 1986-87

**Clark, Alan**, Conservative MP for Plymouth (Sutton), 1974-92

**Coles, John**, PS/Prime Minister, 1981-84

**Cooper, Sir Frank**, PUS, MoD, 1976-82

**Craig, ACM, Sir David**, VCAS, 1980-82; AOC-in-C Strike Command, 1982-85; CAS, 1985-88

**Cuckney, Sir John**, Chairman of Westland, 1985-89

**Curtiss, AM Sir John**, AOC-in-C, No. 18 Group 1980-83 [Air Component commander, Falklands conflict, 1982]

**Douglas-Home, Charles**, Editor of *The Times*, 1982-85

**Evans, N.H.R.**, APS/Secretary of State for Defence, 1981-84

**Facer, Roger**, PS/Secretary of State for Defence, 1976-79

**Fairclough, Sir John**, Chief Scientific Adviser to the Cabinet Office, 1986-90

**Fieldhouse, Admiral of the Fleet Sir John**, CNS, 1982-85; CDS, 1985-88

**Foot, Michael**, Leader of the Labour Party, 1980-83

**Galloway, A.K.**, PS/Chancellor of the Duchy of Lancaster, 1982-84

**Gilbert, AVM later AM Sir Joseph**, ACDS(Policy), 1980-84

**Gilmour, Sir Ian**, Lord Privy Seal, 1979-81

**Goodall, David**, Deputy Secretary, Cabinet Office, 1982-84

**Gorbachev, Mikhail**, General Secretary of the Communist Party of the Soviet Union, 1985-91

**Gow, Ian**, Parliamentary PS to the Prime Minister, 1979-83

**Graydon, Wing Commander, later Group Captain Michael**, MA/CDS 1979-81

**Gregson, Sir Peter**, Deputy Secretary, Cabinet Office, 1981-85

**Griffiths, Brian**, Head of Prime Minister's Policy Unit, 1985-90

**Hailsham, Lord**, Lord Chancellor, 1979-87

**Hall, M.A.**, HM Treasury official; PS/Chancellor of the Exchequer, 1980-81

**Hansford, John E.**, Under Secretary, Defence Policy and Materiel Group, HM Treasury, 1976-82

**Harding, AM Sir Peter**, VCAS, 1982-84; VCDS, 1985; AOC-in-C, RAF Strike Command and C-in-C, UK Air Forces, 1985-88

**Hastie-Smith, Richard**, Assistant Secretary, Cabinet Office, 1979-81

**Hayhoe, Barney**, PUSofS(Army), 1979-81

**Heath, Edward**, Leader of the Conservative Party, 1965-75; Prime Minister, 1970-74

**Henderson, Sir Nicholas**, British Ambassador, Washington DC, 1979-82

**Heseltine, Michael**, Secretary of State for the Environment, 1979-83; Secretary of State for Defence, 1983-86

**Hine, AVM, later AM, later ACM, Sir Patrick**, ACAS(Policy), 1979-83; C-in-C RAF Germany, 1983-85; VCDS, 1985-87; AMSO, 1987-88

**Hockaday, Sir Arthur**, 2<sup>nd</sup> PUS, MoD, 1976-82

**Howe, Sir Geoffrey**, Chancellor of the Exchequer, 1979-83; Foreign Secretary, 1983-89

**Howe, John**, PS/Secretary of State for Defence, 1986-87

**Hunt, Sir John**, Cabinet Secretary, 1973-79

**Hurd, Douglas**, Minister of State, FCO, 1979-83; Home Secretary, 1985-89

**Ibbs, Sir Robin**, Adviser to the Government on Efficiency and Effectiveness in Government, 1983-88

**Ingham, Bernard**, Chief Press Secretary, 10 Downing Street, 1979-90

**Jackling, Roger**, AUS and Head of DS11, MoD, 1979-82; Prime Minister's Office, 1983

**Jenkins, Roy**, Founder Member, Social Democratic Party, 1981

**Johns, Richard, Group Captain**, Director, Air Staff Briefing, 1979-81

**Johnston, Lieutenant General Sir Maurice**, ACGS, 1980-81; DCDS (Operational Requirements), 1981-82

**Joseph, Sir Keith**, Secretary of State for Industry, 1979-81

**Kerr, John**, PPS/Chancellor of the Exchequer, 1981-84

**Kinnock, Neil**, Leader of the Labour Party, 1983-92

**Langford-Holt, Sir John**, Conservative MP for Shrewsbury, 1945-83; Chairman, House of Commons Select Committee on Defence, 1979-81

**Lankester, Tim**, PS/Prime Minister, 1978-81

**Lansley, Andrew**, PPS/Chancellor of the Duchy of Lancaster, 1985-87

**Lawson, Nigel**, Chancellor of the Exchequer, 1983-89

**Leach, Admiral Sir Henry**, CNS, 1979-82

**Levene, Peter**, Chief of Defence Procurement, MoD, 1985-91

**Lewin, Admiral of the Fleet, Sir Terence**, CNS, 1977-79; CDS, 1979-82

**Lowe, ACM Sir Douglas**, Controller Aircraft, MoD, 1972-82; Chief of Defence Procurement, 1982-83

**MacGregor, John**, Chief Secretary to the Treasury, 1985-87

**Major, John**, Chief Secretary to the Treasury, 1987-89

**Mallaby, Christopher**, Deputy Secretary, Cabinet Office, 1985-88

**Mason, Professor Sir Ronald**, Chief Scientific Adviser, MoD, 1977-83

**Mayhew, Sir Patrick**, Solicitor General, 1983-87

**Mayne, John**, Director General of Management Audit, MoD, 1981-83

**Meyer, Sir Anthony**, Conservative MP for Clwyd North West, 1983-92

**Miller, Group Captain, Richard**, Director, Air Staff Briefing, 1981-82

**Mitterand, Francois**, President of the French Republic, 1981-95

**Moberly, John**, AUS(Middle East), FCO, 1979-82

**Mogg, John**, PPS/Secretary of State for Trade and Industry, 1985-86

**Moore, Captain John E. (RN)**, Editor, *Jane's Fighting Ships*, 1972-87

**Moss, J.M.**, Assistant Secretary, MoD, 1976-83; Head DS9, MoD, 1981

**Mottram, Richard**, PS/PUS, MoD, 1979-81; PS/Secretary of State for Defence, 1982-86; AUS, MoD, 1986-89

**Mountfield, Peter**, Under Secretary, Cabinet Office, 1977-80

**Nicholls, ACM Sir John**, VCAS, 1979-80

**Nicolson, Dr Robin B.**, Central Policy Review Staff, 1981-83; Chief Scientific Adviser to the Cabinet Office 1983-85

**Norbury, Brian**, PS/Secretary of State for Defence, 1979-81

**Norgrove, David**, HM Treasury, 1980-85; PS/Prime Minister, 1985-88

**Nott, John**, Secretary of State for Trade, 1979-1981; Secretary of State for Defence, 1981-83

**Omand, David**, APS/Secretary of State for Defence, 1979-80; PS/Secretary of State for Defence, 1981-82

**Owen, David**, Founder Member, Social Democratic Party, 1981

**Owen, Nicholas**, No. 10 Policy Unit, 1984-86

**Panton, Dr F.H.**, Consultant, MoD, 1984-99

**Parkinson, Cecil**, Secretary of State for Trade and Industry, 1983; Secretary of State for Energy, 1987-89

**Parry-Evans, Air Commodore David**, Director of Defence Policy, MoD, 1979-81

**Parsons, Sir Anthony**, Prime Minister's Adviser on Foreign Affairs, 1982-83

**Pascall, David**, No. 10 Policy Unit, 1983-84

**Pattie, Geoffrey**, PUSofS(RAF), MoD, 1979-81; PUSofS(DP), 1981-83

**Pattison, M.A.**, PS/Prime Minister 1979-82

**Pawson, A.J.D.**, PS/CAS, 1978-80

**Pearce, Sir Austin**, Chairman, British Aerospace, 1980-87

**Peters, John**, AUS (Air Staff), 1979-82

**Peyton, John**, Conservative MP for Yeovil, 1951-83

**Powell, Charles**, PS/ Prime Minister, 1983-91

**Prior, James**, Secretary of State for Employment, 1979-81; Secretary of State for Northern Ireland, 1981-84; Chairman, GEC, 1984-98

**Pym, Francis**, Secretary of State for Defence, 1979-81; Leader of the House of Commons and Lord President of the Council, 1981-82; Foreign Secretary, 1982-83

**Quinlan, Michael**, DUS(Policy), MoD, 1977-81

**Rayner, Sir Derek**, Prime Minister's Adviser on Improving Efficiency and Eliminating Waste in Government, 1979-83

**Reagan, Ronald**, President of the United States, 1981-89

**Redwood, John**, Director, No. 10 Policy Unit, 1982-87

**Rees, Peter**, Chief Secretary to the Treasury, 1983-85

**Reffell, Admiral Sir Derek**, ACNS (Policy), 1979-82

**Rickett, W.F.S.**, PS/Prime Minister, 1981-83

**Robson, Stephen**, Under Secretary, Defence Policy and Material Group, HM Treasury, 1987-89

**Rodgers, William**, Shadow Secretary of State for Defence, 1979-80; Founder Member, Social Democratic Party, 1981

**Rutter, Jill**, PS/Chief Secretary, Treasury, 1986

**Sanders, N.J.**, PS/Prime Minister, 1978-81

**Schmidt, Helmut**, Federal German Chancellor, 1974-82

**Scholar, Michael**, PS/Prime Minister, 1981-83; Under Secretary, HMT, 1983-87; Deputy Secretary, HMT, 1987-93

**Sherbourne, Stephen**, Political Secretary to the Prime Minister, 1983-88

**Shrontz, Frank A.**, President, Boeing, 1985-97; Chief Executive Officer, Boeing, 1986-96; Chairman Boeing, 1988-97

**Soames, Lord**, Lord President of the Council, 1979-81

**Speed, Keith**, PUSofS(Royal Navy), 1979-81

**Spiers, Donald**, Deputy Controller Aircraft, MoD (Procurement Executive), 1984-86

**Spotswood, MRAF, Sir Denis**, CAS, 1971-74

**Stanley, John**, Minister of State for the Armed Forces, MoD, 1983-87

**Stewart, J.M.**, Director, Defence Policy Staff, MoD, 1977-80; AUS, MoD, 1980-84

**St John-Stevas, Norman**, Leader of the House of Commons, 1979-81

**Strathcona and Mount Royal, Lord**, Minister of State, MoD, 1979-81

**Tebbit, Norman**, Secretary of State, Trade and Industry, 1983-85

**Thatcher, Margaret**, Leader of the Conservative Party, 1975-90; Prime Minister, 1979-90

**Thornycroft, Lord**, Chairman of the Conservative Party, 1975-81

**Trefgarne, Lord**, PUSofS(AF), MoD, 1983-85; Minister of State for Defence Support, MoD, 1985-86; Minister of State for Defence Procurement, MoD, 1986-89

**Trenchard, Lord**, Minister of State for Defence Procurement, MoD, 1981-83

**Turnbull, Andrew**, PPS/Prime Minister, 1988-92

**Unwin, J.B.**, Deputy Secretary, Cabinet Office, 1985-87

**Vereker, John**, Assistant Secretary, Prime Minister's Office, 1980-83

**Wade-Gery, Robert**, Deputy Secretary of the Cabinet, Cabinet Office, 1979-82

**Wakeham, John**, Parliamentary Secretary to the HM Treasury and Government Chief Whip, 1983-87

**Walden, George**, PPS/Foreign Secretary 1978-81

**Walker, Peter**, Minister of Agriculture, Fisheries and Food, 1979-83

**Warry, Peter**, No. 10 Policy Unit, 1984-86

**Wass, Sir Douglas**, PUS, HM Treasury, 1974-83

**Weinberger, Caspar**, United States Secretary of State for Defense, 1981-87

**Weinstock, Lord**, Managing Director, 1963-96

**Whitelaw, William**, Home Secretary, 1979-83; Lord President of the Council, 1983-88

**Whitmore, Sir Clive**, PPS/Prime Minister, 1979-82; PUS, MoD, 1982-88

**Wicks, Nigel**, PPS/Prime Minister, 1985-88

**Wiggins, A.J.** Assistant Secretary, HM Treasury, 1972-79; PPS/Chancellor of the Exchequer, 1980-81

**Williams, Shirley**, Founder Member, Social Democratic Party, 1981

**Williamson, ACM Sir Keith**, CAS, 1982-85

**Wilson, Harold**, Leader of the Labour Party, 1963-76; Prime Minister, 1964-70, 1974-76

**Woerner, Manfred Dr**, Federal German Defence Minister, 1982-88; NATO Secretary General, 1988-94

**Wright, D.J.**, PS/Cabinet Secretary, 1980-82

**Wright, Sir Oliver**, British Ambassador, Washington DC, 1982-86

**Young, D.E.**, Head of Defence Secretariat, MoD, 1979-82

**Younger, George**, Secretary of State for Defence, 1986-89

## British Defence Policy and the Royal Air Force, May 1979-April 1988

### Introduction

This narrative examines British Defence policy and the RAF from the election of Margaret Thatcher's Conservative Government in May 1979 to April 1988. Central to this is the Defence Review of 1981. This study assesses its origins, decisions and implications for the Service. The following year the Falklands conflict broke out. After the Argentine invasion of the islands, a Task Force was sent to the South Atlantic. This development, and its successful conclusion, reinforced the impression that the Thatcher Government was strong on Defence and its determination to eradicate the notion of Britain's 'managed decline' prevalent in the 1970s.

These were tumultuous times across various fronts. The new administration sought to implement radical policies to tackle the country's long-term political, social and economic ills, departing from the post-war consensus. The Government was pledged to cut public spending and reduce the public sector, envisaging a dynamic economy driven by private enterprise. It was here where tensions emerged with Defence. Monetarist shock therapy pushed the economy into recession, triggering record levels of unemployment and social unrest. Efforts to increase Defence spending encountered widespread cuts elsewhere and became politically untenable. Mrs Thatcher herself could never quite decide if she wanted to go down in history as the Iron Lady or the Iron Chancellor.<sup>1</sup> John Nott's Defence Review *The United Kingdom Defence Programme: The Way Forward* (June 1981) arose from the incompatibility of two central pillars of Government policy. Moreover, despite developments in the South Atlantic, Defence policy remained firmly anchored in NATO throughout the decade. Mrs Thatcher understood this and embraced the 'Iron Lady' epithet conferred on her by the Soviets. Similarly, on the world stage the enhanced 'Special Relationship' with the United States reflected the Prime Minister's friendship and ideological proximity to Ronald Reagan, US President from 1981 to 1988. Some 95% of UK armed forces were firmly committed to NATO in 1980, with only a relatively small effort earmarked for out-of-area commitments. Although the extent to which UK forces were committed to NATO commanders varied, force levels and defence posture were geared to most effectively contribute

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<sup>1</sup> Adam Raphael, "'True believer" to follow Nott', *Observer*, 5 September 1982.

to the Alliance strategy of deterrence and the doctrines of flexible response and forward defence.<sup>2</sup>

## **Governments and Prime Ministers**

Mrs Thatcher was Prime Minister throughout the 1980s. Electorally, the Conservatives thrived in an era of three-party politics. Labour lurched to the Left under Michael Foot's leadership from 1980. Disaffected former Labour Cabinet Ministers, the 'Gang of Four', created a new centrist party, the SDP, in 1981. It fought the 1983 and 1987 General Elections alongside the Liberals, as the Liberal-SDP Alliance. Defence assumed greater significance at both General Elections. Although the Labour leadership was largely supportive of Government actions during the Falklands conflict, viewing the Argentinian Junta as fascist, it fought the 1983 General Election on a unilateralist anti-nuclear weapons platform. In this polarised political climate, the Thatcher Government purchased the US Trident system to replace the Polaris submarine-launched nuclear deterrent and the Americans stationed cruise missiles at Greenham Common, Berkshire, leading to a resurgence among the unilateralist Left for the Campaign for Nuclear Disarmament (CND).<sup>3</sup> This reflected greater public interest in defence matters.<sup>4</sup> Moreover, the Thatcher government in 1982, at the time of the Falklands crisis, was rich in military experience and in understanding of the realities of war. Some 15 members of the Cabinet had seen active service and three held the Military Cross.<sup>5</sup>

Boosted by a combination of the economic upturn discernible from 1982, the Falklands factor, a split Opposition and the first past the post electoral system, the Conservatives won a landslide General Election victory in June 1983.<sup>6</sup> Although

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<sup>2</sup> TNA, DEFE 13/2020, Norbury (PS/SofS) to Alexander (PS/PM), 'Defence Policy' 13 November 1980, enclosing assessment of British Defence Capability. The UK had no military strategy which was not based on that of NATO.

<sup>3</sup> Michael Heseltine, 'The United Kingdom's Strategic Interests and Priorities', *RUSI Journal*, December 1983, pp. 3-5. In this lecture of 24 June 1983, Heseltine quoted Gallup analysis for the BBC on the significance of defence at the 1979 and 1983 General Elections. In 1979 only 2% had considered defence a major issue, by 1983 it was second on 38%, behind unemployment (72%). The escalation of East/West tensions and anxieties over nuclear issues may explain the growing prominence of defence as a voting issue in the early 1980s. Andrew Dorman, Introductory Paper in 'The Nott Review', held 20 June 2001 (Institute of Contemporary British History, 2002, <http://www.icbh.ac.uk/witness/nott/>, p. 1.

<sup>4</sup> For instance, the RAF's public relations strategy in 1980 highlighted the themes of air power, the RAF and NATO, the RAF's human face and the need for low flying. AHB, AFB, 4(80), 24 April 1980.

<sup>5</sup> Victor Launert, 'Letters to the Editor', *Daily Telegraph*, 2 May 2019.

<sup>6</sup> Charles Moore, *Margaret Thatcher The Authorized Biography: Volume Two* (London: Penguin Books, 2016), p. 43. From the week before the Falklands crisis broke the Conservatives were continuously ahead of Labour in the opinion polls until polling day.

Labour embraced a modernising course under Neil Kinnock's leadership from 1983, the June 1987 General Election produced a broadly similar result, albeit with a marginally smaller Commons majority for the Conservatives. Thatcherism seemed to reign supreme. The Prime Minister's initial weakness in a Cabinet heavily stacked with relative moderates was overcome through her resilience during the testing times of 1980-81. Then there were Cabinet disputes with colleagues anxious about the political, social and economic consequences of Government policies who advocated a more conciliatory 'one nation' approach. The Cabinet 'wets' were neutered by reshuffles in 1981. Their arguments lost traction as the economy grew from 1982 and inflation fell. Victory in the South Atlantic fortified the Prime Minister's inner steel and allowed her to sack colleagues who did not share her vision or the route to it.

### **Chancellors of the Exchequer**

Sir Geoffrey Howe was Chancellor of the Exchequer throughout Mrs Thatcher's first administration. His remit was particularly challenging. He attempted to reduce public expenditure and rebalance the economy towards private enterprise using monetarist tools. However, GDP fell in 1980 and 1981 and the rate of inflation increased.<sup>7</sup> Unemployment surged to levels not seen since the 1930s. It remained a scourge throughout the decade, peaking in January 1986 at 3.4 million. Nationalised industries were slimmed down and ultimately privatised.

Following the 1983 General Election, Howe became Foreign Secretary. Nigel Lawson, previously Chief Secretary to the Treasury, moved into No 11 Downing Street. The Government maintained a monetarist line, controlling the money supply through interest rate policy, cutting taxes and embarking on a programme of privatisations, which significantly impacted on Defence procurement and MoD civilian employment. Mrs Thatcher took her role as First Lord of the Treasury very seriously, keeping a watchful eye on spending and waste, sometimes calling for tougher targets and deeper cuts than her Chancellors.<sup>8</sup> Lawson, undermined by

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<sup>7</sup> Some claimed in late 1980 Howe himself was beginning to lose his nerve as disaster beckoned: 'Sir Geoffrey was at heart a pragmatist, and the position in late 1980 was enough to disturb anyone with even the smallest tendencies in that direction.' Hugo Young, *One of Us: A Biography of Margaret Thatcher* (London: Macmillan, 1989), p. 206. He advised Mrs Thatcher: 'One of the most important tasks I face is to re-establish credibility in our monetary and public expenditure objectives. This overshadows all other considerations.' HMT, PO-CH-GH-0154 Part A, Howe (CHX) to PM, 'The Budget', 5 February 1981.

<sup>8</sup> Young, *One of Us*, pp. 146, 148. She was 'much more the First Lord of the Treasury than any previous holder of that office' according to the recollection of Sir Douglas Wass, Treasury Permanent Under-Secretary.

persistent Prime Ministerial interference, eventually resigned in 1989, by which stage the boom was unravelling.<sup>9</sup>

### **Defence Secretaries and Chiefs of Staff**

There were four Conservative Defence Secretaries between 1979 and 1988. Francis Pym held the post from May 1979 to January 1981. Following a Cabinet reshuffle, Pym was replaced by the more Thatcherite John Nott. After his bruising Defence Review, its impact accentuated by the Falklands conflict, Nott stepped down in January 1983. His replacement was Michael Heseltine, who resigned after a damaging public dispute with Mrs Thatcher over the Westland helicopter company in January 1986. George Younger succeeded Heseltine and Defence assumed a lower political profile.

The role of Chief of the Defence Staff (CDS) was held by four men during this study – only one from the RAF. Marshal of the RAF (MRAF) Sir Neil Cameron concluded his tenure during the first months of this narrative. His successor, at the helm during the Falklands conflict, was Admiral of the Fleet Sir Terence Lewin (September 1979-September 1982). He was followed by Field Marshal Sir Edwin Bramall (October 1982-October 1985) and Admiral of the Fleet Sir John Fieldhouse (November 1985-December 1988). The Chief of the Air Staff (CAS) at the start of this study was Sir Michael Beetham, who held the post (August 1977-October 1982) for the longest period since Lord Trenchard. He was succeeded by Sir Keith Williamson (October 1982-October 1985), followed by Sir David Craig (October 1985-November 1988).

For reasons of brevity this narrative cannot cover all aspects of Defence policy which impacted on the RAF during the decade. However, it attempts to address the main issues in three chapters. The first chapter looks at the period of Pym's tenure as Defence Secretary when hopes of expanding Defence ran into the cold reality of economic downturn and imposed savings. The second chapter considers Nott's Defence Review, the drivers for it and the results, particularly for the RAF. It also shows the subsequent impact of the Falklands conflict on the Review's recommendations. Unlike the 1974-75 Review, which had a cross-departmental working party and Cabinet Office-led Steering Committee chaired by the Cabinet Secretary, Nott's review was an MoD affair although relevant ministerial colleagues

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<sup>9</sup> Lawson and Howe also clashed with Mrs Thatcher over European policy, particularly over Britain joining the European Exchange Rate Mechanism (ERM).

were advised of his intentions. Ultimately, Nott brought a package of measures to OD Committee and then to Cabinet. At the latter, Howe failed to win ministerial favour for an alternative, cheaper Treasury Defence package. Finally, the third chapter examines 1983-1988, encompassing issues ranging from Heseltine's administrative reforms of Defence in 1984 to major RAF procurement decisions, against a backdrop of reduced East-West tensions as the Soviet Union under Mikhail Gorbachev's reformist leadership embraced *Glasnost* (openness) and *Perestroika* (modernisation).

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Alastair Noble

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## Chapter 1

### Pym's Prelude, May 1979 - January 1981

'The draft of the new Ministerial Guidance from NATO proposes reaffirming the aim of 3% a year real growth, rolled forward to 1986. In my view we must support this.' – Francis Pym, Secretary of State for Defence to the Prime Minister, 10 May 1979<sup>1</sup>

'Is the threat increasing and are we as a nation in real danger? The answer must be YES to both questions.' – Marshal of the Royal Air Force (MRAF) Sir Neil Cameron, 12 December 1979<sup>2</sup>

This chapter examines Defence policy and its ramifications for the RAF during the first 20 months of Mrs Thatcher's government, highlighting expenditure, procurement and ultimately the programme's very affordability. The new Government pledged to cut public spending but increase Defence spending. What followed illustrated the challenge of pursuing an expansionist Defence policy during an economic recession.<sup>3</sup>

In Opposition, Conservative politicians advocated considerable public expenditure reductions but never reconciled this with increased Defence spending. This dilemma posed awkward problems for the new Government.<sup>4</sup> Their General Election manifesto stated: 'Labour had cut down our forces, weakened our defences and reduced our contribution to Nato...it is already obvious that significant increases will be necessary.'<sup>5</sup> This was, 'a government dedicated in principle to raising

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<sup>1</sup> TNA, PREM 19/161, SofS to PM, 'The Defence Budget and Cash Limit', 10 May 1979.

<sup>2</sup> Marshal of the Royal Air Force Sir Neil Cameron, 'Defence and the Changing Scene', *Journal of the Royal United Services Institute for Defence Studies*, March 1980, pp. 21-28.

<sup>3</sup> Edward Hampshire, 'Margaret Thatcher's First U-Turn: Francis Pym and the Control of Defence Spending, 1979-81', *Contemporary British History*, Volume 29, Number 3, 2015, pp. 359-379.

<sup>4</sup> *Ibid.*, pp. 362-363.

<sup>5</sup> Fred Emery, 'Cabinet tremors about the cuts', *The Times*, 2 February 1980; David K Boren, 'Britain's 1981 defence review' (Ph.D. dissertation, King's College London, 1992), p. 225. Boren pointed out because of rising equipment costs and the need to include numerous new programmes, including Trident, in the Defence budget, LTCs suggested within three to four years a gap would appear between the Defence programme and available resources. Eventually, economic priorities prevailed over Defence, with the perception of inefficiency in the MoD contributing to the decision to undertake a fundamental review in 1981.

defence in the order of national priorities'.<sup>6</sup> Sir Frank Cooper, the MoD's Permanent Under-Secretary (PUS), recalled 'defence was at a very low ebb in 1977-78 in particular and in 1979 there was a high expectation that defence would do a great deal better because of statements made by the incoming Tory Government'.<sup>7</sup>

### **The Challenge from the East**

The geopolitical situation deteriorated during 1979 to the West's disadvantage. The Soviet invasion of Afghanistan (December 1979), accentuated the uncertainty arising from the Iranian Revolution earlier that year, which robbed Britain of its biggest arms market and a key regional ally. Mrs Thatcher shifted away from Labour's more conciliatory tone towards the Soviet Union and hopes surrounding Détente.<sup>8</sup> She maintained the Soviet threat was one of the three greatest challenges when she entered Downing Street,<sup>9</sup> saying in Luxembourg in October 1979:

Let me be clear. The Soviet armies in Europe are organised and trained for attack. Their military strength is growing. The Russians do not publish their intentions. So we must judge them by their military capabilities.<sup>10</sup>

There was considerable pessimism that security anchored to the nuclear balance and underpinned by deterrence would not endure the 1980s. There was uncertainty in

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<sup>6</sup> Henry Stanhope, 'Defence: A Special Report', *The Times*, 23 June 1980. When speaking at the Conservative Party Conference, in October 1978, Sir Ian Gilmour, the Defence spokesman, promised to restore Defence, as it was the first duty of Government to safeguard its people from danger and to safeguard the country's institutions. He added: 'I give this clear, unequivocal pledge: we will restore Service pay to full comparability next year... We will strengthen the Armed Services; we will strengthen the air protection of this country; we will strengthen naval protection of our sea lanes; and we will strengthen our regular Army and our reserve forces. British defence policy will be determined by British defence needs.' Parliamentary Staff, 'Pledge to strengthen armed forces', *The Times*, 13 October 1978.

<sup>7</sup> Boren, 'Britain's 1981 defence review', p.110.

<sup>8</sup> Charles Moore, *Margaret Thatcher: The Authorized Biography, Volume One* (London: Penguin Books, 2014), p. 559. Nevertheless, Mrs Thatcher was not too downbeat, telling an American audience in December 1979: 'We face a new decade – I have called it "the dangerous decade" – in which the challenges to our security and to our way of life may if anything be more acute than the 1970s. The response of Western nations and their leaders will need to be firm, calm and concerted. Neither anger nor despair will serve us. The problems are daunting but there is in my view ample reason for optimism.' TNA, DEFE 24/2770, Enclosure No. E5, 'The West in the World Today', speech to the Foreign Policy Association, New York, 18 December 1979.

<sup>9</sup> Margaret Thatcher, *The Downing Street Years* (London: HarperCollinsPublishers, 1993), p. 9. The other two challenges were 'long-term economic decline' and the 'debilitating effects of socialism'.

<sup>10</sup> <http://hansard.millbanksystems.com/commons/1980/apr/28/defence-estimates-1980> HC Deb 28 April 1980, vol. 983, columns 995-1113; Moore, *Margaret Thatcher Volume One*, p.559.

Washington, a post-Vietnam syndrome exacerbated by the Iran hostage crisis of 1979-80. Following his retirement as CDS, MRAF Sir Neil Cameron, predicted in December 1979: 'My own view, and it has been for some time, is that the 1980s is going to be a period of grave danger for the West – we will see for the first time a degree of strategic nuclear superiority passing to the Soviet Union.'<sup>11</sup>



ACM (later MRAF) Sir Neil Cameron, CAS, 1976-77; CDS, 1977-79. Photograph: AHB (RAF).

The Soviet threat seemed more immediate. Their investment in Research and Development (R&D), 25% of their defence budget, over twice the percentage allocated by Britain and the US, caused unease. The potential capabilities of the SS-20 missile and Backfire bomber indicated Soviet strength. Backfire could cover all targets in the UK. Foxbat and Flogger aircraft could attack the Midlands and southern England flying from the Baltic area. Cameron reflected: 'The air defence of this country and the naval forces operating around it leaves much to be desired; this means lack of air defence aircraft, SAGW (surface-to-air guided weapons), old-fashioned systems and limited hardening of facilities.'<sup>12</sup> Britain's limited air

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<sup>11</sup> Cameron, 'Defence and the Changing Scene', pp. 21-28. The lecture was delivered on 12 December 1979; Editorial, 'A More Dangerous Decade', *The Times*, 29 December 1979.

<sup>12</sup> Cameron, 'Defence and the Changing Scene', p. 26. Civil defence came under the Home Secretary's remit. The Chief Scientific Adviser said barely £5-£6m of the budget of nearly £1,000m was devoted to long-term innovative research. The Controller R&D Establishments and Research advised only 1% of

defences and ageing RAF fleet were public knowledge. In November 1979, a Parliamentary answer said 356 of the RAF's effective aircraft would be over 20 years old by December 1979, 189 over 25 years old and the oldest 32 years old.<sup>13</sup>

### **A new dawn for Defence?**

Political personalities and political dynamics were central to Defence developments. New ministers were briefed by the CDS on 9 May and the Air Force Board (AFB) on 24 and 30 May.<sup>14</sup> The Defence Secretary was Francis Pym,<sup>15</sup> latterly shadow

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R&D funds and 3% of scientifically qualified manpower were devoted to targets more than five years ahead. TNA, DEFE 4/286, COS 4<sup>th</sup> Meeting/79, 1 February 1979, Confidential Annex, Item 1.

<sup>13</sup> Parliamentary Staff, 'Old RAF aircraft', *The Times*, 1 December 1979. The answer was given by Geoffrey Pattie MP, Parliamentary Under-Secretary of State for the Royal Air Force. The condition of some 1950s aircraft was a concern, as was the cost of refurbishing them. The estimated cost of the Canberra refurbishing programme escalated in the late 1970s. Refurbishing revealed a much higher level of corrosion and repair work than expected. There was also a much higher demand for spares. The increased costs were deemed unavoidable. The Delegated Engineering Authority considered they should not be allowed to operate significantly past 1983 unless they were refurbished. Savings were only possible by reducing the numbers of aircraft refurbished. The fleet was cut from 79 to a maximum of 70 (59 RAF and 11 RN) aircraft with an RAF reduction of nine aircraft, subject to further scrutiny by the staffs. AHB, AFB, (79)19, 'The Canberra Refurbishing Programme', Note by CA and VCAS, 3 December 1979; AFB, 10(79), 10 December 1979; AFB, 1(80), 10 January 1980.

<sup>14</sup> TNA, DEFE 4/286, COS 14<sup>th</sup> Meeting/79, 8 May 1979, Confidential Annex, Item 3; AHB, AFB, 5(79), 24 and 30 May 1979. Beetham wanted each member of the AFB to cover their area. He concentrated on the overall size, shape and organisation of the RAF, the importance of resolving its manning difficulties, the central place of the Tornado and AST 403 in the equipment programme, the Soviet air threat, Britain's air defence needs and plans and the RAF's budgetary problems. AIR 8/2862, folio 25/1, Pawson (PS/CAS) to PS/AMP, PS/AMSO, PS/VCAS, PS/CA, PS/CS(RAF), PS/DUS(Air) 'AFBSC Presentation to New Ministers', 4 May 1979.

<sup>15</sup> Lord Pym (1922-2008) served in the 9<sup>th</sup> Lancers in North Africa and Italy, 1942-1946, twice Mentioned in Despatches and awarded the Military Cross. He entered the House of Commons in 1961 and was MP for Cambridgeshire (1961-83) and Cambridgeshire South East (1983-87). He was an Opposition Whip (1964-67) and Deputy Opposition Chief Whip (1967-70). In the Heath Government Pym was Parliamentary Secretary to the Treasury and Government Chief Whip (1970-73) and Secretary of State for Northern Ireland (1973-74). Pym was Opposition spokesman on Agriculture (1974-76), House of Commons Affairs and Devolution (1976-78) and Foreign and Commonwealth Affairs (1978-79). Pym was later Lord President of the Council and Leader of the House of Commons (1981-82) and Foreign Secretary (1982-83). Pym retired from the Commons in 1987 and received a life peerage. 'Obituaries: Lord Pym', *The Times*, 8 March 2008; 'Lord Pym', *Daily Telegraph*, 8 March 2008; Denis Kavanagh, 'Lord Pym', *Independent*, 8 March 2008; Andrew Roth, 'Francis Pym', *Guardian*, 8 March 2008.

Foreign Secretary.<sup>16</sup> Pym was the most ‘central of Conservative politicians’.<sup>17</sup> His relationship with Mrs Thatcher was awkward:

Throughout, Francis found his dealings with Margaret Thatcher difficult. Her habit of leading every discussion with a firm statement of her own views bumped up against his natural reluctance to argue with a woman. He tended to lapse into silence and grumble afterwards.<sup>18</sup>

During Mrs Thatcher’s first term many MPs viewed Pym as her likely successor, particularly had the Falklands Conflict gone differently and Pym, by then Foreign Secretary, had secured a negotiated settlement.<sup>19</sup> Although some accounts noted Pym ‘distinguished himself’ at Defence,<sup>20</sup> others emphasise his political ambitions.<sup>21</sup> The Parliamentary Under-Secretary for the RAF was Geoffrey Pattie, a former lawyer, Territorial Army Captain and author of two books on defence and international relations.<sup>22</sup>

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<sup>16</sup> Lord Carrington, *Reflect on Things Past* (London: Fontana paperback, 1989), p. 280. Similarly, Michael Heseltine recalled: ‘I passed Francis Pym on my way in [to see Mrs Thatcher in No. 10 on 5 May 1979]; he was looking dejected, having been offered the Ministry of Defence when he had his heart set on the Foreign Office (which went to Peter Carrington instead).’ Michael Heseltine, *Life in the Jungle: My Autobiography* (London: Hodder & Stoughton, 2000), p. 185; Laurence Marks, ‘The shadow leader’, *Observer*, 11 January 1981

<sup>17</sup> Douglas Hurd, *Memoirs* (London: Little, Brown, 2003), p. 243.

<sup>18</sup> *Ibid.*, pp. 243, 281. As a former Conservative Chief Whip, Hurd judged Pym to have ‘a dark view of every prospect... a particularly thick fog surrounded his dealings with the Prime Minister.’

<sup>19</sup> Moore, *Margaret Thatcher, Volume One*, pp. 638, 676, 702-703; Julian Critchley, ‘The Times Profile: Francis Pym, Foreign Secretary’, *The Times*, 22 May 1982.

<sup>20</sup> ‘Lord Pym’, *Daily Telegraph*, 8 March 2008.

<sup>21</sup> Hampshire, ‘Margaret Thatcher’s First U-Turn’, p. 360. Thatcher, *The Downing Street Years*, pp. 187, 306. She later observed: ‘Francis and I disagreed on the direction of policy, in our approach to government and indeed about life in general.’

<sup>22</sup> The two books were *Towards a New Defence Policy* (1976) and *A New World Role for the Medium Power: the British Opportunity* (1977), co-written with James Bellini. Opposition MPs enjoyed quoting back more inconvenient passages in Commons debates.



A gloomy former Chief Whip and his top mandarin. Francis Pym, Secretary of State for Defence, 1979-81 and Sir Frank Cooper, PUS, MoD, 1976-82. Photographs: Public Domain.

## Initial Observations

Mrs Thatcher encouraged new ministers to advise policy areas requiring immediate attention. Pym's submission, 'Our Inheritance', highlighted budget deficiencies:

Our predecessors cut £12 billion of planned defence expenditure to 1983-84, mostly through deliberate changes in the programme but partly through short-term cuts for economic reasons...The defence budget I have inherited is, however, simply inadequate to finance the existing defence programme.<sup>23</sup>

Labour's commitment to NATO's 3% annual real increase in spending was reflected in their spending plans for 1979-80 and 1980-81 but the budget was £250m short of forecast programme cost for 1980-81. No provision was included for enhancements to theatre nuclear forces or Polaris-replacement. Major programmes had escalated in cost. The *Defence Estimates* were insufficient to meet pay deals pledged to the armed forces and civil servants by Labour, never mind restoring full armed forces pay comparability which the Conservatives had promised. SofS required an

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<sup>23</sup> TNA, CAB 164/1577, folio 1, SofS to PM, 'Our Inheritance', 9 May 1979.

additional £300m to fund Forces' pay and improved conditions of service, £100m for civil service pay and £200m-£300m for non-pay items to avoid equipment cuts.<sup>24</sup>

The Chancellor Geoffrey Howe, and John Biffen, Chief Secretary to the Treasury (CST), reported the economic outlook was 'sombre', with inflation rising. Early decisions on cash limits were needed.<sup>25</sup> However, the Government agreed to implement, immediately and in full, the award recommended by the Armed Forces Pay Review Body (AFPRB) and committed to full comparability with civilian earnings in future. The Defence cash limit was raised by £270m.<sup>26</sup> Recruitment improved and Premature Voluntary Release (PVR) applications fell.<sup>27</sup> Howe wanted the Defence budget examined in the wider public expenditure context and a collective judgement about the balance of Britain's NATO contribution. Increases to aspects of the programme required reductions elsewhere, better use of resources and tackling waste.<sup>28</sup> SofS advised the Chiefs and civilian hierarchy:

We have much to do... The economy is stagnant, and it will take time, and probably painful decisions, to get it moving. We must not allow our sense of a fresh priority for defence to lead to any relaxation in financial disciplines, or in rigorous insistence upon value for money. Public expenditure everywhere has to be scrutinised with new sharpness, and the Ministry of Defence will be no more exempt from this than any other Department.<sup>29</sup>

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<sup>24</sup> Ibid. Pym also mentioned recruitment issues in the forces, skills shortages among civilians in research establishments and other installations and the unpopularity of dispersing staff from London.

<sup>25</sup> Ibid., folio 13, Hall (HMT) to Lankester (PS/PM), 'Immediate Problems', 9 May 1979.

<sup>26</sup> TNA, CAB 129/206, C(79)5, 15 May 1979, 'Cash Limits', Memorandum by the Chief Secretary, Treasury; David Fairhall, 'Services pick up 32pc rise', *Guardian*, 11 May 1979.

<sup>27</sup> <http://hansard.millbanksystems.com/1980/apr/29/defence-estimates-1980> HC Deb 29 April 1980, vol. 983, columns 1174-300. The Navy Minister, Keith Speed, told the Commons on 29 April 1980 recruitment across the Services was nearly 50,000 in 1979-80, compared to 43,360 in 1978-79. Applications for PVR fell by 34% during this period, though Government introduced new higher PVR charges from July 1980. The total strength of Service personnel was 320,682 on 1 March 1980, compared to 314,000 in June 1979. The Government claimed between 1974 and 1979, 6,000 officers and men were made redundant and 40,000 voluntarily left the Services prematurely.

<sup>28</sup> TNA, CAB 164/1577, folio 19, CHX to PM, 11 May 1979.

<sup>29</sup> TNA, AIR 8/2862, folio 36, Minute by SofS, 11 May 1979.

CAS's PS commented, 'realism through the euphoria?'<sup>30</sup> Pym thanked CDS for his 'clear and comprehensive introduction to the many problems which the Department faced'.<sup>31</sup> Nevertheless, the Queen's Speech promised:

My Government will take steps to improve the security of the nation and to strengthen our contribution to the North Atlantic Alliance on which our defences are based. They will immediately restore and thereafter maintain the pay of servicemen at the levels of their civilian counterparts. They will maintain the effectiveness of Britain's nuclear deterrent.<sup>32</sup>

The Chief Secretary Treasury's memorandum of 14 May on public expenditure cuts for 1979-80 warned against adding too rapidly to programmes, like defence, 'where we are committed to improvements'.<sup>33</sup> Crucially, SofS rapidly secured Mrs Thatcher's agreement to support NATO's Ministerial Guidance for 1979 which called for increased defence spending by 3% per annum above the rate of inflation to 1986. Pym wanted a quick decision, before attending a NATO ministerial meeting. Although not constituting a formal commitment, it raised expectations Britain would maintain annual increases beyond 1980-81.<sup>34</sup> CST added the proviso, 'provided that it is understood that our room for manoeuvre in the public expenditure survey must not be prejudiced, and that the wording is not binding and allows for such exceptions as national economic circumstances may require'.<sup>35</sup> John Hunt, the Cabinet Secretary, supported the Chief Secretary.<sup>36</sup> Mrs Thatcher backed Pym. Biffen's qualification was 'tantamount to making no undertaking of any kind. The 3% commitment if I remember correctly was always subject to "economic

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<sup>30</sup> Ibid.

<sup>31</sup> Ibid, Minute by SofS, 9 May 1979. DEFE 32/26, COS Informal Meeting, 16 May 1979 highlighted that discussion of defence policy issues was the sole agenda item for the Defence Council meeting the following day. The Chiefs agreed to inform Pym and offer him informally the latest Way Ahead study – explaining the origins and history of the work and the extent to which a long term COS Study 'had perforce been subsumed in a politically driven review of defence policy at the strategic level'.

<sup>32</sup> TNA, CAB 129/206, C(79)2, 11 May 1979, 'The Queen's Speech on the Opening of Parliament', Note by the Secretary of the Cabinet. The Government also promised to 'work for greater stability in East-West relations'.

<sup>33</sup> Ibid., C(79)4, 14 May 1979, 'Public Expenditure; Scope for Cuts', Memorandum by the Chief Secretary, Treasury.

<sup>34</sup> TNA, PREM 19/161, SofS to PM, 'The Defence Budget and Cash Limit', 10 May 1979; David Fairhall, 'Annual rise in NATO spending agreed to 1986', *Guardian*, 16 May 1979.

<sup>35</sup> TNA, PREM 19/161, CST to PM, 'Defence Budget and Cash Limit: NATO Meeting', 11 May 1979.

<sup>36</sup> Ibid., CST to PM, 'Defence Budget and Cash Limit', 11 May 1979.

circumstances".<sup>37</sup> Howe claimed the Conservatives had not endorsed the 3% rise in opposition and Pym was incorrectly advised the party was committed to it.<sup>38</sup>

The PUS, Sir Frank Cooper, advised senior colleagues that negotiations with HMT on money for 1979-80 were proceeding, with a budget in June and familiar public spending arguments with the Treasury over the summer and autumn. Other aspects were hazy:

But what of policy? The Government was elected on having more defence - but more of what? Renewing the strategic deterrent? Modernising the TNF [theatre nuclear forces]? More defence of the UK? More reserves? More outside Europe? Greater numbers of this or that? Are there to be changes in policy - or are we concerned with incrementalism? I don't know. When will there be an indication of policy? Before the summer recess? In the autumn? In the 1980 Defence White Paper?<sup>39</sup>

At an informal Defence Council discussion on 17 May, Pym stated the new Government's commitment to Defence had been expressed in practical terms with the decision on forces' pay and increase to the cash limit [see below]. Three problems required immediate ministerial attention. Firstly, the 1979-80 cash limit set by the previous Government was not enough to pay for the volume programme it had approved, particularly in non-pay areas. Unless action was taken, the 3% increase would be largely be swallowed up by inflation rather than producing real programme improvements. Secondly, the Government was committed to reducing public spending to address economic stagnation. This would involve difficult ministerial decisions. The MoD would not be excluded from the drive to deliver better value for money. A third problem was rising equipment costs. Pym was determined to come to grips with equipment issues involving theatre nuclear forces and a possible successor strategic deterrent system. CDS advised the Chiefs had already commenced a study of defence policy over the next 20-25 years - *The Way*

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<sup>37</sup> Ibid.; PS/PM to Gutteridge (MoD), 'The Defence Budget and Cash Limit', 14 May 1979.

<sup>38</sup> Geoffrey Howe, *Conflict of Loyalty* (London: Macmillan, 1994), p.144. Howe challenged this at a Cabinet Defence and Oversea Policy Committee (OD) meeting, 'We lost, with Margaret on the wrong side'. He added: 'She [Mrs Thatcher] retained this ambivalent attitude towards defence spending for some years to come.' However, at the October 1977 Conservative Party conference John Davies, the Foreign Affairs spokesman, promised to increase defence spending by 3% per annum in real terms, 'Pledge to increase defence spending', *The Times*, 14 October 1977.

<sup>39</sup> TNA, DEFE 25/754, Cooper (PUS) to CDS, CNS, CGS, CAS, VCDS (P&L), CDP, CSA, 'The Defence Council', 16 May 1979.

Ahead study - to thoroughly investigate all defence options and advise Ministers on the shape of future policy. The Chiefs agreed a Polaris-successor system was needed and an early decision on long-range theatre nuclear forces was required. Meanwhile, it had also proved impossible to forego residual commitments outside the NATO area.<sup>40</sup>

VCAS, AM Sir John Nicholls, warned aircrew shortages would worsen for another two years. It was impossible to carry out the RAF's existing tasks adequately, never mind increase capability. Importantly, VCAS noted the RAF's share of the defence budget involved an artificial dip in the early 1980s due to historical reasons not present requirements. The matter was being reviewed and proposals were being prepared. The RAF's main operational concern was 'the inadequacy of their air defence capability'.<sup>41</sup> The PUS forecast the sum of aspirations for the programme over the next decade would probably exceed available resources. Decisions on priorities were essential. Cooper emphasised the cost of inflation on the defence budget. He highlighted a proposed 12,000 increase in uniformed manpower and planned 50% hike in equipment spending in real terms over the next decade. Cooper questioned the existing plan, highlighting the longevity and 'sheer expense' of major weapons systems. The UK share of the Tornado programme was £5bn and rising, with £2bn expended before a single squadron entered RAF operational service. Ministers had to decide about the UK's NATO role, notably theatre and strategic nuclear factors. Due to the costs of a few programmes, they had to decide what equipment they wanted and when. They had to advise their intentions on external military policy and the nature of any role outside Europe and address difficult personnel questions. SofS agreed increasing Service personnel by 12,000 was a 'formidable challenge'. He thought theatre nuclear forces constituted the most pressing issue with a successor deterrent close behind.<sup>42</sup>

Three major issues were identified by the Conservatives in opposition – service pay, the reserves and Britain's air defences.<sup>43</sup> The main items of expenditure were the British Army of the Rhine (BAOR) and Home Forces, strike aircraft and the research and development of military aircraft, destroyers and frigates and Service pensions. As observed, existing cash figures could not meet their related equipment

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<sup>40</sup> TNA, DEFE 25/754, DCM(79) 2nd Meeting, 17 May 1979.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid; DEFE 25/754, DCP(79)5, 'The Defence Programme', Note by the Secretaries, 14 June 1979. Equipment spending had remained broadly the same in real terms since 1970 although Cooper mentioned the arguments that MoD concentrated too much on R&D, was too ready to alter its requirements and paid less attention to production and associated problems.

<sup>43</sup> Dorman, 'The Nott Review', p. 12.

programmes. An additional £100m was obtained for 1979-80 to address this. Maximum savings were also demanded. The Cabinet mentioned significant waste in defence, particularly in procurement. Sir Derek Rayner, joint Managing Director of Marks and Spencer and former Procurement Executive Chief Executive (1971-72), became the Prime Minister's Adviser on improving efficiency and eliminating waste in Government. The MoD was a target area.<sup>44</sup>

Mrs Thatcher argued the 3% rise showed the Soviets that Britain meant business but identified two drawbacks. First, the MoD had little incentive to get value for money in expensive procurement programmes. Secondly, Britain in recession spent a substantially higher proportion of GDP on defence than NATO allies.<sup>45</sup> Pym's savings proposals were heavily caveated. He highlighted previous reductions, including cutting UK RAF stations by over 40% during the decade, from 166 to 97. Establishments, Command structures, R&D facilities, staffing and general administrative expenses had been reduced. Four initiatives were suggested. First, an investigation into procurement processes; secondly, identifying savings in energy use, movements and the Defence Estate; thirdly, reviewing all committees and finally, staff suggestions to reduce waste were sought.<sup>46</sup> These suggestions were separate from the Lord President, Lord Soames', review of Civil Service staff costs.<sup>47</sup> SofS opposed the freeze on MoD civil service recruitment, highlighting over

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<sup>44</sup> TNA, CAB 128/66, CC(79)2<sup>nd</sup> Conclusions, 17 May 1979. This was an increase in the allocation for the Defence budget and not an 'exemption from the discipline of cash limits'. Sir Derek Rayner (later Baron Rayner of Crowborough) advised the Government on waste until 1983. The extra £100m was confirmed by the Cabinet on 31 May and announced in the Budget on 12 June. It was recognised it 'was not sufficient to meet the full commitments inherited from the previous Government, and significant economies in the Defence programme would still be needed to keep within the increased Defence budget'. CAB 128/66, CC(79)4<sup>th</sup> Conclusions, 31 May 1979. A new Local Overseas Allowance (LOA) system was also adopted, with Forces in Germany facing reductions in the rate of LOA in two equal phases in October 1979 and January 1980. DEFE 4/286, COS 18<sup>th</sup> Meeting/79, 3 July 1979, Confidential Annex, Item 3.

<sup>45</sup> Thatcher, *The Downing Street Years*, p. 125.

<sup>46</sup> TNA, PREM 19/161, SofS to PM, 'The Search for Economy', 4 June 1979. Lord Soames led the review of Civil Service staff costs. See DEFE 13/1404, Hockaday (2<sup>nd</sup> PUS) to Rayner, 'The Search for Economy', 7 February 1980 for an update of progress across the MoD.

<sup>47</sup> TNA, DEFE 25/754, DCM(79)4<sup>th</sup> Meeting, 30 July 1979. In June 1979 the Cabinet asked departmental ministers to identify ways of reducing civilian numbers by 10%, 15% and 20% by 1 April 1982, providing the Lord President with initial responses by the end of July, with Cabinet discussions in September.

40,000 staff cuts since April 1974.<sup>48</sup> Pym called it ‘a crude instrument’ and wanted departmental flexibility to recruit priority staff.<sup>49</sup>

SofS told the Defence Council the Government was increasingly conscious of the economic problems it had inherited and ‘these were not helpful to the defence programme’. The MoD had to provide manpower savings and eliminate unnecessary expense and the case for greater resources to strengthen the programme must be ‘very carefully considered and controlled’. The Chiefs rejected changing the balance of the UK contribution to NATO, forecasting potential disruptive repercussions. To reduce any role, even if enhancements were made elsewhere, would raise the question of how the rest of the Alliance would make good the loss. Specialisation of role was unattractive although specialisation of equipment production presented less problems. Meanwhile, until existing uncertainties had at least been partially resolved, SofS thought it ‘premature to lay down a hard-and-fast definition of UK defence policy’, only wanting a policy paper to show to ministerial colleagues in the autumn with a view to giving the 1980 SDE ‘the necessary positive approach’.<sup>50</sup>

Economic prospects darkened. The Chancellor told the Cabinet in July: ‘All the indicators were pointing in the wrong direction’.<sup>51</sup> Howe proposed Defence cuts which would make it impossible to achieve the 3% commitment. Defence faced a £115m cut in its future expenditure programme for 1980-81. The Government grappled with the irreconcilable objectives of boosting Defence but cutting spending elsewhere:

To abandon those [NATO commitments] now would be strategically and politically damaging and would undo the morale-building effects of the Government’s earlier Defence Budget decisions. However, because Defence and similar areas of public expenditure were largely exempt from cuts, the reductions required in other programmes were correspondingly larger.<sup>52</sup>

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<sup>48</sup> TNA, PREM 19/5, SofS to PM, 30 May 1979.

<sup>49</sup> Ibid., SofS to PM, ‘Ban on Civil Service Recruitment’, 23 July 1979. Pym did not believe that exceptions to allow the MoD to recruit the groups most urgently needed would prejudice the aim of achieving a 3% reduction in staff costs that year.

<sup>50</sup> TNA, DEFE 25/754, DCM(79)3<sup>rd</sup> Meeting, 28 June 1979.

<sup>51</sup> TNA, CAB 128/66, CC(79)9<sup>th</sup> Conclusions, Minute 5, Limited Circulation Annex, 12 July 1979. Howe warned, ‘Inflation seemed likely to rise fast, and this made it essential to maintain control over borrowing and the money supply. The recent oil price increases made the situation worse.’

<sup>52</sup> Ibid.

Cabinet minutes noted: 'The Ministry of Defence was very staff intensive, particularly in the Royal Dock Yards and Ordnance Factories, and there should be room for substantial savings'.<sup>53</sup> The MoD, with 245,000 civil servants, employed one-third of the Civil Service.<sup>54</sup> Looking ahead to the 1980-81 to 1983-84 period, the wider emphasis for the Public Expenditure Survey Committee (PESC) was the scope for reductions. Defence was favourably considered. The 'budgetary under provision for defence in recent years' was observed. Although the 3% real increase was 'subject to Ministers' decisions on public expenditure', alongside the Government's rhetoric on Defence, it raised public and Alliance expectations. Major orders accounted for significant growth in planned equipment spending in the inherited programme, including Tornado, additional Chieftain tanks, Milan anti-tank missiles and Army air defence improvements. The Navy had a rolling programme of ASW (anti-submarine warfare) cruisers, Type 42 destroyers, Type 22 frigates and nuclear-powered submarines. Service manpower was forecast to increase by 7% during the survey period. The 1974-75 Defence Review projections assumed reduced funding between 1981-82 and 1983-84. Instead, a significant cash increase was required for equipment. Nuclear capabilities, improvements to force structure (including the direct defence of the UK and improvements identified by NATO's Long-Term Defence Programme (LTDP)) and defence interests outside NATO were candidates for enhancement.<sup>55</sup>

The MoD was guarded about economies. Continued commitments outside main Defence efforts, including Northern Ireland and Belize, generated costs necessitating additional bids by the MoD. MoD's bids were £488m more than NATO's 3% annual increase on a 1978-79 level throughout the survey period [1980-81 to 1983-84]. Acceptance would mean Defence's share of total public expenditure jumping from 11% in 1979 to about 14% by 1983-84, if spending was reduced to 1977-78 outturn level, the Government's objective. Defence expenditure

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<sup>53</sup> TNA, CAB 128/66, CC(79)10<sup>th</sup> Conclusions, Minute 4, Limited Circulation Annex, 19 July 1979. The proposed £115m cut arose from the report of a group of Ministers (MISC II) established to review reductions in Departmental expenditure programmes. In Cabinet discussions it was noted 'the cuts being sought in other politically more sensitive programmes, were far more damaging'. In conclusion, it was agreed in view to the large reductions in spending demanded from other departments, the Defence budget should be reduced as proposed by MISC II. CAB 129/207, C(79)31, 17 July 1979, 'Report of Ministerial Group on Public Expenditure', Note by the Chancellor of the Exchequer. Pym proposed the Defence programme should be £13m higher for 1980-81 than the previous Government's White Paper so they would be shown as proposing to spend more than their predecessors.

<sup>54</sup> TNA, CAB 128/67, CC(80)4<sup>th</sup> Conclusions, 31 January 1980.

<sup>55</sup> TNA, CAB 129/206, C(79)25, 6 July 1979, 'Public Expenditure 1980-81 to 1983-84: The Scope for Reductions', Memorandum by the Chief Secretary, Treasury.

would climb from 4.95% of GDP in 1979-80 to about 5.5% by the end of the PESC period. The Treasury wanted Defence to take its share of the cuts to the Property Services Agency (PSA) works programme and was cautious about commitments on Defence spending after 1981-82.<sup>56</sup> The RAF wanted to adjust targets and plans set by the 1974 Review. Tornado peak expenditure was now expected in the early 1980s, later than envisaged. There were fears the impending dip in target allocations for the RAF would coincide with this peak. Real resources available to the RAF were predicted to fall during the early 1980s.<sup>57</sup>

### **Tax Rises and Defence**

The volume of Defence spending in 1979-80 was reduced by the VAT rise and other price increases in the Budget of 12 June. Measured against that base, the Treasury stated the NATO 3% target could still be met in 1980-81, whilst allowing a reduction of £300m in previously published Defence plans, part of a near £5bn cuts package for 1980-81.<sup>58</sup> SofS thought the Budget's VAT and petroleum duty increases would cost the MoD about £200m in 1979-80, meaning 'in real terms our planned level of expenditure is even lower than that of our predecessors'. If further funds were necessary in 1979-80, SofS would seek Parliamentary approval.<sup>59</sup> The Chief Secretary, John Biffen, repeatedly emphasised collective agreement to enforce cash limits.<sup>60</sup> Pym observed 'no mention of the equally firm Government decision to increase our defence effort'. The Government had increased the budget by £100m but Budget tax rises and the cash limit's shortfall, meant a near £200m cut, or net reduction of almost £100m.<sup>61</sup> Biffen argued the Government had not decided to relax the cash limit if it proved inadequate to maintain the Defence programme.<sup>62</sup> Pym wanted confirmation Budget tax increases would not mean

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<sup>56</sup> Ibid.

<sup>57</sup> TNA, AIR 8/2863, Presentation on the RAF Programme to PUSofS(RAF) by ACAS (Pol), 17 May 1979.

<sup>58</sup> TNA, CAB 129/206, C(79)26, 6 July 1979, 'Public Expenditure, 1980-81 to 1983-84', Memorandum by the Chief Secretary, Treasury.

<sup>59</sup> TNA, PREM 19/161, SofS to CHX, 'The Financial Prospect 1979-80', 20 June 1979. A No 10 Private Secretary minuted in the margin, 'The Chancellor can't possibly accept this!'

<sup>60</sup> Ibid., CST to SofS, 'The effect of Budget Measures on Cash Limits', 26 June 1979.

<sup>61</sup> Ibid., SofS to CST, 'The effect of Budget Measures on Cash Limits', 28 June 1979.

<sup>62</sup> Ibid., CST to SofS, 'The effect of Budget Measures on Cash Limits', 29 June 1979.

programme reductions.<sup>63</sup> Biffen insisted Defence must not be given special relief from cash limits disciplines.<sup>64</sup>

SofS argued: 'To fail to stand by the commitments we have so recently made would dismay our friends and give comfort to our opponents both domestically and internationally.'<sup>65</sup> The Prime Minister adjudicated.<sup>66</sup> Mrs Thatcher thought it wrong to take more out of Defence through tax increases than put in by additional provision. Defence would be exempted from the tax rises or compensated by a cash limit increase later in the year.<sup>67</sup> Mrs Thatcher insisted Defence's exemption was necessary, although she backed Biffen to resist other similar requests.<sup>68</sup> Pym agreed in September to an additional £140m.<sup>69</sup> Defence had won a battle. The war of attrition continued.

### **Air Defence: Make Do and Mend?**

The Government wanted to be seen delivering its political promises on Defence and had repeatedly called for improvements in air defence whilst in opposition. Deficiencies were soon highlighted to Pattie:

The main weakness in our aircraft programme lies in the lack of numbers. We are speaking of a total force assigned to SACEUR for

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<sup>63</sup> Ibid., SofS to PM, 'Defence Cash Limit 1979-80', 2 July 1979.

<sup>64</sup> Ibid., CST to PM, 'Defence Cash Limits 1979/80', 3 July 1979. Biffen said it affected all departments where significant expenditure attracted VAT or petroleum duty. He would have 'considerable difficulties' if Pym suggested during the year if further funds were needed for programmes the Government would request Parliamentary approval accordingly.

<sup>65</sup> Ibid., SofS to PM, 'Defence Cash Limits 1979-80', 5 July 1979; Vile (Cabinet Office) to Lankester (PS/PM), 'Defence Cash Limit 1979-80', 6 July 1979.

<sup>66</sup> Ibid., Lankester (PS/PM) to PM, 'Defence Cash Limit 1979-80', 6 July 1979.

<sup>67</sup> Ibid., Lankester (PS/PM) to Facer (PS/SofS), 'Defence Cash Limit 1979/80', 9 July 1979. Biffen's counter-blast, that Pym's assertion of a 3% cut was wrong and the relative comparison in volume outturn indicated a 2.2% increase, was submitted too late for Prime Ministerial consideration, CST to PM, 'Defence Cash Limits 1979/80', 9 July 1979.

<sup>68</sup> Ibid., CST to PM 'Defence Cash Limit', 11 July 1979; Lankester (PS/PM) to PM, 'Defence Cash Limits 1979/80', 11 July 1979; Lankester to Pirie (PS/CST), 'Defence Cash Limits 1979/80', 12 July 1979.

<sup>69</sup> TNA, PREM 19/161, CST to SofS, 'Defence Cash Limits 1979-80', 11 September 1979; SofS to CST, 'Defence Cash Limits 1979-80', 20 September 1979. Pym was irritated by Biffen highlighting the MoD had overspent its cash limit by £74.5m in 1978-79. Industrial disputes which impacted on the payment of bills brought about this overspend. While Pym agreed this provided a valid reason for adjusting the 1978-79 cash limit, he rejected any notion it indicated MoD management procedures were defective.

UK air defence of 70 aircraft against a potential threat of 200-300 Soviet aircraft.<sup>70</sup>

The Government presented improvements before the Parliamentary Summer Recess to narrow the air defence gap. Although committed to substantial improvements longer term, shorter term for political and presentational reasons it identified four measures, three deemed ‘very minor’ by the CAS, ACM Sir Michael Beetham. These were, a memorandum of understanding on collaborative studies into future surface-to-air missiles; changes to the Hawk training aircraft to enable them to carry air-to-air missiles and improvements to the Phantom’s weapons control system.<sup>71</sup>

The fourth improvement concocted by SofS and Pattie in advance of AFB consideration, was an additional Lightning squadron. Beetham considered this ‘a useful but not substantial improvement in our capacity’.<sup>72</sup> An initial cost of £6m was envisaged with annual running costs of £7m. These were not factored into the Long Term Costings (LTC) for 1979, falling within the margin of error for estimating the programme. Ministers could not be advised against the package on financial grounds. The AFB, ‘despite reservations, accepted that another Lightning

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<sup>70</sup> TNA, AIR 8/2863, Presentation on the RAF Programme to PUSofS(RAF) by ACAS(Pol), 17 May 1979.

<sup>71</sup> TNA, DEFE 4/286, COS 20<sup>th</sup> Meeting/79, 19 July 1979, Confidential Annex, Item 4. See also <http://hansard.millbanksystems.com/commons/1980/apr/28/defence-estimates-1980> HC Deb 28 April 1980, vol. 983, columns 995-1113. The Army Minister, Barney Hayhoe, announced the RAF would get 18 more Hawk jet trainers to supplement its fleet of training aircraft. They would help to meet the increased requirement for fast jet training. As with existing Hawks, some would be able to carry the Sidewinder AIM9L air-to-air missile and assist in supplementing air defence forces. The first aircraft were due to be delivered in 1983. Some 90 existing Hawks were already said to be fitted with Sidewinder missiles, according to contemporary press reports. Henry Stanhope, ‘RAF to get 18 additional Hawk trainers’, *The Times*, 29 April 1980.

<sup>72</sup> TNA, DEFE 4/286, COS 20<sup>th</sup> Meeting/79, 19 July 1979, Confidential Annex, Item 4.

squadron should be formed'.<sup>73</sup> Beetham described the Lightning as 'still a very useful fighter' but bemoaned the lack of new aircraft and pilot shortage.<sup>74</sup>

It was a make do and mend situation. The limitations were conveyed to Pattie at AFB meetings. While it was appreciated the Tactical Weapons Units' Hunters would soon need to be withdrawn from local air defence, the shortcomings of the modified Hawk and additional Lightning squadron were highlighted. The Hawk's primary role was training<sup>75</sup> although some aircraft were earmarked for modification with Sidewinder AIM9L missiles and Aden gun, and an offensive support capability with rocket pods, cluster bombs and guns. Much of the modification required was common for both capabilities (air defence and offensive support), enhancing cost effectiveness. The modified Hawks were expected to be available from mid-1982 and be declared to NATO in the air defence role, providing 'a useful, if limited, supplement to the front-line fighters in the air defence role', where it 'would be restricted to a capability against the almost entirely subsonic, low level, threat'.<sup>76</sup> Maximum use would need to be made of the information from Sector Operations Centres (SOCs) or air traffic control radar to intercept incoming raids. Hawk operations required to be integrated with Bloodhound and Rapier:

Equipped with Sidewinder AIM9L missiles, the Hawk would have greater overall performance than the gun armed Hunter. But the Hawk

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<sup>73</sup> Ibid; See AHB, AFB, 7(79), 19 July 1979; <http://hansard.millbanksystems.com/1980/apr/29/defence-estimates-1980> HC Deb 29 April 1980, vol. 983, columns 1174-300. The Commons Select Committee on Defence was particularly concerned about the weakness in air defence. Its chairman, Sir John Langford-Holt, highlighted it would take about two years to create a Lightning squadron from existing resources. The creation of the additional Lighting squadron and arming of the Hawk trainers would not fully rectify the situation. He added, 'Only when the major improvement represented by the Tornado F2 and the improved air defence ground environment have been fully introduced can we be reasonably satisfied with our air defence.' He wanted attention be given to the provision of further air-to-air refuelling capacity and rapid runway repair facilities; resources available to RAF Germany but not to aircraft using home-based stations for the defence of the UK.

<sup>74</sup> Henry Stanhope, 'RAF "needs more fighters and quickly"', *The Times*, 29 November 1979. Beetham had spoken at the Air Public Relations Association. Beetham suggested the new Government's attitude to Defence had a positive impact on RAF morale with fewer leaving the service and 'buoyant' recruitment. Concurrently, the VCAS advised the AFB the formation of the third Lightning squadron was still planned for 1982, subject to the support facilities being available. Beetham hinted at an increased order for the Tornado ADV, which had the makings of a 'first rate' aircraft. AHB, AFB, 8(79), 15 November 1979.

<sup>75</sup> AHB, AFB, (79)11, 'A War Role for the Hawk', Note by the VCAS, 21 June 1979. The options for the Hawk to undertake war tasks were to involve an employment not adversely impacting on its ability to meet flying training and weapons training tasks.

<sup>76</sup> AHB, AFB, 6(79), 28 June 1979.

would essentially supplement the main fighter force and would not be an alternative to additional fighters.<sup>77</sup>

Some 36 Hawks were to be declared to NATO in the air defence role compared to the existing 24 Hunters. The Board agreed to modify 89 Hawks.<sup>78</sup> Some Lightnings were available to support two squadrons planned to run until 1986. If an extra squadron was formed in 1981 then the planned rundown would start in late 1984. There were insufficient pilots with Lightning experience to form more than one shadow squadron.<sup>79</sup> There were 'no overriding difficulties' which ruled out expansion, but it could not be delivered overnight, because of the necessary support base and costings provision. Fatigue issues were significant. Buying Lightnings from Kuwait was judged not cost effective. The extra support required meant the new squadron would not be ready until mid-1982, with costs being found by re-allocating resources between the services. If not, costs would fall on the Air Force Department (AFD) budget.<sup>80</sup>

The AFB discussed the requirement for more fighters for UK air defence in September. The RAF's front-line UK fighter force comprised 94 aircraft, 24 Lightnings and 70 Phantoms. During the coming decade this was to comprise six 15 Aircraft Establishment (AE) Tornado F2 squadrons.<sup>81</sup> Earlier in 1979, the AFB agreed a minimum force of 135 fighters was required.<sup>82</sup> It was suggested boosting the UK Tornado F2 force to nine 15 AE squadrons. Pending their delivery, the Phantom FGR 2 would run on to attain a UK defence force of 135 AE by mid-1987. Other possibilities to reach 135 fighters included increasing Tornado F2 production from four to five aircraft monthly from April 1986. This made minimal difference. Buying or hiring foreign aircraft faced numerous obstacles.<sup>83</sup>

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<sup>77</sup> AHB, AFB, (79)11, 'A War Role for the Hawk', Note by the VCAS, 21 June 1979; AHB, AFB, 6(79), 28 June 1979. The Hawk and the Hunter had no airborne intercept radar. The Hawk was described in the AFB paper as 'a short range, clear weather, day only subsonic aircraft'. When equipped with Sidewinder AIM 9L, the Hawk's lower level maximum speed was less than the Hunter.

<sup>78</sup> AHB, AFB, (79)11, 'A War Role for the Hawk', Note by the VCAS, 21 June 1979; AHB, AFB, 6(79), 28 June 1979. The cost of modifying 89 Hawks to give them limited air defence and offensive support capability was around £6.5m. A further £6.93m was estimated to buy missiles and equipment.

<sup>79</sup> *Ibid.*

<sup>80</sup> AHB, AFB, 7(79), 19 July 1979.

<sup>81</sup> AHB, AFB, Air Defence of the United Kingdom, The Requirement for Additional Fighters, 6 September 1979.

<sup>82</sup> See AHB, AFB, 3(79), 22 March 1979.

<sup>83</sup> AHB, AFB, Air Defence of the United Kingdom, The Requirement for Additional Fighters, 6 September 1979. A foreign fighter aircraft posed numerous difficulties. A minimum timeframe of four years

## Major RAF Programmes

Major equipment programmes seemed set to transform the RAF during the 1980s, substantially increasing operational capability.<sup>84</sup> Most notable were the Tornado and Jaguar/Harrier replacement under Air Staff Target (AST)-403. The Tornado, over both variants, replaced five existing aircraft types. With large, long term projects it was thought most effective to ensure sufficient flexibility by committing to a few basic aircraft types, versatile enough to undertake numerous roles.<sup>85</sup> The order of 220 of the tri-national GR1, the interdicator/strike (IDS) variant, provided 108 aircraft for overland operations in Europe and 36 for SACLANT to support naval forces in the Eastern Atlantic. This gave a total front line of 144 aircraft, with 76 reserves. Conventional roles for the GR1 included counter air, attacking enemy supply lines and reinforcement areas, close air support and reconnaissance. Deliveries were to start in 1980 with aircraft entering squadron service in autumn 1981, replacing Vulcan Mk2s, Buccaneers and Canberra PR aircraft.<sup>86</sup> Equipped with advanced Air Intercept (AI) radar, the Tornado F2 was to spearhead the RAF's air defence forces, safeguarding the UK Air Defence Region, providing air defence for maritime forces in the Eastern Atlantic and Channel and contributing to air defence in central Europe. A front line of 110 aircraft was anticipated, with 55 in reserve. Deliveries were to start in 1984, aircraft entering squadron service from mid-1985, replacing Lightnings and Phantoms. Although the F2 met specific UK requirements, it had about 85% commonality with the GR1.<sup>87</sup> Tornado programme cost surged. By December 1978, total cost was around £5.2bn. The foremost problem concerned the RB 199 engine achieving full performance and reliability

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was envisaged for pilots and aircrew, the aircraft required adaptation for UK service, there were issues with sources of supply, an appropriate deployment base, and engineering and works services. Moreover, any new foreign fighter would overlap with Tornado F2 re-equipment, thus meaning the introduction of two fighter types concurrently and contradicting the aim of reducing aircraft types in service. Ministers had to be shown countering this Soviet threat involved prioritising UK air defence over other Defence capabilities. An expansion to nine squadrons was considered costly in view of the assessed threat and too large to fit into the RAF programme in the early 1980s.

<sup>84</sup> The AFB was determined to retain a balanced force capability and rejected the idea of role specialisation. NATO commitments and maintaining the RAF's independence remained paramount concerns. The AFB hoped to maintain force levels in all six areas of capability – strike, offensive support, air defence, maritime, support and helicopter lift. Andrew Dorman, 'Introductory Paper: The Nott Review', in 'The Nott Review', held 20 June 2001 (Institute of Contemporary British History, 2002, <http://www.icbh.ac.uk/witness/nott/>), p. 7.

<sup>85</sup> TNA, AIR 8/2863, folio 1, AFBSC presentation to New Ministers, 14 May 1979.

<sup>86</sup> Ibid., List of Briefs for PUSofS(RAF) – May 1979, No 7, MRCA (Tornado).

<sup>87</sup> Ibid.

requirements. BAe also encountered difficulties with the front fuselage, arising from its complexity and labour problems.<sup>88</sup>



Roll-out of the prototype Tornado F2 air defence fighter, ZA254 at BAE Warton, 9 August 1979.  
Photograph: AHB (RAF)

The AST-403 programme commenced as a Jaguar and Harrier replacement project by a single aircraft, ideally as a collaborative project. Incoming Ministers were told: ‘Extensive feasibility studies have shown that, in effect, it is not possible to have both a good airborne performance and a good off base operation ability, i.e.

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<sup>88</sup> Ibid. The RAF prepared to run the Tri-national Tornado Training Establishment (TTTE) at RAF Cottemore, Rutland, to train aircrew on the Tornado weapons systems. Pym rejected calls to ground the Tornado after a developmental aircraft crashed in the Irish Sea in June 1979. Another 14 developmental Tornados remained, and 2,700 hours of test flying had taken place by that stage. David Fairhall, ‘Tornado will not be grounded, says Pym’, *Guardian*, 19 June 1979.

VSTOL/VTOL [Vertical Standing Take Off and Landing/Vertical Take Off and Landing], within the same airframe and in an acceptable cost bracket'.<sup>89</sup> While the RAF remained supportive, there was little French or German interest for a Harrier-type aircraft or collaboration on a VSTOL aircraft.<sup>90</sup> Both preferred an aircraft with advanced air combat capability with two engines.<sup>91</sup> Harrier-improvements were to maintain VSTOL/VTOL capability until 2000. Jaguar-replacement could be met through a European collaborative programme, with Britain ordering 200 aircraft. The preferred route for AST-403 was under consideration by the Central Equipment Committees.<sup>92</sup> Meanwhile, the Harrier was to be improved under AST-409 by BAe, with a larger wing. The RAF wanted 60 improved Harriers. Some would be new; the remainder converted from existing aircraft. Buying American McDonnell-Douglas AV8Bs was rejected, as it would add a new aircraft to the RAF fleet with accompanying costs.<sup>93</sup>

Other significant equipment programmes included converting three Nimrod aircraft to an AEW Role, requiring the development of associated mission systems avionics. This ran into cost increases; the Central Equipment Committees, examined comparative costing of buying American Boeing E3 AWACS aircraft (Airborne Warning and Control System).<sup>94</sup> Two major helicopter procurements were in

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<sup>89</sup> TNA, AIR 8/2863, List of Briefs for PUSofS(RAF) – May 1979, No 6, Current and Future Equipment Programme for the RAF.

<sup>90</sup> AHB, AFB, 2(79), 29 January 1979; Fairhall, 'Tornado will not be grounded'. ACM Sir Douglas Lowe, the RAF's Controller of Aircraft, hoped in June 1979 that developing the Harrier concept for ground support with BAOR would make it likelier to find a common requirement with the *Luftwaffe* for the joint development of a 'complementary, high performance battlefield fighter'.

<sup>91</sup> TNA, AIR 8/2863, List of Briefs for PUSofS(RAF) – May 1979, No 6, Current and Future Equipment Programme for the RAF; Henry Stanhope, 'Will the RAF get the aircraft it deserves?', *The Times*, 31 March 1980. All three states had different requirements, timeframes and commercial concerns for a new aircraft. The RAF's in-service date for the Jaguar-replacement was initially 1987 and 1986 was initially envisaged for the improved Harrier.

<sup>92</sup> TNA, AIR 8/2863, List of Briefs for PUSofS(RAF) – May 1979, No 6, Current and Future Equipment Programme for the RAF.

<sup>93</sup> Ibid. Stanhope, 'Will the RAF get the aircraft it deserves?'; Parliamentary Staff, 'Two options for developing improved Harrier', *The Times*, 1 April 1980. In April 1980, 133 Harriers were ordered for the RAF and 24 for the Royal Navy. The RAF was taking delivery of a further 24 aircraft, 'an attrition buy' to maintain front line strength.

<sup>94</sup> TNA, AIR 8/2863, List of Briefs for PUSofS(RAF) – May 1979, No 6, Current and Future Equipment Programme for the RAF. Editorial, 'Nimrod – The Way to Save Jobs', *The Times*, 15 March 1977; Own Correspondent, 'Nato again puts off decision on Awacs', *The Times*, 26 March 1977; Fred Amery, 'Britain is expected to boycott Awacs and go it alone on Nimrod', *The Times*, 29 March 1977; Arthur Reed, 'Nato upset by choice of Nimrod', *The Times*, 1 April 1977; Parliamentary Staff, 'General welcome for decision to go ahead with Nimrod early warning system', *The Times*, 1 April 1977. The Labour Government, supported by the Opposition, decided in March 1977 to depart from the NATO AEW Programme

progress. Some 33 Chinook Medium Lift Helicopters were to replace two Wessex squadrons, in Strike Command and RAF Germany, from the end of 1980. The purchase of 20 Puma Mk 2 improved light support helicopters, to replace the last Wessex squadron in the support role in Europe, required final specification.<sup>95</sup> Other programmes included BAe's conversion of nine VC10s, former civil airliners acquired in 1978 to the air-to-air refuelling role in a squadron, operational from 1983.<sup>96</sup>



Working with others. The official opening of the Tri-National Tornado Training Establishment (TTTE) at RAF Cottesmore, 29 January 1981. Left to right, ACM Sir Michael Beetham, CAS; Generale di Squadra Aerea Lamberto Bartolucci, CAS, Italian Air Force; Generalleutnant Friedrich Obleser, CAS, German Air Force; Vizeadmiral Gunter Fromm, Commander-in-Chief Fleet, German Navy. Photograph: AHB (RAF).

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of 27 AWACS because of delays. The decision to implement the NATO AEW programme was finally taken in December 1978 when 18 AWACS were rocurred on a cost-sharing basis.

<sup>95</sup> TNA, AIR 8/2863, List of Briefs for PUSofS(RAF) – May 1979, No 6, Current and Future Equipment Programme for the RAF.

<sup>96</sup> Ibid. Henry Stanhope, 'RAF buys VC-10s for refuelling', *The Times*, 2 March 1978. The aircraft were bought from Gulf Air and Kenya Airways for a total of £10m, to be based at RAF Marham, Norfolk, alongside the existing fleet of 19 K-2 tankers, converted Victor bombers. The purchase was driven by the need to compensate for the loss of the Royal Navy's sole large aircraft carrier HMS Ark Royal which left the Fleet in late 1978. It reflected the RAF's efforts to improve its own capability to defend Britain's sea lanes with shore-based aircraft. Moreover, the Tornado GR1 had a significantly increased range compared to both aircraft it was set to replace. Dorman, 'The Nott Review', p. 7.

## Defence Policy issues

In the strategic context, SofS had agreed a policy paper offering options and proposals, with an emphasis on securing the UK base. Much groundwork had already been undertaken in the Way Ahead Studies, produced for the previous Government and given further significance by Pym's memorandum of 26 July. Beetham highlighted the massive increase in Soviet resources into air power, 'resulting in nothing less than a step change from defence to offensive potential within the Soviet Air Force'. The paper discouraged major change. Beetham thought Pym wanted advice on a 'shift in emphasis and relatively minor changes to our posture'.<sup>97</sup> Cameron, the outgoing CDS, explained wider NATO constraints and sought political guidance on the Government's Defence priorities.<sup>98</sup>

Service priorities soon emerged. The new CDS, Admiral of the Fleet Sir Terence Lewin, mentioned increasing threats to western interests beyond NATO's frontiers, suggesting a greater Navy role. Beetham's amendments were 'designed to avoid creating the false impression there was little or no scope for a transfer of resources between the main areas of defence capability' but insisted, 'though changes might be desirable now, he was not advocating them'. Admiral Sir Henry Leach, Chief of the Naval Staff (CNS), was 'most concerned' at Beetham's line. He feared Pym had the 'misapprehension' increased resources should flow towards defending the UK base, penalising other major NATO contributions. Anxious to preserve the Navy's Eastern Atlantic/Channel role, Leach supported the status quo.<sup>99</sup> The final paper<sup>100</sup> cautioned:

Because of the crucial importance of cohesion of the Alliance, we would not recommend, as an overt change of our policy towards NATO, a significant switch of resources from the other major areas to which we devote forces...Furthermore our Allies would find it difficult to accept a change in our policy which favoured the direct defence of the UK at the expense of maintaining the standard of our other contributions to the Alliance and its strategy of deterrence.<sup>101</sup>

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<sup>97</sup> TNA, DEFE 4/286, COS 23<sup>rd</sup> Meeting/79, 21 August 1979, Confidential Annex, Item 2.

<sup>98</sup> Ibid., COS 24<sup>th</sup> Meeting/79, 28 August 1979, Confidential Annex, Item 4.

<sup>99</sup> Ibid., COS 25<sup>th</sup> Meeting/79, 5 September 1979, Confidential Annex, Item 2.

<sup>100</sup> TNA, DEFE 5/204, COS 15/79, 'The Defence Policy of the United Kingdom into the 1990s', 7 September 1979.

<sup>101</sup> TNA, DEFE 4/286, COS 26<sup>th</sup> Meeting/79, 10 September 1979, Confidential Annex, Item 2, Draft Submission.

The Chiefs welcomed SofS's backing for out-of-area capability. Any political initiative required careful handling but might lend NATO a new dynamism.<sup>102</sup> The Chiefs also conveyed concerns over resources. Pym told them budgets would increase by no more than 3% annually in real terms until 1986 and 1% annually thereafter. The decision to trim the 1980-81 budget meant reduced assumptions for later years. The Chiefs advised:

Broadly, however, we believe that budget growth on the basis you postulate might enable us to accommodate both the suggested strategic and theatre nuclear modernisation measures; but the scope then left for necessary enhancements in other areas would be severely restricted unless more resources were created by deliberate cuts elsewhere in the present programme.<sup>103</sup>

The Chiefs thought the best way to adjust the programme and ensure balance elsewhere, was through 'the cumulative effect of minor changes'.<sup>104</sup> Sustaining 3% annual growth in cost terms from 1980-81 onwards, implied Defence expenditure in 1983-84, nearly £1.2bn greater than 1978-79. The Treasury insisted these figures remained provisional.<sup>105</sup> Pym told the Cabinet's Defence and Overseas Policy Committee (OD Committee) in early October that he wanted to maintain all four NATO roles, considering them crucial for national security. Their enhancement was militarily desirable but currently economically impossible. Pym prioritised nuclear matters and the defence of the UK base, particularly against air attack, 'which our predecessors let sag'.<sup>106</sup> The programme he inherited made no provision for Polaris-successor or new efforts in the long-range theatre nuclear area.<sup>107</sup>

SofS highlighted three challenging financial factors. First, 8% of the Defence budget was spent in Deutschmarks to fund British Forces Germany (BFG), a real-term rise of 70% between 1968 and 1978. Secondly, it was difficult for Defence to make short-term adjustments for general spending policy. Cutting equipment orders and reducing recruitment targets had long term effects for deliveries, investment and

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<sup>102</sup> Ibid.

<sup>103</sup> Ibid.

<sup>104</sup> Ibid.

<sup>105</sup> TNA, CAB 129/206, C(79)35, 7 September 1979, 'Public Expenditure: Proposals for the Years After 1980-81', Memorandum by the Chancellor of the Exchequer and the Chief Secretary, Treasury, p. 3.

<sup>106</sup> TNA, CAB 148/183, OD(79)30, 'Future United Kingdom Defence Policy', Memorandum by the Secretary of State for Defence, 8 October 1979.

<sup>107</sup> Ibid., OD(79)29, 'Future United Kingdom Defence Policy: The Background', Memorandum by the Secretary of State for Defence, 5 October 1979, p. 5.

confidence and recruitment. Finally, the rising real cost of increasingly complex equipment was emphasised. Pym considered procurement collaboration accrued smaller savings than popularly perceived.<sup>108</sup>

Pym's memorandum glossed over resource issues. The Cabinet Secretary, Robert Armstrong, believed nobody wanted a full-scale Defence Review but Howe might seek a full study of options, priorities and resource implications. Armstrong questioned force deployment levels in Germany and asked if the surface fleet could be justified. Recruitment issues arising from an ageing population involved making better use of women, reservists and civilians. Armstrong also wanted the Prime Minister to assert, if the Cabinet sought further cuts from 1981-82, Defence would not automatically remain exempt.<sup>109</sup>

Doubts were expressed at OD Committee about manpower and financial resources to maintain the four main commitments. The Services faced a serious demographic challenge to hold recruitment levels with a declining manpower pool in the 1980s, particularly young men entering the 16-19 age-range from 1982. The Services required 8.6% of them in 1979 to maintain current numbers; by the mid-1990s they would need 14%.<sup>110</sup> Meanwhile, Britain's ability to operate outside Europe had nearly disappeared because of cuts to rapid intervention forces and air transport to lift them. On Defence sales, £1bn of annual sales abroad was a poor return for £3.8bn expended annually on research, development and production. Mrs Thatcher insisted Britain must sell more. She believed Defence had to change course:

The Committee was doubtful whether all four of the major elements of the policy described by the Defence Secretary could be adequately encompassed even on the basis of the resources available now and in the short term, let alone those available in the longer term. It was important for Ministers to be in no doubt as to the order of priority which the Chiefs of Staff attached to the four elements; and thought should now be given to which of the four should be modified or abandoned if lack

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<sup>108</sup> Ibid., OD(79)29, pp. 16-17.

<sup>109</sup> TNA, PREM 19/978, Armstrong (Cabinet Secretary) to PM, 'Future United Kingdom Defence Policy', 29 November 1979.

<sup>110</sup> HM Government, *Defence in the 1980s: Statement on the Defence Estimates 1980 Volume 1* Cmnd. 7826-1 (London: HMSO, April 1980), pp. 56-57. Cooper pointed to the decline in the number of male 16-year olds in the population by 1990 at the Defence Council meeting on 28 June 1979. TNA, DEFE 11/801, Mottram (PS/PUS) to various, 'Defence Council', 10 July 1979.

of economic or human resources made further cuts unavoidable, and what the implications of modification or abandonment would be.<sup>111</sup>

Rather than receiving Ministerial guidance, the Chiefs were to prioritise the four pillars. Moreover, events in Afghanistan indicated the need to preserve and perhaps increase out-of-area capability. This imposed more pressure on two pillars – BFG and the Eastern Atlantic – requiring assessment of the risks of major cuts to them.<sup>112</sup>

### **Spending Struggles, 1979**

The Chancellor opposed the priority given to Defence and Law and Order which resulted in larger reductions elsewhere.<sup>113</sup> Treasury projections for Defence were based on a 3% growth ‘in cost terms’ which it stated was most members legitimate interpretation of the NATO commitment. To continue publishing plans and outturns in strict volume terms penalised the UK in relative terms, as these other states adopted the lower cost terms approach.. The Chief Secretary admitted proposed changes reduced the volume increases for 1981-82 to 1983-84 to 2.3%, 2.4% and 2.4% respectively but NATO spoke of ‘increases in the region of 3%’.<sup>114</sup> SofS rejected this ‘ingenious’ new interpretation which reneged on his undertaking to NATO.<sup>115</sup> When Treasury ministers met the Prime Minister, she favoured the cost approach.<sup>116</sup> Pym condemned a ‘piece of sharp practice’. The agreed figure for the programme for 1980-81 - £8,062m - was already £115m less than Labour’s planned figure of £8,177m. Pym cited Britain’s reputation with allies to support 3% real growth.<sup>117</sup> Howe said NATO did not insist on volume terms. By moving to cost terms Britain would follow most NATO allies, with Defence’s share of GDP

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<sup>111</sup> TNA, CAB 148/183, OD(79)30, ‘Future United Kingdom Defence Policy’, Memorandum by the Secretary of State for Defence, 8 October 1979; OD(79) 13<sup>th</sup> Meeting, 3 December 1979. Defence policy was discussed at this meeting with neither the CDS nor the individual Chiefs present. The Chiefs were determined there would be ‘no recurrence’ of this situation. DEFE 32/26, COS Informal Meeting, 25 March 1980. At Cooper’s prompting, Pym had said he wanted to build up the role of CDS. Pym indicated that when military advice was needed on policy and resources it would be for CDS to accompany him to OD Committee rather than all the Chiefs. DEFE 25/534, folio 3, SofS to CDS (Lewin), 28 August 1979. On Defence Sales see CAB 148/189, OD(80) 25<sup>th</sup> Meeting, 3 December 1980, when the Prime Minister concluded, ‘The stimulation and support of overseas defence sales was a matter in which all Ministers should take an interest.’

<sup>112</sup> TNA, DEFE 24/2770, enclosure no. E8, Parry-Evans (DofDP(A)) and Stewart (DofDP(D)) to ACDS(Pol), ‘Revision of COS 10/75’, 4 January 1980.

<sup>113</sup> TNA, CAB 128/66, CC(79)15<sup>th</sup> Conclusions, 13 September 1979.

<sup>114</sup> TNA, PREM 19/161, CST to SofS, ‘Defence Expenditure 1981-82 to 1983-84’, 11 September 1979.

<sup>115</sup> Ibid., SofS to CST, ‘Defence Expenditure 1981-82 to 1983-84’, 12 September 1979.

<sup>116</sup> Ibid., Lankester (PS/PM) to Hall (HMT), 25 September 1979; Lankester to PM, 17 October 1979.

<sup>117</sup> Ibid., SofS to PM, ‘Defence Expenditure in the PESC Period’, 12 October 1979.

jumping from 4.9% to 5.5%.<sup>118</sup> Pym maintained the Treasury's proposals were 'a technical device...unique to defence'.<sup>119</sup>

The Air Estimate for 1980-81 of £2,392m was deemed manageable in AFD unless all proposals suggested by the Armed Forces Conditions of Service Study Group were accepted. However, LTC figures were 'far from encouraging'. Financial targets had been optimistic. Annual savings of £150m were now projected in the Air Force Target Heading (AFTH) for 1982-83 to 1984-85.<sup>120</sup> There were fears of further reductions. Cooper advised the MoD's Financial Planning Management Group (FPMG) of additional savings needed for the Public Expenditure White Paper. A total AFTH reduction of £153m resulted in a reduction for 1981-82 to 1984-85 of £360m. The original figures made no provision for force enhancements, except a third Lightning squadron, or improved conditions of service.<sup>121</sup>

Another budgetary worry was rising uniformed manpower needs. In June 1979, the RAF was reportedly short of 3,000 men, saving pilots by chartering civilian aircraft for the trooping run to Hong Kong. Despite their proposed elimination in the 1974-75 Defence Review, subsequent political decisions meant that garrisons were still maintained in Cyprus and Belize.<sup>122</sup> LTC 79 made provision for 4,000 additional uniformed personnel peaking in 1985-86. In LTC 80 there was a further 4,900, raising recruitment, training and accommodation issues. The establishment of a manpower ceiling of 90,000 was mooted in January 1980. Recruitment was 'buoyant', pilot recruitment had 'picked up well', but training took time – in the ground trades eight years to produce a senior NCO. Training establishments had been pruned. Moreover, despite improved morale, retention and recruitment, deficits remained of officers, SNCOs and in some specialist trades.<sup>123</sup> The Tornado

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<sup>118</sup> Ibid., CHX to PM, 'Defence Expenditure', 16 October 1979.

<sup>119</sup> Ibid., SofS to PM, 'Defence Expenditure', 16 October 1979.

<sup>120</sup> AHB, AFB, 79(15), 'Estimates 1980-81 and Long Term Costing 1980', Note by DUS (Air), 8 November 1979; AHB, AFB, 8(79), 15 November 1979. The DUS(Air) advised: 'Recent Ministerial discussions on Public Expenditure have indicated that the target figures for MoD as a whole, on which the LTC has been based, may be on the optimistic side.'

<sup>121</sup> AHB, AFB, 79(15), 'Estimates 1980-81 and Long Term Costing 1980', Note by DUS (Air), 8 November 1979; AHB, AFB 8(79), 15 November 1979. DUS(Air)'s paper described the LTC bids as 'significantly over target' but they made 'no provision for a number of desirable force improvements and very little for improvements in conditions of service'.

<sup>122</sup> David Fairhall, 'Manpower shortage forces military cuts', *Guardian*, 29 June 1979. It was feared the shortage of pilots might prove as significant a problem as the scarcity of aircraft as the RAF tried to address the forecast 'Air Defence Gap' of the early 1980s.

<sup>123</sup> AHB, AFB, 8(79), 15 November 1979; AFB, 2(80), 17 January 1980. Nevertheless, by December 1980, when recent cuts to the planned front line had resulted in a reduction of nearly 1,000, there had

programme's slow build up contributed to AFD's 1979-80 underspend but it would rise faster than forecast in 1980-81, alongside commitments in Northern Ireland, Belize, Hong Kong and Rhodesia.<sup>124</sup>

Concurrently, the Government pledged to reduce the Civil Service's size and cost. Pym proposed MoD cuts of 3% to 1983 from economies and contracting-out work, initially cleaning and catering. However, the Soames proposals meant finding another 7%. Studies continued on R&D establishments, the provisioning of the Armed Forces and the Royal Dockyards.<sup>125</sup> By mid-November, the MoD had identified £41m of savings, cutting 7,500 staff.<sup>126</sup> Since 1974, Civil Service numbers had grown by nearly 15%, or 58,000, whereas MoD staff numbers fell by nearly 10%, or over 40,000. Pym maintained this 'considerable suffering' made Defence different and damaged morale.<sup>127</sup> The Chancellor's Special Adviser remarked sceptically:

One obvious failure of the Soames exercise is that the Ministry of Defence, the biggest and fattest target in Central Government, have wriggled out with the feeble excuse that they are conducting an internal review. One will believe their manpower reductions when one sees them.<sup>128</sup>

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been an increase in uniformed strength of about 9,000 since 1978-79, AHB, AFB, 9(80), 18 December 1980.

<sup>124</sup> AHB, AFB, 8(79), 15 November 1979. Real cost increases were also identified in equipment programmes including the Nimrod AEW and MR2 conversion, Canberra refurbishment, the Tornado programme, the Rapier, Skyflash, AST 1228 and various signals and radar programmes. Increased works spending was observed, some from large increases in likely costs of the Airfield Survival Measures programme. AHB, AFB, 79(15), 'Estimates 1979-81 and Long Term Costing 1980', Note by DUS(Air), 8 November 1979.

<sup>125</sup> TNA, CAB 129/207, C(79)38, 7 September 1979, 'Further Action to Reduce the Size of the Civil Service', Memorandum by the Lord President of the Council.

<sup>126</sup> *Ibid.*, C(79)57, 19 November 1979, 'Further Action to Reduce the Size of the Civil Service', Memorandum by the Lord President of the Council. In Annex 1 it was noted the MoD's savings could be achieved by 'Various economies, and placing work currently done in-house out to contract – in particular changing to contract cleaning and contract catering where possible; further changes in arrangements for quality assurance to rely more on industry.' DEFE 25/401, PUS to SofS, 'Contract Cleaning and Catering', 22 October 1979; PREM 19/6, SofS to PM, 'Further Action to Reduce the Size of the Civil Service – C(79)51', 29 October 1979.

<sup>127</sup> TNA, PREM 19/335, SofS to Lord President, 22 November 1979.

<sup>128</sup> HM Treasury, Sir Geoffrey Howe Chancellor's Papers, PO-CH-GH-0045 Part A, George Cardona (Special Adviser) to CHX, 4 January 1980.

The Treasury, rebuffed over the 3% increase and VAT compromise, dug in. Debate still surrounded what the 3% commitment actually meant.<sup>129</sup> In public expenditure talks for 1981-82 to 1983-84 in autumn 1979, Pym suggested a further addition, rising to £160m by 1983-84 to produce a 3% increase in volume terms for Defence spending annually.<sup>130</sup> The Treasury claimed: 'few [NATO states] publish Defence figures at all for future years... we have substantially exceeded the target this year and we are planning for next year an increase which will meet the target on either interpretation'.<sup>131</sup>

On 18 October, Howe outlined proposals for increasing the Defence Budget by 3% from 1978-79. Defence spending as a percentage of GDP would increase from 4.8% to 5.5% by 1984. Pym remained unconvinced. His figures, noted above, by 1983-84 exceeded the Treasury figure by £160m annually. The rate of Defence programme growth exceeded all other programmes. Most Ministers backed the Chief Secretary.<sup>132</sup> The Cabinet Secretary advised Pym had publicly committed to the 3% increase on his interpretation with Prime Ministerial support, objected to Biffen's 'jiggery pokery' and refused to mislead NATO or the Conservative Party. The Cabinet Secretary, Sir John Hunt, observed: 'By pure coincidence it so happens that the cost, towards the end of the [PESC] period, of the replacement deterrent would be roughly the same' as the difference between Biffen's and Pym's figures.<sup>133</sup>

Hunt warned if the Cabinet insisted on spending and staff cuts, the threat of resignation by the Chiefs was possible. Hunt's preferred compromise was to: 'Publish "Biffen" figures; explain they were less than 3% of volume made no provision for replacement of the deterrent, which would be financed from the Contingency Reserve.'<sup>134</sup> Pym accepted this reluctantly. Meanwhile, Howe still insisted Polaris-replacement costs must be found within the 'Biffen' figures, at the

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<sup>129</sup> Hampshire, 'Margaret Thatcher's First U-Turn', p. 363.

<sup>130</sup> *Ibid.*, p. 366. Cost terms effectively meant including inflation in the figures. Volume terms included not only inflation but also additional unplanned cost increases affecting Defence spending. For the MoD unplanned increases rising at a rate greater than inflation could include fuel oil and the purchasing of equipment.

<sup>131</sup> TNA, CAB 129/207, C(79)42, 12 October 1979, 'Public Expenditure 1981-82 to 1983-84: Outstanding Issues', Memorandum by the Chief Secretary, Treasury, Annex E Defence.

<sup>132</sup> TNA, CAB 128/66, CC(79)17<sup>th</sup> Conclusions, 18 October 1979.

<sup>133</sup> TNA, PREM 19/161, Cabinet Secretary to PM, 'Defence Budget', 19 October 1979; CAB 164/1506, Hastie-Smith (Cabinet Office) to Mountfield (Cabinet Office), 'C(79)42 Public Expenditure 1981-82 to 1983-84', 15 October 1979.

<sup>134</sup> TNA, PREM 19/161, Hunt (Cabinet Secretary) to PM, 'Defence Budget', 19 October 1979.

expense of conventional forces.<sup>135</sup> He rejected dealing with deterrent-renewal outside the defence budget.<sup>136</sup> Howe argued this deal went against majority Cabinet opinion and gave Defence preferential treatment. Howe also cautioned the proposed solution drew Cabinet and public attention to the deterrent.<sup>137</sup> Mrs Thatcher met with Howe, Biffen and Pym on 5 November. Howe emphasised cuts were essential. Mrs Thatcher agreed some Polaris-replacement costs might come from within existing Defence budget levels.<sup>138</sup>

The Public Expenditure White Paper had detailed spending figures for 1980-81, with a volume 3% increase for defence between the estimated outturn for 1979-80 and the planned figure for 1980-81. This had received good press and was well received in NATO. Following Cabinet consideration of public expenditure in 1981-82 and the following two years, figures were approved for the defence programme of £8,250m, £8,450m and £8,650m respectively. These were the figures proposed earlier by the Chief Secretary and represented annual volume increases of 2.3% or 2.4%. These figures did not include specific provision for Polaris-replacement on which no decision had yet been taken. SofS had hoped for more but maintained Defence had been given 'exceptionally favourable treatment' compared to other programmes, showing the priority the Government placed on it. Pym accepted that the agreed figures were not sufficient to cover all proposed improvements and a 'hard look' at the entire programme was necessary.<sup>139</sup>

Howe stressed the difficulty of achieving required spending cuts if Defence, one-sixth of total central Government expenditure, remained exempt. He proposed a moratorium on increased Defence expenditure in 1981-82, quoting the OD discussion on 3 December, 'we must cut our defence coat according to the cloth we

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<sup>135</sup> *Ibid.*, 'Defence Budget', Whitmore (PPS/PM) to PM, 22 October 1979; CAB 164/1506, Hunt (Cabinet Secretary) to Armstrong (Cabinet Secretary), 'Defence Budget', 24 October 1979. Hunt was the outgoing Cabinet Secretary and Armstrong was the incoming Cabinet Secretary.

<sup>136</sup> TNA, PREM 19/161, Lankester (PS/PM) to PM, 24 October 1979; CHX to PM, 'Defence Budget', 24 October 1979; CAB 164/1506, Hunt (Cabinet Secretary) to Armstrong (Cabinet Secretary), 'Defence Budget', 24 October 1979. Downing Street officials doubted Pym would accept this and feared a resignation.

<sup>137</sup> TNA, PREM 19/161, CHX to PM, 'Defence Expenditure 1981-82 to 1983-84', 30 October 1979.

<sup>138</sup> *Ibid.*, 'Defence Expenditure 1981-82 to 1983-84', Minute from Whitmore (PPS/PM) to Battishill (HMT), 6 November 1979. Biffen added if economic circumstances worsened, the new deterrent 'would not be above re-examination'.

<sup>139</sup> TNA, DEFE 25/754, DCM(79) 7<sup>th</sup> Meeting, 21 November 1979. General Bramall, Chief of the General Staff (CGS), observed that if Polaris-replacement could only be procured by significantly reducing conventional capability and lowering the nuclear threshold then the case for replacement itself should be reviewed.

can afford'. Howe's proposals also removed the need for any separate provision from 1981-82 for Polaris-replacement to maintain 3% annual volume growth in these years.<sup>140</sup> The Chief Secretary suggested an interdepartmental review of Defence policy but received little support.<sup>141</sup>

Moreover, the AFPRB's recommendation for 1980-81 was expected to exceed the cash limit's 14% assumption. Defence equipment inflation also outstripped general inflation. These factors necessitated a volume squeeze of around £150m in 1980-81. Howe now wanted savings of between £250m and £400m from Defence.<sup>142</sup> An MoD overspend of £80m was forecast for 1979-80. SofS initiated various steps, reducing routine expenditure and halting new spending on non-operational commitments.<sup>143</sup> Indeed, when it became clear in early December 1979 that an overspend was likely, steps were taken to put the brake on spending. Commands and staff were told to exercise utmost economy, civilian recruitment was banned until 1 April 1980, arrangements for purchases from the US were being reviewed, Boarding-School allowance and billing procedures for contractors faced adjustment and a reduction of oil stocks was mooted. The latter was a last-resort because of the impact on operational capabilities and on the 1980-81 cash limit. A £30m cash limit increase was put to the Treasury to compensate for the loss of receipts from ammunition sales to Iran. After a 1% overspend in 1978-79, PUS did not want the MoD to be accused of not taking cash limits seriously, having received relatively favourable budgetary treatment.<sup>144</sup>

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<sup>140</sup> TNA, PREM 19/161, 'Defence Expenditure', CHX to PM, 11 December 1979. Considerable doubts were expressed at the OD meeting about whether the four pillars of Defence policy espoused by Pym were affordable within the resources available, short and long term. The Cabinet sought the Chiefs of Staff view of their order of priority of the four elements and wanted advice on which should be modified or abandoned if further savings were unavoidable, as well as the impact of such actions. See CAB 164/1650, folio 1L, Vile (Cabinet Office) to Mottram (PS/PUS), 17 December 1979.

<sup>141</sup> TNA, CAB 164/1650, folio 1M, Hastie-Smith (Cabinet Office) to Armstrong (Cabinet Secretary), 8 January 1980.

<sup>142</sup> TNA, PREM 19/161, Armstrong (Cabinet Secretary) to Lankester (PS/PM), 11 December 1979.

<sup>143</sup> *Ibid.*, SofS to CST, 'Defence Cash Limits 1979-80', 13 December 1979; CST to SofS, 'Defence Cash Limits 1979-80', 19 December 1979. Biffen said Treasury officials believed MoD overspending was greater than admitted and underlined cash limits were paramount, even at the cost of some disruption to programmes.

<sup>144</sup> TNA, DEFE 10/1305, DCM(80) 1<sup>st</sup> Meeting, 17 January 1980; DCP(80)1, 'Outturn 1979-80', Memorandum by the Permanent Under-Secretary of State, 14 January 1980. Cooper maintained the allowance for inflation in the cash limit was 3% too low and oil price increases had cost MoD over £100m. The revolution in Iran had cost about £50m of receipts and programme slippage had not absorbed these changes.

## **Mrs Thatcher's MoD visit, 4 January 1980**

The Prime Minister's attitude to the MoD hardened over the 1979 Christmas Parliamentary recess. She received three critical briefings before visiting the department on 4 January, to discuss programme resource allocation,<sup>145</sup> from Sir Derek Rayner, Clive Whitmore, her PPS and a senior MoD civil servant, later PUS, and Captain John E Moore, editor of *Jane's Fighting Ships* and friend of Ian Gow, her Parliamentary Private Secretary. Moore highlighted Naval delays, waste and bureaucracy.<sup>146</sup> Rayner warned of Defence's enticing atmosphere:

Without...fairly brutal determination to refuse to allow oneself to be taken over, the smooth, efficient and glamorous atmosphere of the Services can quickly envelop a Minister and he may soon find himself taken over heart and soul. Almost the first expression of this may be that he identifies with the MOD shibboleth that it is different.

Rayner criticised the Service Chiefs' power and wanted individual service ministers abolished. He called for unified support services, including supply procurement and greater focus on value for money: 'the price of perfection is prohibitive'.<sup>147</sup> Whitmore's minute contended, 'no rational and objective way of deciding how to allot the funds available to defence between the three Services has yet been devised'. He ventured, 'the MOD is in effect still a federal and not a truly integrated department' consisting of three Service Departments, with a central tri-Service staff imposed on top of them. The Chiefs of Staff Committee exemplified this unsatisfactory situation. No CDS could consider resource allocation across-the-board:

I am quite clear that we shall solve this problem only if we have a Secretary of State who is clearly determined that the allocation of the defence budget between the competing demands of the various parts of the defence programme should be done on a rational, defence-wide basis. And he will be able to achieve that only if he reorganises the Ministry of Defence in a way which integrates the Department much

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<sup>145</sup> TNA, PREM 19/335, Pattison (PS/PM) to PM, 12 December 1979; Pattison to Laughrin (Civil Service Department), 13 December 1979; Hampshire, 'Margaret Thatcher's First U-Turn', pp. 360, 366-370.

<sup>146</sup> TNA, PREM 19/161, PS/PM to Wiggins (HMT), 17 January 1980 enclosing letter from Captain John E. Moore R.N., Editor *Jane's Fighting Ships*, to Ian Gow MP, 20 December 1979.

<sup>147</sup> TNA, PREM 19/335, Rayner to PM, 21 December 1979.

more on a tri-Service basis and reduces the size and power of the single Service Departments.<sup>148</sup>

Although there is no official record of Mrs Thatcher's MoD visit, her attitude hardened. During 1980, when GDP fell by 2½%,<sup>149</sup> public spending increased and unemployment rose alarmingly, the terrain became very difficult for Defence.

### **Cutting Public Expenditure, 1979-1980**

In late 1979, the Chancellor recommended further spending reductions of £1bn in 1980-81 and £2bn annually to 1983-84. The Prime Minister agreed. A small ministerial group was formed to smooth bilateral departmental discussions with the Treasury.<sup>150</sup> SofS told the Chief Secretary in January 1980, he could not offer any cuts. Defence was already under-funded. The Soviet invasion of Afghanistan led SofS to consider requesting a budget increase.<sup>151</sup> Officials in No 10 insisted the Chancellor should keep trying and Defence had got 'off lightly' on cash limits. Nevertheless, they recalled Pym's reluctance to accept the compromise formula in November, that Defence spending should grow by 3% annually in cost terms, subject to further provision from the contingency reserve for Polaris-replacement.<sup>152</sup> The Prime Minister agreed Howe should seek savings but meet with Pym, also suggesting the Home Secretary Willie Whitelaw was invited, presumably to mediate.<sup>153</sup>

Pym argued the cash limits squeeze reduced real Defence growth in 1980-81 to barely 1%. A lower base would eliminate it. Howe hoped Pym would accept using the 1979-80 outturn as the base for a percentage increase. Whitmore minuted: 'I

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<sup>148</sup> Ibid., Whitmore (PPS/PM) to PM, 2 January 1980.

<sup>149</sup> TNA, CAB 129/220, C(86)5, Annex 1, 11 February 1986. UK GDP rose by 2½% in 1979 but fell by 1½% in 1981. Dorman, 'The Nott Review', p. 11 talked of GDP falling by 6% in 1980. However, as Howe recalled, 'The official Treasury was then disposed to forecast a fall in GDP two or three times larger (up to 6.5 per cent) than actually occurred.' Howe, *Conflict of Loyalty*, p.144.

<sup>150</sup> TNA, CAB 128/66, CC(79)25<sup>th</sup> Conclusions, Limited Circulation Annex, Minute 6, 13 December 1979.

<sup>151</sup> TNA, PREM 19/161, SofS to CST, 'Public Expenditure', 11 January 1980. Pym said he felt that asking for an increase was wrong in the economic situation.

<sup>152</sup> Ibid., Lankester (PS/PM), to PM, 'Meeting with the Chancellor', 16 January 1980.

<sup>153</sup> HM Treasury, Sir Geoffrey Howe Chancellor's Papers, PO-CH-GH-0045 Part A, 'Possible Reductions in the Defence Programme', Hall (HMT) to CHX, 25 January 1980; TNA, PREM 19/161, PS/PM to Wiggins (HMT), 17 January 1980. Copies of Rayner and Moore's briefs were provided for Howe, with strict instructions he should not quote from Captain Moore's letter nor reveal to the MoD he was in possession of Rayner's brief. In No. 10 and the Treasury, quoting Moore's letter was not considered 'a profitable way to get reductions out of Mr Pym'.

gather Mr Pym is once more in a volcanic state of mind'.<sup>154</sup> Howe insisted the Defence Budget of £8,062m for 1980-81, agreed by the Cabinet in July, 'really won't do'. The likely volume of expenditure in 1979-80 was £7,724m, which the Treasury claimed was £100m less than forecast. Howe considered this should form the basis for the 3% increase – reducing the budget for 1980-81 from 8,062m to £7,956m; a £106m MoD contribution to the £1bn savings exercise.<sup>155</sup> Pym's proposal [a £50m reduction] was 'not in the same ballgame' as Howe's requirement [a one year moratorium on increases in Defence spending, the MoD budget set at the latest 1979-80 forecast outturn, with 3% annual increases from 1981-82 to 1983-84].<sup>156</sup>

The Treasury suggested specific defence budget savings to the Cabinet.<sup>157</sup> Subsequent Cabinet minutes acknowledged: 'It was difficult to exempt defence from the cuts at a time when so many politically unpopular decisions had to be taken.'<sup>158</sup> Pym's £50m offering was subject to two conditions - the cash limit should be increased to cover the costs of the Government's AFPRB decisions and it should be monitored to ensure a real increase in 1980-81 in line with NATO's 3% target.<sup>159</sup> Howe disagreed. A rupture was averted when Mrs Thatcher and Pym met on 29 January. Officials concocted an acceptable formula:<sup>160</sup>

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<sup>154</sup> TNA, PREM 19/162, 'Note for the Record – Meeting with the Defence Secretary and the Home Secretary: 12 Noon, Monday 21<sup>st</sup> January', Hall (HMT), 21 January 1980.

<sup>155</sup> *Ibid.*, CHX to Whitelaw (Home Secretary), 'Public Expenditure Reductions: Defence', 22 January 1980.

<sup>156</sup> *Ibid.*, Armstrong (Cabinet Secretary) to PM, 'Defence Expenditure', 22 January 1980; PS/PM to PM, 'Defence Expenditure', 23 January 1980.

<sup>157</sup> TNA, CAB 129/208, C(80)3, 21 January 1980, 'Public Expenditure', Memorandum by the Chancellor of the Exchequer and Chief Secretary, Treasury. On 21 October 1980, it was announced unemployment exceeded two million, at 2,062,866. The unemployment figure of 2,244,229 announced on 23 December was a post-war record. Mary Jenkins ed., *Daily Mail Year Book 1982* (London: Associated Newspapers Group, 1981), pp. 220, 223. Unemployment rose by 836,000 in 1980 – the largest increase in one year since 1930. Hugo Young, *One of Us: A Biography of Margaret Thatcher* (London: Macmillan, 1989), p. 205.

<sup>158</sup> TNA, CAB 128/67, CC(80)3<sup>rd</sup> Conclusions, Minute 7, 24 January 1980.

<sup>159</sup> TNA, PREM 19/163, CHX to SofS, 'Defence Expenditure', 25 January 1980; SofS to CHX, 'Defence Expenditure', 28 January 1980. Although the Prime Minister had mooted with Howe the possibility of getting specific savings options from the MoD, Treasury officials thought the more traditional approach to Defence spending was recommended. It was suggested the Chancellor discuss Defence matters with Rayner and try to persuade Mrs Thatcher of the advantages of going for Defence budget totals. HMT, PO-CH-CH-GH-0045 Part A, Hall (HMT) to CHX, 'Possible Reductions in the Defence Programme', 25 January 1980.

<sup>160</sup> TNA, PREM 19/163, Norbury (PS/SofS) to Whitmore (PPS/PM), 29 January 1980; Lankester (PS/PM) to Whitmore, 'Defence Options', undated, covering draft letter from Hall (HMT) to Lankester.

The Ministry of Defence's cash limit for 1980/81: -

- i. will be raised as necessary to cover the cost of the Government's decisions on the recommendations of the Armed Forces Pay Review Body; and
- ii. will otherwise be on the same basis as the cash limits decided for other public expenditure programmes but subject to review in the light of economic and international circumstances, with a view to aiming for an increase in real terms of in the region of 3% in line with the agreed NATO target.

As a contribution towards the measures necessary for a major reduction in public expenditure in 1980/81, the Defence Secretary will carry out measures to achieve a reduction in defence spending of £62m. The planned figure of £8062m published in Cmnd 7746 for 1980/81 will be reduced to £8000m at 1979 Survey prices.

The figures for the later years, including provision for Polaris replacement costs, will be £8240m in 1981/82, £8487m in 1982/83 and £8742m in 1983/84.<sup>161</sup>

SofS accepted cuts of £62m in 1980-81 and £10m in 1981-82. The Defence cash limit would be increased if extra costs arose from the AFPRB report and if international developments necessitated a NATO response. Howe and Biffen maintained the reduced figure for Defence - £8bn – was a 3.6% increase on the latest 1979-80 outturn. The reduced 1981-82 figure of £8,240m represented a 3% increase.<sup>162</sup> Senior MoD officials loathed cash limits. In February 1980, the PUS told the Commons Select Committee on Public Accounts (PAC) it was extraordinary for the MoD to remain in its cash limit 'to a penny or a pound every year'.<sup>163</sup> The Treasury then named the MoD as the main culprit of overspending.

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<sup>161</sup> Ibid., Whitmore (PPS/PM) to Hall (HMT), 'Defence Budget 1980/81-1983/84', 30 January 1980.

<sup>162</sup> TNA, CAB 129/208, C(80)9, 29 January 1980, 'Public Expenditure', Memorandum by the Chancellor of the Exchequer and Chief Secretary, Treasury. The figures for 1982-83 and 1983-84, £8,487m and £8,742m respectively, provided scope for further 3% increases and possible spending on Polaris-replacement.

<sup>163</sup> Staff Reporter, 'Appeal for more flexible cash limits on defence', *The Times*, 12 February 1980. Cooper also remarked to fellow Permanent Secretaries if it would be possible at a future meeting for the Treasury representative 'to explain further the current economic policy'. TNA, DEFE 10/1269, PS(80)6th Meeting, 6 February 1980. Cooper even stood his ground in public with the Prime Minister. At a Downing Street dinner party with senior Whitehall officials on 6 May 1980, 'Cooper, by temperament the least stuffy of mandarins and a natural Thatcher-esque smasher of icons, got into open and bitter argument with her'. Young, *One of Us*, p. 231.

Provision was made for an extra £64m in the supplementary estimates. If this was spent, Defence would have its 1980-81 allocation cut.<sup>164</sup> Pym criticised ‘a cash limit which was too tight in the first place’. The £63.8m overspend, though significant, only constituted three quarters of one per cent of the MoD cash limit. He considered ‘taut programming and estimating’ inevitably meant going close to the wire so [as] to avoid ‘embarrassing underspends and waste of resources’.<sup>165</sup>

The MoD tried to reduce R&D Establishments costs. A steering committee, chaired by the Minister of State, Lord Strathcona and Mount Royal, studied their functions, attempting to focus the Operational Analysis (OA) effort into narrower areas.<sup>166</sup> A review to find staff economies expanded into a more fundamental examination of Establishments, what functions they should retain and ‘those which could be disinvested’ to private industry.<sup>167</sup> Two further study teams were established to generate economies and greater efficiency. The Naval dockyards were examined by Keith Speed, Under-Secretary of State for the Royal Navy, seeking to devolve management and responsibilities in a trading fund arrangement.<sup>168</sup> A third team, led by Barney Hayhoe, Under-Secretary of State for the Army, searched for supply

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<sup>164</sup> Caroline Atkinson, ‘Cabinet decides areas for further cuts’, *The Times*, 2 February 1980; ‘Public spending above cash limits’, *The Times*, 29 February 1980. TNA, PREM 19/163, CST to SofS, ‘Class 1 Supplementary Estimates: Excess Over Defence Cash Limits’, 11 February 1980.

<sup>165</sup> TNA, PREM 19/163, SofS to CST, ‘Class 1 Supplementary Estimates: Excess Over Defence Cash Limits’, 21 February 1980. Indeed, it has been said that in the context of MoD budgeting, underspending was inefficient rather than a source of savings because it resulted in programmes being spread over a longer period. Boren, ‘Britain’s 1981 defence review’ p. 230.

<sup>166</sup> TNA, DEFE 4/287, COS 7<sup>th</sup> Meeting/80, 11 March 1980, Confidential Annex, Item 3, Operational Analysis.

<sup>167</sup> *Ibid.*, COS 9<sup>th</sup> Meeting/80, 29 April 1980, Confidential Annex, Item 5, Defence Science and Research. Areas where the relationship between the PE and industry could be studied further included the National Gas Turbine Establishment (NGTE), the Propellents, Explosives and Rocket Motor Establishment (PERME), the Director General (Ships) and the Royal Ordnance Factories (ROFs). See also DEFE 10/1305, DCP (80)7, ‘Study of R&D Establishments’, Memorandum by the Minister of State for Defence, 24 April 1980; DCM(80)4<sup>th</sup> Meeting, 2 May 1980.

<sup>168</sup> TNA, DEFE 10/1305, DCM(80)5<sup>th</sup> Meeting, 16 May 1980. Peter Hennessy, ‘Defence research plants on offer to industry’, *The Times*, 23 June 1980. The four Navy dockyards had a £391m budget and 34,180 employees. The Government also decided to sell the Propellents, Explosives and Rocket Motor Establishment in Buckinghamshire and National Gas Turbine Establishment in Pyestock, Hampshire.

management savings in food and other stocks,<sup>169</sup> areas where there had already been some inter-Service-rationalisation.<sup>170</sup>

## **Nuclear Modernisation, 1980**

The Government faced decisions on Polaris-replacement and stationing US cruise missiles in Britain. Nuclear Weapons dominated the Commons Defence debate on 24 January 1980. SofS said more about existing programmes than future specifics. He officially revealed the Chevaline programme, designed to improve Polaris to maintain full effectiveness into the 1990s, endorsed by the Heath, Wilson, Callaghan and current governments. Pym estimated its total cost at £1,000m.<sup>171</sup> The Chiefs were broadly supportive: ‘The UK independent nuclear deterrent was the foundation upon which our defence policy stood and it justified the expenditure of 6-7% of the defence budget’, although they stressed that opportunity costs in terms of conventional capability be fully considered.<sup>172</sup>

Theatre Nuclear Forces were discussed by NATO’s Nuclear Planning Group in November 1979. Hitherto, long range theatre nuclear weapons capability fell on 50 RAF Vulcan bombers and 170 American F111s. The Vulcans were to be phased out in 1981-82.<sup>173</sup> The Americans proposed to station 572 long range theatre nuclear weapons in Europe capable of reaching the Soviet Union. Cruise missile dispersal

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<sup>169</sup> TNA, DEFE 13/1404, folio E35, Rayner to Hayhoe, ‘Food Supply for the Armed Forces’. 17 January 1980. Food procurement for the Armed Forces was also the subject of a Rayner Study which was brought to the attention of the Prime Minister, DEFE 13/1404, Rayner to PM, ‘Efficiency in Central and Local Government’, 24 September 1979. Hayhoe was ultimately disappointed the Supply Management Study was not able to identify greater scope for staff savings but was pleased it had demonstrated efficiency in many areas of supply, DEFE 10/1305, DCM(80)4<sup>th</sup> Meeting, 2 May 1980.

<sup>170</sup> TNA, DEFE 25/754, DCM(79)4<sup>th</sup> Meeting, 30 July 1979. There had been an element of rationalisation and functionalisation of support services already. The Royal Navy administered the food programme for all three Services, the Army administered all spares for mechanical support and the RAF administered all aircraft spares. SoS remained keen that further inter-Service rationalisation and functionalisation was borne in mind although agreed meantime that no further major studies were needed.

<sup>171</sup> <http://hansard.millbanksystems.com/commons/1980/jan/24/nuclear-weapons> HC Deb 24 January 1980, vol. 977, columns 672-784; Peter Hennessy, ‘Planning for a future nuclear deterrent’, *The Times*, 4 December 1979.

<sup>172</sup> TNA, DEFE 32/26, COS 22<sup>nd</sup> Meeting/79, Confidential Annex Item 1, ‘The Future of the UK Nuclear Deterrent’, 21 August 1979. There were concerns that the transfer of material involved in the Trident C4 option would increase the number of UK warheads from the Polaris holding of about 140 to 576 and could cause the Americans problems, particularly in the context of SALT III.

<sup>173</sup> <http://hansard.millbanksystems.com/commons/1979/dec/13/theatre-nuclear-forces> HC Deb 13 December 1979 vol 975 cc1540-56. When questioned about Vulcan-replacement, SofS responded: ‘To some extent, the Tornado programme is also a replacement for the Vulcans, but there is no intention at the moment to replace the Vulcans as such.’

involved stationing 160 in Britain.<sup>174</sup> NATO defence and foreign ministers approved the modernisation proposals on 13 December.<sup>175</sup> The missiles' locations were announced in June 1980 as the USAF standby base of RAF Greenham Common, Berkshire and the disused RAF station at Molesworth, Cambridgeshire.<sup>176</sup> SofS insisted in an emergency UK-based, US cruise missiles would be activated following a joint decision between the two governments. Existing arrangements for joint consultation agreed by Prime Minister Attlee and President Truman in 1951 remained sufficient.<sup>177</sup> SofS maintained the Defence budget could cope. He estimated a total capital cost of £4,000 to £5,000m.<sup>178</sup> Pym added:

The amount we are talking about would be of the same order of magnitude as we are spending on the Tornado programme, both in overall total and in peak rate... Even 5 per cent of the budget – if it were that – would, incidentally, be much lower than the proportion reached during the build-up of the V-bomber force in the 1950s. It is far less – several times less – than we spend on any of our three major conventional roles in NATO... I am very clear that it would be gravely

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<sup>174</sup> Henry Stanhope, 'Nato faces crucial missile decision', *The Times*, 13 November 1979; Henry Stanhope, 'Allies hear Mr Pym strongly endorse new American weapons for Europe', *The Times*, 14 November 1979; Henry Stanhope, 'Nato ministers hopeful of decision accepting new US weapons', *The Times*, 15 November 1979. Some 108 were Pershing II missiles with a range of about 1,000 miles, to be stationed in West Germany. The other 464 were ground-launched Cruise missiles, with a range of over 1,500 miles, which could also be sited in Britain, Belgium, the Netherlands or Italy.

<sup>175</sup> <http://hansard.millbanksystems.com/commons/1979/dec/13/theatre-nuclear-forces> HC Deb 13 December 1979 vol 975 cc1540-56; <http://hansard.millbanksystems.com/commons/1979/dec/13/theatre-nuclear-forces-1> HC Deb 13 December 1979 vol 975 cc1557-61; Hugh Noyes, 'Mrs Thatcher firm on missiles as left fails to force debate', *The Times*, 12 December 1979; Parliamentary Staff, 'Nuclear weapons must be modernized – PM', *The Times*, 12 December 1979; Henry Stanhope, 'Nato approves plan to modernize US nuclear forces in Europe', *The Times*, 13 December 1979; Henry Stanhope, 'Nato plan offers phased withdrawal of troops', *The Times*, 14 December 1979.

<sup>176</sup> <http://hansard.millbanksystems.com/commons/1980/jun/17/cruise-missile-sites> HC Deb 17 June 1980 vol 986 cc1342-58; Hugh Noyes, 'Sites for storage of cruise missiles named by minister', *The Times*, 18 June 1980; Editorial, 'Accommodating Cruise', *The Times*, 18 June 1980. Greenham Common was to be the main operating base with six flights of cruise missiles. Molesworth was to house four flights. SofS insisted on the question of use, 'I confirm absolutely and have no hesitation in saying that the political decision requires a joint decision by the two Governments.' TNA, CAB 148/189, OD(80) 14<sup>th</sup> Meeting, 15 May 1980.

<sup>177</sup> <http://hansard.millbanksystems.com/commons/1980/dec/02/cruise-missiles> HC Deb 2 December 1980, vol. 995, columns 115-8; Parliamentary Staff, 'Procedures for joint defence decisions do not need changing', *The Times*, 3 December 1980.

<sup>178</sup> <http://hansard.millbanksystems.com/commons/1980/jan/24/nuclear-weapons> HC Deb 24 January 1980, vol. 977, columns 672-784; Henry Stanhope, 'Can Britain afford a deterrent?', *The Times*, 27 November 1979.

harmful if sustaining our nuclear contribution to the alliance meant emasculating our non-nuclear contribution.<sup>179</sup>

William [Bill] Rodgers, Labour's Defence spokesman, claimed spending would reach 8% of the Defence budget and 16% of the equipment budget.<sup>180</sup> Pym's predecessor, Fred Mulley, doubted Britain's ability to maintain current conventional commitments.<sup>181</sup> Meanwhile, following the OD Committee meeting on 3 December, when the four pillars were scrutinised, SofS was tasked to produce a study of priorities.<sup>182</sup> Whitehall officials met Lewin to discuss OD's doubts about the affordability of the current policy.<sup>183</sup> The four 'pillars' did not reflect resource allocation. The continental and eastern Atlantic/Channel commitments received much greater funding than the UK base or nuclear deterrent. Reviving military intervention capability was also discussed with costs. The Treasury indicated resources must be found from within existing forces. Officials suggested an interdepartmental study under Cabinet Office chairmanship as a first step.<sup>184</sup> Mrs Thatcher wanted this by February 1980.<sup>185</sup>

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<sup>179</sup> <http://hansard.millbanksystems.com/commons/1980/jan/24/nuclear-weapons> HC Deb 24 January 1980, vol. 977, columns 672-784. See also 'More cash for Armed Forces', *The Times*, 17 November 1979. This highlighted the £409m voted in June 1979 for the Armed Forces pay award, a pay rise for non-industrial civil servants and rising costs. SofS got £140m in November 1979 to cover Budget increases in fuel prices and VAT and a pay rise for industrial civil servants.

<sup>180</sup> <http://hansard.millbanksystems.com/commons/1980/jan/24/nuclear-weapons> HC Deb 24 January 1980, vol. 977, columns 672-784. The moderate Rodgers, a former MoD Minister of State (1974-76) was one of the 'Gang of Four' who founded the Social Democratic Party in 1981.

<sup>181</sup> Parliamentary Staff, 'Removing temptation of easy win', *The Times*, 19 December 1979. Lord Carver, the former CDS, argued it was not in the country's defence interests 'to commit a large slice of the future defence programme to a weapons system for which the justification was political machismo'. Carver was a persistent public critic of the British nuclear deterrent and highlighted its adverse impact on spending on conventional forces. Carver viewed independent systems in addition to those held by the two super-powers as superfluous.

<sup>182</sup> TNA, CAB 148/189, OD(80) 1<sup>st</sup> Meeting, 22 January 1980. Mrs Thatcher observed the Afghanistan situation had given additional urgency to the MoD's work on the priority of the four key elements of Defence policy and on the requirement to recreate a military intervention capability outside the NATO area. SofS was told to have both studies completed within six weeks. The *Defence Estimates* included the passage: 'The Government believes that the Services should also be able to operate outside the NATO area, without diminishing our central commitment to the Alliance... Moreover, certain improvements in the Services' worldwide capability are being considered.' *Defence in the 1980s*, p.41.

<sup>183</sup> TNA, CAB 164/1650, folio 1M, Hastie-Smith (Cab Off) to Armstrong (Cab Sec), 8 January 1980.

<sup>184</sup> *Ibid.*, folio 4, Note for the Record, Meeting on 10 January 1980 on Future United Kingdom Defence Policy, 11 January 1980.

<sup>185</sup> *Ibid.*, folio 2, Armstrong (Cab Sec) to Alexander (PS/PM), 'Future Defence Policy', 11 January 1980; folio 6, PS/PM to Armstrong (Cab Sec), 'Future Defence Policy', 14 January 1980. An 'Official Group on Future Defence Policy Outside the NATO Area' – MISC 32 – was set up by the Cabinet Office.

The Defence budget was costed in the 1980 LTC, some £1,200m above the approved PESC figures for the next four years. This excluded Polaris-replacement, around £300m, making a total excess of £1,500m. The total growth planned for the next four years was £1,479m. If the MoD imposed £1,500m cuts on existing figures to achieve approved figures, as the existing programme was essentially the same as that inherited, it would be difficult to convince allies of any real growth.<sup>186</sup> The Chiefs rejected cuts to the defence of the UK or to nuclear forces committed to NATO. Any reductions should be spread (not necessarily evenly) between forces in Germany and the contribution to the Eastern Atlantic and Channel. The Chiefs wanted political direction before taking a final view.<sup>187</sup>

On 5 March 1980 the Defence Council discussed policy and programme, aiming to provide the SofS with the basis for a paper for OD Committee, detailing his views of defence priorities and proposed actions to reshape the programme. Pym underlined the major problem was the gap between the programme as costed and available resources, largely arising from the reduced financial resources made available. OD had already cast doubts on 3 December on whether the UK had the financial and manpower resources needed to continue to make significant contributions to all four NATO roles. The Chiefs had been asked about relative priority but had previously stressed the independent nature of the four areas. They reaffirmed the political and military imperative of maintaining the strategic nuclear deterrent and recommended the direct defence of the UK base should not be cut. This left the Sea/Air and Land/Air contributions to NATO and specialist reinforcement forces. The Chiefs recommended an 'across the board' approach preferable because of the serious political risks arising from trying to make a major change in NATO strategy. They could undertake a case by case examination of military capability but needed clear ministerial guidance on short and long-term defence policy, otherwise they could not take planning much further forward. It was thought that most reductions in the short term would fall on the equipment programme. Pym agreed that any short-term adjustments had to arise from planned contributions to EASTLANT and the Central

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Chaired by RL Wade-Gery it reported to the Cabinet Secretary on 11 March 1980. See folio 12N, Wade-Gery (Cab Off) to Armstrong (Cab Sec), 11 March 1980.

<sup>186</sup> TNA, CAB 164/1506, folio 26, 'Defence Budget Figure', Hastie-Smith (Cab Off) to Wade-Gery (Cab Off), 28 February 1980.

<sup>187</sup> *Ibid.*, folio 11, Whitmore (PPS/PM), to Armstrong (Cab Sec), 'Future United Kingdom Defence Policy', 3 March 1980; folio 14, Armstrong to Whitmore, 'Future United Kingdom Defence Policy', 27 February 1980; folio 14, Note for the Record, 28 February 1980. The CDS was keen on the opportunities offered by military intervention capability to reshape NATO strategy to meet Britain's national interests. The minutes noted: 'Some easing of our difficulties could be achieved by changes in the division of labour with West Germany for example, with the UK assuming a wider role outside the NATO area.'

Front. The need for improved capability outside the NATO area was recognised but only at modest cost, involving some double earmarking.<sup>188</sup>

The PUS emphasised in the three years covered by PES the gap between the costed programme and Defence Budget figures agreed by Cabinet exceeded £1.5bn. This was too large to be met by careful management or by adjusting the allowance for realism. Cooper mentioned the impact of a successor deterrent system and the risk that maintaining cash limits during a period of high inflation would impose a volume squeeze on the programme alongside a likely increase in the real cost of equipment. These provided good reasons for making significant adjustments to the forward programme promptly.<sup>189</sup> Cooper suggested savings in MoD's £4bn holdings of stocks and further economies in Service and civilian manpower. Looking forward, Pym asked Cooper to provide a draft paper for OD drawing on the Defence Council's discussion and he wanted to discuss further handling of the work with CDS and PUS, wanting to take a direct part himself. Further review would extend into all aspects of the programme but the aim was to preserve the front line as much as possible. Moreover, the measures selected were to represent a defence view of priorities and the sum of single Service views. However, talk of 'cuts' was to be avoided as it was planned to increase defence spending in real terms and it was considered better to speak in terms of reshaping and adjusting the programme.<sup>190</sup>

Senior officials under the Cabinet Secretary Robert Armstrong's chairmanship assessed the situation.<sup>191</sup> MoD officials explained the 'resources assumed to be available for defence have been whittled down' since 1979. The MoD was trying to fund Labour's plans and Polaris-replacement despite a £1,180m reduction [between Pym's PESC bid and the final PESC decision] or £742m cut [difference between Labour's figures and the final PESC decision] over the following four years to projected departmental planning resources.<sup>192</sup> The 'relative price effect' in Defence meant equipment costs had risen in real terms by 6% annually.<sup>193</sup> The MoD anticipated ministers would recommend the maritime contribution should bear 'by

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<sup>188</sup> TNA, DEFE 25/754, DCM(80) 2<sup>nd</sup> Meeting, Limited Circulation Annex, 5 March 1980.

<sup>189</sup> *Ibid.*

<sup>190</sup> *Ibid.* CDP agreed the PUS on the need not to focus exclusively on major equipment items and stated the MoD should be reimbursed if they had to purchase items from British firms at higher cost for social or economic reasons.

<sup>191</sup> TNA, CAB 164/1650, folio 12P, Wright (Cab Office) to Mottram (PS/PUS), 12 March 1980.

<sup>192</sup> *Ibid.*, folio 12Q, Mottram (PS/PUS) to Wright (Cab Office), 12 March 1980. Compare Mottram's figures with the figure cited by Cooper at the meeting of 27 February 1980 (see above).

<sup>193</sup> *Ibid.*, folio 12R, Hastie-Smith (Cab Off) to Armstrong (Cab Sec), 12 March 1980.

far the greater part of the reduction'. Reducing the BAOR involved greater political difficulties. The Cabinet Office thought it 'desirable for this kind of decision to be imposed on the defence programme externally'.<sup>194</sup> Pym's OD paper suggested significant savings in West Germany and Eastern Atlantic/Channel. The Chiefs faced recommending reduced standards for future equipment or a radically changing policy emphasis, threatening NATO cohesion.<sup>195</sup>

The FCO and Treasury cautioned against major changes to NATO's central front. In the Eastern Atlantic and Channel, where the UK provided about 70% of the force, no other state could assume the commitment. Cuts might create problems in negotiations with the US on a Polaris-successor.<sup>196</sup> Pym and Carrington wanted 'a way of adjusting our position in Germany'. Otherwise savings could only be found in maritime forces or the wider equipment programme. The Chiefs rejected abandoning any pillar. Change had to fall 'though not necessarily equally – on our contribution to the Eastern Atlantic and the Channel and the Central Region of Allied Command Europe and the flanks.'<sup>197</sup> Mrs Thatcher insisted on reshaping the programme to fit available resources. Pym was told to bring specific policy proposals to the Committee in June.<sup>198</sup>

### ***Defence Estimates, 1980***

The Government's first *Defence Estimates - Defence in the 1980s*, edited by Pattie, and published on 2 April. It was described as 'much more coherent' and 'frank' by

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<sup>194</sup> TNA, CAB 164/1650, folio 12R, Hastie-Smith (Cab Off) to Armstrong (Cab Sec), 12 March 1980.

<sup>195</sup> Ibid., folio 13, 'Note for the Record: Future United Kingdom Defence Policy', 14 March 1980.

<sup>196</sup> Ibid.

<sup>197</sup> TNA, CAB 148/190, OD(80)26, 'Defence Policy and Programme', Memorandum by the Secretary of State for Defence, 14 March 1980; PREM 19/689, 'United Kingdom Defence Policy', Armstrong (Cab Sec) to PM, 19 March 1980.

<sup>198</sup> TNA, CAB 148/189, OD(80) 9<sup>th</sup> Meeting, 20 March 1980. Pym talked of the 'mismatch' between the programme and the available resources which had emerged from the 1980 LTC: 'In broad terms in the period 1981-1984 an excess of between 5 per cent and 7 per cent over the approved Public Expenditure Survey figures had emerged in each year. Some degree of excess was normal at this stage but not on this scale'.

Pym<sup>199</sup> but devoted precisely one sentence to Polaris-replacement.<sup>200</sup> A spending insurance clause was added: ‘We shall not feel obliged to adhere slavishly to a particular growth path, nor shall we consider it a failure of policy if we modify our spending plans in either direction from year to year as new information becomes available.’<sup>201</sup> SofS’s introduction underlined: ‘We cannot expect peace and security free of charge.’<sup>202</sup>

Pym maintained the capital cost of Polaris-replacement was manageable without curtailing other areas.<sup>203</sup> By 1983-84 the Government planned Defence spending at 1979 survey prices to be £1bn higher than in 1979-80.<sup>204</sup> Labour’s National Executive Committee opposed Polaris-replacement and US cruise missiles on UK soil. Rodgers echoed German Social Democrats who accepted the necessity of nuclear missiles under NATO’s umbrella, not trusting the Soviets,<sup>205</sup> though infuriating left-wing MPs.<sup>206</sup> Labour increasingly embraced CND’s unilateralist tenets. Nevertheless, Rodgers opposed the *Estimates* saying they provided no clear

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<sup>199</sup> HM Government, *Defence in the 1980s*. Pym told Cabinet colleagues he wanted the *Defence Estimates* to be more coherent than hitherto. He sought to emphasise the importance the Government placed on Defence, policy areas such as nuclear weapons, the Soviet threat outside the NATO area and the Government’s determination to ensure the Armed Forces were properly rewarded and received appropriate public recognition. He also wished to be frank about the possible effects of economic factors on the Defence programme. TNA, CAB 129/208, 25 January 1980, ‘Statement on the Defence Estimates 1980’, Memorandum by the Secretary of State for Defence.

<sup>200</sup> *Defence in the 1980s*, pp. 14-15; Peter Hennessy, ‘Mr Pym still has time to make the nuclear options clear’, *The Times*, 22 April 1980. After explaining Chevaline, it concluded: ‘The Government is considering possible systems to replace it thereafter and a decision will be taken soon.’ Some other omissions were also emphasised by the press, namely, whether the Army would be allowed to buy the Challenger tank – a ‘Europeanized’ version of the Shir-2 originally designed for the Shah’s Iran. There was no mention of the sites selected to house American ground-launched cruise missiles, nor any announcement of the Armed Forces pay rise due on 1 April. Henry Stanhope, ‘Britain’s defensive weakness’, *The Times*, 2 April 1980.

<sup>201</sup> *Defence in the 1980s*, pp. 87-88; <http://hansard.millbanksystems.com/commons/1980/apr/28/defence-estimates-1980> HC Deb 28 April 1980, vol. 983, columns 995-1113. See comments by William Rodgers. One Conservative, Anthony Nelson MP, observed, ‘that is an exit clause that I do not like the smell of’. <http://hansard.millbanksystems.com/commons/1980/jun/23/royal-air-force> HC Deb 23 June 1980, vol. 987, cc 35-164.

<sup>202</sup> *Defence in the 1980s*, p.2; David Fairhall, ‘Peace does not come free, says White Paper’, *Guardian*, 3 April 1980

<sup>203</sup> TNA, PREM 19/163, House of Commons, Second Report from the Defence Committee Session 1979-80, Statement on the Defence Estimates 1980, 23 April 1980, pp.4-6.

<sup>204</sup> *Ibid.*

<sup>205</sup> George Clark, ‘Mr Rodgers backs US missiles’, *The Times*, 5 May 1980; Fred Emery, ‘The May Day call some will ignore’, *The Times*, 31 May 1980.

<sup>206</sup> <http://hansard.millbanksystems.com/commons/1980/jun/17/cruise-missiles> HC Deb 17 June 1980, vol. 986, cc 1318-20.

priorities for defence, committed the Government to increased expenditure far higher than growth forecasts and offered no new initiatives towards disarmament.<sup>207</sup> Pattie claimed economic factors were not the primary determinant as, 'defence expenditure can be related only to the perceived nature of the threat'.<sup>208</sup> The Treasury did not agree with this view.

## The Recession Bites

As recession deepened, defence contractors delivered goods [and bills] quicker. Expenditure outpaced Cash Limits levels. SofS told the Chancellor these price rises underlined the Government would 'fall very far – and very obviously - short' of a 3% increase in real Defence spending. Oil had gone up by £130m. Pym requested an increased MoD cash limit to ensure the Services pay settlement was not secured at the cost of other programme priorities.<sup>209</sup> Cooper described a 'run' on the MoD by industry, involving early delivery but significantly earlier billing. Weekly payments were 25% up on 1979.<sup>210</sup>

The Chief Secretary said the cash limit adjustment included an additional £50m towards the Services pay settlement<sup>211</sup> and condemned rampant Defence expenditure. The MoD had incurred an overspend of £60.2m for the 1979-80 global cash limit. After a similar overspend in 1978-79, the Chief Secretary advised MoD's 1980-81 cash limit would be correspondingly cut, to a global figure of £10,276m.

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<sup>207</sup> <http://hansard.millbanksystems.com/commons/1980/apr/28/defence-estimates-1980> HC Deb 28 April 1980, vol. 983, columns 995-1113. Rodgers contended: 'I simply do not believe that defence spending can grow by a cumulative 13 per cent over five years, or 20 per cent by 1986, when GDP is growing by only 1 per cent in that period. It cannot be sustained. It will not work.'

<sup>208</sup> <http://hansard.millbanksystems.com/1980/apr/29/defence-estimates-1980> HC Deb 29 April 1980, vol. 983, columns 1174-300.

<sup>209</sup> TNA, PREM 19/163, SofS to CHX, 'Defence Expenditure 1980/81', 18 June 1980.

<sup>210</sup> TNA, DEFE 10/1269, PS(80)29th Meeting, 23 July 1980; DEFE 4/287, COS 18<sup>th</sup> Meeting/80, 11 August 1980, Confidential Annex, Item 1 Defence Economics 1980/81; Thatcher, *The Downing Street Years*, p. 125. In the first quarters of 1978 and 1979 spending on equipment was 18-19% of total provision. In 1980 it was over 28%. Even Mrs Thatcher subsequently recognised the recession meant contractors fulfilled orders and demanded payment earlier. Similarly, Treasury briefing for the 1981 Budget belatedly noted this with the observation that although there had been 'serious overspending' in Defence, the main reason was that suppliers had produced and delivered equipment earlier than anticipated in a time of recession. HMT, PO-CH-GH-0154 Part B, Mathews (HMT) to PPS/HMT, 'Budget Speech: Section J (Corrected)', 26 February 1981.

<sup>211</sup> TNA, PREM 19/163, CST to SofS, 'Defence Cash Limits 1979-80 and 1980-81', 18 June 1980; CST to SofS, 'Defence Cash Limits 1980-81', 20 June 1980.

Expenditure in April and May was £400 million more than expected.<sup>212</sup> Pym commented on the repercussions of Biffen's demands:

Attempting to comply with your request to contain expenditure within the current cash limit would mean, amongst other things, suspending all recruitment to the Armed Services; leaving ships, tanks and aircraft to stand idle and pulling out of NATO (and other) exercises and operations. It would negate all the goodwill we have achieved, destroy the painfully restored morale of the Armed Forces and precipitate a crisis of confidence within the Alliance, as well as in defence industry.<sup>213</sup>

Pym rejected the 1980-81 cash limit being reduced to reflect the 1979-80 cash overspend. Spending in 1979-80 had in real terms fallen considerably shorter than planned – some 2.4% rather than the 2.9% increase the Government claimed. Reducing the 1980-81 programme to 'compensate' was 'extraordinary'. The £60.2m overspend remained provisional.<sup>214</sup> Howe threatened monthly cash rationing. Pym argued the 1980-81 cash limit was set, after months of argument, 'subject to review in the light of economic and international circumstances...aiming for an increase in real terms in the region of 3 per cent in line with the agreed NATO target'. In late June 1980 the cash limit review was imminent. The Treasury claimed the MoD wanted an additional £700m.<sup>215</sup> Pym complained to Mrs Thatcher about Biffen's £60m 'fine' for 1979-80 when the volume increase of Defence spending was 2½% rather than 3%.<sup>216</sup>

Pym authorised senior officials to investigate budgetary pressures. A Defence Programme Working Party (DPWP)<sup>217</sup> was formed in spring 1980, comprising Sir

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<sup>212</sup> Ibid., CST to SofS, 'Defence Cash Limits 1979-80 and 1980-81', 18 June 1980.

<sup>213</sup> TNA, PREM 19/163, SofS to CST, 'Defence Expenditure', 27 June 1981.

<sup>214</sup> Ibid. Pym recommended MoD officials urgently discussed cash flow and cash requirements for 1980-81 with Treasury counterparts.

<sup>215</sup> TNA, PREM 19/163, Lankester (PS/PM) to PM, 27 June 1980; Lankester to Wiggins (HMT), 27 June 1980.

<sup>216</sup> Ibid., SofS to PM, 'Cash Limits 1979/80', 8 July 1980.

<sup>217</sup> TNA, DEFE 11/801, folio E34, SofS to CDS, PUS, CDP, 'Defence Programme Adjustments', 7 March 1980. Pym mentioned a brief discussion at the Defence Council on 5 March about the machinery required to assemble in view of the results of costings, plans and options for changes in the programme. Pym asked for the creation of a small working party to identify options, chaired by DUS(P), with DCDS(OR) and ACDS(Pol) as members alongside others from across Defence. Pym proposed guiding the work of this working party by chairing an informal steering group consisting of Lord Strathcona and the recipients of his minute. The working party was to produce a comprehensive report by mid-May

Michael Quinlan, Deputy Under-Secretary (Policy), ACM Joseph Gilbert, Assistant Chief of the Defence Staff (Policy) and Admiral Stephen Berthon, Deputy Chief of Defence Staff (Operational Requirements) (DCDS(OR)). This marked the first time a small group in the central staffs had assumed the leading role in reviewing Defence plans. Pym thought the balance between Services and Central Staff input 'perfectly reasonable'.<sup>218</sup> Through its Steering Group, the DPWP had Ministers' ears. The DPWP worked with the Services to develop interim cuts and drafted recommendations.<sup>219</sup> These included cancelling the Army's Main Battle Tank project (MBT-80), removing £1.8bn from the Royal Navy's budget and cancelling Jaguar-replacement – AST 403. This 'mini-review' did not alleviate the 1980-81 financial crisis nor succeeded in 'getting the LTC to bed'.<sup>220</sup> The key DPWP Study 10 on the equipment programme, offered no scope for significant reductions without a major policy decision either to narrow commitments or the range of capabilities.<sup>221</sup>

CAS criticised the DPWP's draft for not exploring relative threats and their criticality to the UK, greater asymmetry by role not just geographical area and NATO sensitivity to UK proposals. He was concerned aircraft proposals might leave the RAF without air combat capability, reducing the air contribution to SACEUR.<sup>222</sup> CAS asserted Soviet objectives could only be achieved through a land/air offensive or military domination of Europe.<sup>223</sup> The COS Committee found consensus difficult; Budget battles and Service priorities were paramount.<sup>224</sup> Pym dismissed trading off continental or maritime commitments. He wanted to rebalance NATO responsibilities to enhance Britain's out-of-area role although he did not

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1980, with this forming the basis of subsequent Defence Council considerations. Pym said that it was vital in the difficult months which lay ahead for him to work with CDS and PUS 'very much as a team'. DEFE 25/534, SofS to CDS, 21 February 1980.

<sup>218</sup> Boren, 'Britain's 1981 defence review', p.246-247. In contrast to the work of the Way Ahead Study Group in 1978-79 which was a paper exercise premised on economic trends, the DPWP had a fixed remit and decisions were to follow.

<sup>219</sup> The main sources of Service input came from senior officers drawn from the three Services – Admiral Sir Derek Reffell (ACNS), Lieutenant General Sir Derek Boorman, Director of Military Operations and Air Marshal Patrick Hine, ACAS (Policy). Boren, 'Britain's 1981 defence review', pp. 247-248. The same three men were responsible for Service input into the 1981 Defence Review.

<sup>220</sup> Boren, 'Britain's 1981 defence review', pp.229, 248; Henry Stanhope, 'Will the RAF get the plane it deserves?', *The Times*, 31 March 1980. Leach, despite complaints in 1981-82, said a decade later that he was not 'unduly perturbed' about cuts to the Navy in 1980. The reductions proposed by the DPWP were 'nor very painful' but convinced Pym the programme could not be cut any further.

<sup>221</sup> TNA, DEFE 24/2770, enclosure no. 11, DCDS(OR) minute, 'Defence Programme Adjustments', 8 April 1980, covering the report 'Defence Programme Adjustments – the Equipment Programme'.

<sup>222</sup> DEFE 4/287, COS 11<sup>th</sup> Meeting/80, 6 May 1980, Confidential Annex, Item 3, Defence Programme.

<sup>223</sup> *Ibid.*, COS 12<sup>th</sup> Meeting/80, 15 May 1980, Confidential Annex, Item 1, Defence Programme.

<sup>224</sup> Boren, 'Britain's 1981 defence review', p.250.

formally propose this. The DPWP work supporting Pym's OD Committee paper reflected his consensus approach, emphasising all four pillars were indispensable.<sup>225</sup>

During the RAF debate [23 June], the Opposition mentioned Tornado costs, the unaffordability of Polaris replacement and disputed aircraft and pilot numbers.<sup>226</sup> Accelerating the in-service date of the Tornado F2 at an acceptable cost was impossible. The debate highlighted Exercise Elder Forest 80 (14-15 April 1980). This major exercise, involving eight air forces, tested Britain's air defences.<sup>227</sup> The RAF's five home-based Phantom squadrons and two Lightning squadrons were reinforced by Hunters, Hawks and American F5s and F15s. The exercise also tested radar defences and Shackleton AEW. The attacking force comprised Phantoms, Jaguars, Drakens, F111s, NF5s, F100s, F104s, Falcons, Mirages and B52s from the US, Canada, France, West Germany, the Netherlands, Belgium, Norway and Denmark, with mock attacks on RAF stations.<sup>228</sup>

For the first time since the 1950s the entire British air defence system was tested against simulated enemy raids of wartime level.<sup>229</sup> The exercise underlined the necessity of maintaining functioning airfields. Rapid runway repair had not progressed quickly enough. Unless hardened aircraft shelters were provided, many uncovered aircraft would be destroyed. Pattie confirmed the RAF had started a major programme to construct hardened facilities. Similar work was progressing at four USAF East Anglian stations.<sup>230</sup>

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<sup>225</sup> Ibid., pp. 255-257. The DPWP had developed two proposals. The first favoured the Central Region and cutting the Royal Navy. The second favoured the Navy and cutting the Central Region. The DPWP recommended the former. This was the prevailing view among senior civilian staff and some central defence staff. This was also the view of the 'Capabilities', an informal study group which met under the auspices of Sir Ronald Mason, the Chief Scientific Adviser.

<sup>226</sup> <http://hansard.millbanksystems.com/commons/1980/jun/23/royal-air-force> HC Deb 23 June 1980, vol. 987, cc 35-164.

<sup>227</sup> Henry Stanhope, "'Air forces of eight nations to test RAF', *The Times*, 15 April 1980.

<sup>228</sup> Ibid. Simultaneously, the RAF regiment was tasked with infiltrating and 'sabotaging' some of the stations under attack.

<sup>229</sup> <http://hansard.millbanksystems.com/commons/1980/jun/23/royal-air-force> HC Deb 23 June 1980, vol. 987, cc 35-164; Parliamentary Staff, 'RAF aircrews need constant practice in low flying', *The Times*, 24 June 1980. Pattie observed had the attacks been real 'we would ... have given a good account of ourselves'.

<sup>230</sup> <http://hansard.millbanksystems.com/commons/1980/jun/23/royal-air-force> HC Deb 23 June 1980, vol. 987, cc 35-164.

Another vexing issue was escalating costs in West Germany, over £1,000m in 1980-81. The Anglo-German offset agreement expired in March 1980. Britain faced stationing costs unaided, rising by 3½% annually above defence prices generally.<sup>231</sup> Some Conservative MPs argued the RAF could operate as efficiently from UK stations, with associated savings.<sup>232</sup> Meanwhile, OD Committee's discussion of Defence priorities continued. SofS's proposals represented 'a very considerable cut-back in plans'. He advised:

My general conclusion, with which the Chiefs of Staff agree, is that in the face of the financial pressures both areas and all three Services must suffer substantial reductions in plans, the more serious in [the] face of an unremitting rise in Soviet capability; but that current Alliance realities – including the particularly clear-cut task we have on the Central Front – set narrower limits to the scope for change in plans for BAOR and its equipment than elsewhere. We must accordingly rein back plans for the Royal Navy, and to a lesser extent, the Royal Air Force, rather more than a purely mechanical division between the Services would entail.<sup>233</sup>

In Europe, the quality of air defences would be lower than planned. The purchase of Puma Mark II helicopters for a new Army support squadron was abandoned. Jaguar-replacement was 'substantially deferred' until the mid-1990s. A reduction was proposed in air reconnaissance capacity; the Jaguar reconnaissance squadron in Germany to be disbanded in 1987 and the two Canberra PR squadrons phased out earlier. Overland strike/attack would be improved, with aircraft numbers in Germany remaining similar. Tornado production plans remained unaltered, but SofS wanted

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<sup>231</sup> *Defence in the 1980s*, pp. 88-89. An Equifund approach had been mentioned. This was a concept invented by an American official Professor Timothy Stanley and developed in the MoD to equalise the balance of payments gains and losses through a system of multilateral settlements. Equifund meant losses as well as gains for the UK although overall there would be a large net gain. Meanwhile, the PUS pushed for defence sales to Germany which were hitherto meagre. See TNA, DEFE 25/754, DCM(79) 5<sup>th</sup> Meeting, 1 October 1979.

<sup>232</sup> <http://hansard.millbanksystems.com/1980/apr/29/defence-estimates-1980> HC Deb 29 April 1980, vol. 983, columns 1174-300; <http://hansard.millbanksystems.com/commons/1980/jun/17/british-army-of-the-rhine> HC Deb 17 June 1980, vol. 986, cc 1320-1.

<sup>233</sup> TNA, CAB 148/191, OD(80)49, 'The Defence Programme', Note by the Secretary of State for Defence, 3 July 1980. The estimated cost of the defence programme was 5-7% higher than the PESC allocations for 1981/82-1983/84. The Navy had accepted the paper provided it did imply the acceptance of a change in policy or strategy in favour of BFG. DEFE 4/287, COS 14<sup>th</sup> Meeting/80, 30 June 1980, Confidential Annex, Item 2 The Defence Programme.

all the AD Variant in the UK, with Phantoms run on in Germany. The proposals left the maritime/strike role to the Buccaneer into the 1990s, future [fatigue] life permitting. The purchase of Sea Eagle anti-ship missiles was halved. Despite Pattie's promises, airfield survival measures were cut, delaying the programme to harden aircraft shelters and fuel pipelines in RAF Germany and plans for hardened facilities and airfield survival and damage repair in the UK.<sup>234</sup> Planned programmes would be cut by £1,500m from 1981-82 to 1983-84. The largest reduction fell on the naval programme, with submarine, destroyer and frigate orders deferred or cancelled.<sup>235</sup> Nevertheless, an outright choice between the two important commitments was avoided.<sup>236</sup>

Mrs Thatcher and SofS met on 7 July. She queried troop numbers in Germany and mentioned doing more in the maritime field. SofS had similar thoughts, but any shift required NATO agreement. Both agreed Alliance burden sharing needed examination. Pym called for stability in planning, particularly in 1981-84. If resources were reduced many assumptions would require reconsideration, including Polaris-successor. Pym predicted a £500m plus overspend, £150m of volume overspend and £370m between cash limit and volume figure in the White Paper. A £370m cash increase was necessary. Pym blamed inflation, increased oil prices, accelerated deliveries and earlier billing. Mrs Thatcher criticised the 16% wage agreement for industrial civil servants.<sup>237</sup> On 8 July, OD Committee supported Pym's proposals, including modest extra spending for intervention capability outside NATO – £24m from within Defence.<sup>238</sup> On intervention capability,<sup>239</sup> MoD officials were 'free with

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<sup>234</sup> Ibid.

<sup>235</sup> Six planned new destroyers and frigates were not now to be built and older more inefficient, manpower-intensive ships would be run on. Planned maritime air defence would be set to a lower level, with air strike and attack capability cut back in quality and staying power. The quality of naval weapons systems was to be reduced, even in the important anti-submarine role.

<sup>236</sup> TNA, PREM 19/978, Armstrong (Cab Sec) to PM, 'The Defence Programme', 7 July 1980. Decisions were required on replacing the Jaguar, Harrier and the Sea King anti-submarine helicopter.

<sup>237</sup> TNA, PREM 19/978, Alexander (PS/PM) to Norbury (PS/SofS), 'Call by the Defence Secretary', 8 July 1980.

<sup>238</sup> TNA, CAB 148/189, OD(80) 18<sup>th</sup> Meeting, 8 July 1980. The minutes noted the Prime Minister's conclusion, 'It was a matter of real anxiety that we appeared to be able to afford so few resources in between our troops defending the Central Front in Europe and our strategic nuclear deterrent.'

<sup>239</sup> Leach, although supportive of enhancing the capabilities of the Forces for intervention operations, thought that the outcome of LTC 81 should be awaited before the paper produced by the Directors of Defence Policy on UK Out-of-Area Capability was considered further by the COS Committee. He forecast 'LTC 81 would raise difficult questions of the priority to be given to this and other elements of the programme'. TNA, DEFE 4/287, COS 21<sup>st</sup> Meeting, 16 September 1980, Confidential Annex, Item 2, United Kingdom Out-of-Area Capability.

declarations of intent' but made little progress. There was progress enhancing RAF airlift capacity with the 'stretching' of 30 Hercules; restoring the parachute capability meant these aircraft required Station Keeping Equipment (SKE) to provide weather penetration and night operations capability.<sup>240</sup>

SofS stressed to the Defence Council he had been commissioned by OD Committee to cut 'military bureaucracy' and attack administrative overheads. Having highlighted NATO bureaucracy, he asserted the MoD was 'too luxurious' despite all the trimmings of the 1970s. This was 'mainly because the cost of people – Service and civilian – has become so extremely high'. He wanted 'a change of attitudes and fresh thinking' rather than a management review. He considered the Services and MoD were living beyond their means, with top-heavy structures due to their history and traditions. He questioned whether MoD needed to maintain a top management structure of the existing 'size and brass'. Every effort was to be made on directing money where it had to be spent. Work that was desirable and useful, although not strictly necessary, was to be abandoned. While Pym would do his utmost to secure a realistic level of defence spending, he was equally determined to ensure it was spent in the right way.<sup>241</sup>

As the country slid into recession,<sup>242</sup> the PESC report on 3 July 1980 provided departmental spending details. For Defence the baseline figures were consistent with the UK's commitment to 3% growth. However, there was a significant gap between the MoD's LTC on the Defence programme and the Survey baseline. A cash limit squeeze was anticipated in 1980-81. The Cabinet agreed the Defence cash limit

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<sup>240</sup> Staff work was undertaken towards a limited assault parachute capability, an equipment stockpile and improved command and control arrangements for contingency command and headquarters. TNA, CAB 164/1650, folio 20, Moberly (FCO) to Stewart (MoD), 'Intervention Capability Outside NATO', 7 January 1981. Pithy internal Cabinet Office minuting on their copy of this letter read: 'This is a matter on which the MoD move very, very slowly. But they will need to say something positive in the 1981 Defence White Paper - to offset some of their other tales of woe.' Hastie-Smith (Cab Off) to Wade-Gery (Cab Off), 8 January 1981; folio 21, Stewart to Moberly, 22 January 1981. Cabinet Office officials minuted the conclusions were 'depressing' and added, 'In present circumstances money spent on this purpose will probably yield a much better return in foreign policy terms than a similar amount spent on the Central Front - where it will scarcely make a difference.' Hastie-Smith (Cab Off) to Wade-Gery (Cab Off),

23 January 1981. The objective was to support up to two battalions for six months without raiding the UK's NATO holdings.

<sup>241</sup> TNA, DEFE 10/1305, DCI(80)15, 'Cutting our Coat According to our Cloth', Memorandum by the Secretary of State, 23 July 1980.

<sup>242</sup> TNA, CAB 129/208, C(80)35, 1 July 1980, 'The Economic Prospect', Memorandum by the Chancellor of the Exchequer. Howe admitted, 'The next two years are bound to be difficult and painful ones.'

should remain under regular review. The Survey set out reductions of 2% and 3% for other programmes. For Defence similar cuts involved reductions of £200m and £300m respectively:

The Treasury point out that the defence programme has no special reserved status and that it will, like all other programmes, stand to be considered in the light of the current economic circumstances in the forthcoming Ministerial decisions on public expenditure.<sup>243</sup>

Public expenditure proposals for 1981-82 to 1983-84 underlined: ‘The growth of the defence programme cannot be unrelated to prospects for the economy as a whole, or what we can manage in other fields.’<sup>244</sup> It was proposed to base the 3% growth on the likely outturn for 1979-80, saving around £140m annually on the March 1980 plans. This would offset the increase in the relative cost of the programme since these plans were determined.<sup>245</sup> SofS had made significant reductions which the Chiefs said had no military justification, reducing security at a time of rising dangers. They brought Britain to the ‘very edge of a crisis in our defence contribution to NATO.... the cuts proposed by the Chief Secretary would take us over the safe limits of change.’<sup>246</sup>

A £550m MoD overspend was projected for 1980-81 in July; £400m from inflation being higher than the cash limit assumption; £150m due to excess volume. Pym wanted an additional £400m to compensate for inflation – citing the review clause agreed when the cash limit was set. It would be virtually impossible to reduce spending by £550m in 1980-81, £610m including the £60m 1979-80 overspend.<sup>247</sup> The Treasury acknowledged ‘two objectives of Government policy are now in conflict’ and accused the MoD of being concerned primarily with the overall volume total with ‘insufficient incentive to economise in administrative and support services and concentrate on front-line forces’. It wanted to review the 3% target, citing the *Estimates* which mentioned having to ‘modify our spending plans’. The

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<sup>243</sup> Ibid., C(80)38, 3 July 1980, ‘Report by the Public Expenditure Survey Committee’, Note by the Chief Secretary, Treasury, pp. 5-6 of report.

<sup>244</sup> TNA, CAB 129/209, C(80)40, 4 July 1980, ‘Public Expenditure 1981-82 to 1983-84’, Memorandum by the Chief Secretary, Treasury.

<sup>245</sup> Ibid. It was observed, ‘When we look at the plans again for further decision in the autumn, we must have to consider further whether we can afford to maintain this rate of growth for defence, which is matched by few of our allies.’

<sup>246</sup> TNA, PREM 19/163, SofS to PM, ‘Public Expenditure 1981/82-1983/84’, 9 July 1980.

<sup>247</sup> Ibid., Lankester (PS/PM) to PM, ‘Meeting with the Chancellor at 0900 Thursday, 10 July’, 9 July 1980.

Treasury suggested following the majority NATO interpretation of the target or a one-year derogation from it.<sup>248</sup>

The main issue surrounded the 3% commitment – whether it should be based on the 1978-79 out-turn (Pym's preference) or the 1979-80 out-turn (Howe's preference) and on volume (Pym's preference) or cost (Howe's preference) terms.<sup>249</sup> The Treasury had not fully allowed for expected inflation in the cash limits and aimed to impose volume squeeze. It claimed NATO's target was 'a broad political guideline' which did 'not measure real defence effort'. Mrs Thatcher was warned: 'This year we cannot both hold to the cash limits and accept MoD's interpretation of the NATO target. We must hold the limits.'<sup>250</sup>

A paper drafted by Treasury and MoD officials in July on staying within the cash limits, involved a £450m cut, spread equally across the three Services. The RAF's £150m contribution for 1980-81 included grounding aircraft for training, transport and movements purposes and operational flying. Other possible reductions included banning Service recruitment (£10m), and a moratorium on air systems equipment (£40m) and most works projects (£35m). Ceasing civil charter and surface movement might save £20m. Turning off heating in domestic, administrative and technical accommodation could save £45m.<sup>251</sup> Equal Service shares would not mean equal misery. Royal Navy and RAF programmes contained more major projects, offering less room for manoeuvre than the Army's more diverse procurement programme.<sup>252</sup> The Treasury suggested:

- A moratorium on new starts in the Works Programme
- A deferment of lower priority new orders and R&D contracts in the equipment programme
- A deferment of purchases of Nuclear Materials for the Nuclear Programme
- A reduction in travel, training and overtime

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<sup>248</sup> TNA, PREM 19/163, CAB 164/1555, Treasury note, 'Defence Expenditure', 15 July 1980.

<sup>249</sup> Ibid., Lankester (PS/PM) to PM, 'Meeting with the Chancellor: 0900 hours Thursday 17 July', 16 July 1980. It was explained to Mrs Thatcher: "'Cost" in this context does not mean cash; it means the resources that are used in implementing a particular programme – taking into account the fact that the price of defence goods and services tends to go up more rapidly than the price of goods and services the economy as a whole. By contrast, volume means the number of tanks, personnel etc.'

<sup>250</sup> Ibid., Wiggins (HMT) to Whitmore (PPS/PM), 'Defence Expenditure', 16 July 1980.

<sup>251</sup> Ibid., 'Measures Needed to Keep Within the Cash Limit', July 1980. Works projects were part NATO funded – with every £35 saved losing £65 of NATO money.

<sup>252</sup> Ibid., CAB 164/1555, CST to PM, 'Defence Cash Limits 1980-81', no date.

- A reduction of stocks, including a reduction in the Level of General Stocks held and a temporary rundown in the level of Naval Oil Stocks
- Recruitment Programme: Moratorium on recruitment publicity, reduction in Service and Civil Servant recruitment by 75%<sup>253</sup>

Treasury Ministers gave Mrs Thatcher a speaking note describing Defence's overspend as 'clearly unacceptable'.<sup>254</sup> She agreed Howe's cash limit objective but considered some compromise necessary.<sup>255</sup> The MoD was already 'apparently taking steps' to eliminate the £250m volume overspend. The remaining £400m could not be met. The MoD had received extra funds to meet the AFPRB's recommendations, retained savings from manning cuts and gained from sterling's appreciation. A small adjustment to the existing cash limit was the maximum relief available.<sup>256</sup>

SofS accepted a deduction for the 1979-80 overspend. The Treasury repeated there could be little or no volume growth in Defence in 1980-81. With much of the programme already committed, staying within the cash limit required drastic action. On 4 August, Mrs Thatcher offered Pym £100m net, or about £150m gross once the deduction for the 1979-80 overspend, was factored in.<sup>257</sup> SofS claimed real growth would fall below 1%. He told the Chancellor:

Having looked again with the Chiefs of Staff at the programme I am reinforced in my view that your proposition if accepted would do great damage to our Defence effort, to our relations with our Allies, to industry and to the confidence the Services have in the Government...I need a little more help than is being proposed.<sup>258</sup>

Pym pointed to unavoidable interventions in 'activity' areas – curtailing exercises, training, sea-time and flying and extending tours in Northern Ireland.<sup>259</sup> Five decisions were outlined:

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<sup>253</sup> TNA, PREM 19/163, Wiggins (HMT) to Whitmore (PPS/SofS), 'The Defence Cash Limits 1980/81', 31 July 1980.

<sup>254</sup> Ibid., Wiggins (HMT) to Whitmore (PPS/SofS), 'Defence Cash Limits', 1 August 1980. The Treasury underlined the adverse reaction on the financial markets to the MoD's continued expenditure and insisted: 'Cash must rule, and be seen to rule'.

<sup>255</sup> Ibid., Lankester (PS/PM) to Wiggins (HMT), 1 August 1980.

<sup>256</sup> Ibid., Lankester (PS/PM) to Wiggins (HMT), 4 August 1980.

<sup>257</sup> Ibid.

<sup>258</sup> Ibid., SofS to CHX, 'Defence Expenditure 1980/81', 5 August 1980.

<sup>259</sup> Ibid.

- A moratorium for initially three months on placing new Defence contracts, with a few essential exceptions;
- Not to proceed now with the purchase of the Jetstream or Beech aircraft;
- Not to proceed with the purchase of 10 Sea Harrier aircraft;
- Delaying the introduction of Assisted House Purchase for the Services scheme;
- A further three month freeze on civil service recruitment; recruitment of 1,800 apprentices compared to 2,400 the previous year.<sup>260</sup>

On 6 August, Pym met Howe and later the Prime Minister. The Chancellor offered to increase in the 1980-81 cash limit by £150m net. Pym advised Mrs Thatcher that meeting the new cash limit involved ‘some very unpalatable measures’, particularly in 1981-82. Howe gave no undertaking about 3% real growth.<sup>261</sup> Mrs Thatcher said nobody was more disappointed than she to cut Defence. It was ‘absolutely unavoidable’. She committed to return to 3% as soon as possible but did not indicate when.<sup>262</sup>

Subject to shifting prices during the financial year, the £150m increase meant spending would rise by less than 1½% in real terms. Pym accepted this in the shorter term but insisted the operational efficiency would be impaired if 3% annual increases were not resumed after 1980-81.<sup>263</sup> Various short-term measures were suggested – including stopping or reducing training, exercises, personnel movements and recruitment. RAF fuel purchases were highlighted. It was proposed to save £50m by cutting flying by one-third.<sup>264</sup> Pym underlined 90% of the equipment budget was spent with British industry on national or collaborative

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<sup>260</sup> Ibid. The MoD queried Howe’s claim that £100m could be saved by cutting works projects. If all remaining uncommitted works spending stopped, excluding essential maintenance, the saving was less than £25m. TNA, PREM 19/163, Norbury (PS/SofS) to Wiggins (HMT), ‘Defence Expenditure 1980/81’, 6 August 1980. The media highlighted the deferral of plans to develop the British Aerospace Jetstream aircraft as a communications aircraft for the RAF, postponing orders for 10 additional Sea Harriers for the Navy and 18 additional Hawks for the RAF and shelving a proposed Service-wide scheme to assist with home ownership. David Fairhall, ‘Forces’ home ownership scheme is shelved’, *Guardian*, 2 September 1980.

<sup>261</sup> TNA, PREM 19/163, Whitmore (PPS/PM) to Norbury (PS/SofS), ‘Defence Expenditure 1980/81’, 6 August 1980.

<sup>262</sup> Ibid.

<sup>263</sup> Ibid., SofS to PM, ‘Defence Cash Limits 1980/81’, 6 August 1980.

<sup>264</sup> Ibid.

projects<sup>265</sup> and equipment prices had risen faster than anticipated. At the Treasury's behest, on 8 August, the MoD initiated a moratorium on new contracts, initially for three months, to save £100m. Media commentators reported Howe had secured a £450m spending cut. However, the adjusted cash spending rise of £203m, was nearly 2% more than the set Defence cash budget.<sup>266</sup> Although the MoD was the only department to have its cash limit increased in this way, there remained a gap of £250m for 1980-81.<sup>267</sup> The Chiefs lamented the 'current preoccupation with economy measures'.<sup>268</sup>

Pym had major reservations with the moratorium but denied spending was out of control and downplayed reports of Whitehall tensions in an open letter to the Party Chairman, Lord Thorneycroft. However, he did hint that the MoD might not meet the 3% NATO increase.<sup>269</sup> However, as Government spending surged ahead of planned levels, the Treasury blamed Defence. In July, the Cabinet agreed an extra £2,000m of savings for 1981-82. Howe wanted over £500m savings each from welfare benefits and defence procurement,<sup>270</sup> dubbing the MoD 'recidivist over-

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<sup>265</sup> *Ibid.*, SofS to PM, 17 July 1980.

<sup>266</sup> [http://hansard.millbanksystems.com/written\\_answers/1980/aug/08/defence-expenditure](http://hansard.millbanksystems.com/written_answers/1980/aug/08/defence-expenditure) HC Deb, 8 August 1980, vol 990 column 480W. The Defence cash limit for 1980-81 was increased by £203m to £10,492m and the total Defence budget was £11,151m.; TNA, DEFE 13/1417, 'Notes for Industry on the Moratorium on Defence Contracts'; George Clark, 'Treasury forces curb on defence spending', *The Times*, 9 August 1980. Lewin noted that financial events had moved rapidly and involved sensitive issues and potential political embarrassment. He believed the Services faced their most serious cash difficulties for many years. DEFE 4/287, COS 18<sup>th</sup> Meeting/80, 11 August 1980, Confidential Annex, Item 1 Defence Economies 1980/81.

<sup>267</sup> TNA, DEFE 4/287, COS 18<sup>th</sup> Meeting/80, 11 August 1980, Confidential Annex, Item 1 Defence Economies 1980/81. Lewin noted there were no simple solutions to the financial problem and its scale was yet to be ascertained.

<sup>268</sup> *Ibid.*, COS 19<sup>th</sup> Meeting/80, 12 August 1980, Confidential Annex, Item 2 Defence Economies 1980/81. Lewin wanted to raise political and public awareness of how Defence needs related to UK security and NATO stability.

<sup>269</sup> Henry Stanhope, 'Resolve on defence spending "unchanged"', *The Times*, 21 August 1980; Colin Brown, 'Defence spending battle denied by Pym', *Guardian*, 21 August 1980.

<sup>270</sup> TNA, CAB 148/183, OD(79) 5<sup>th</sup> Meeting, 23 July 1979; OD(79) 7<sup>th</sup> Meeting, 19 September 1979; OD(79)17, 'Future Lightweight Torpedo', Memorandum by the Secretary of State for Defence, 5 July 1979; OD (79)22, 'Future Lightweight Torpedo', Memorandum by the Secretary of State for Defence, 29 August 1979. SofS and the Chiefs argued the Stingray torpedo, was more effective than the cheaper American Neartip alternative. Howe was unimpressed. He said Stingray was £550m more expensive, its cost estimates had grown 'explosively' and its cancellation presented 'no significant employment problems'. See CHX to PM, 'Future Lightweight Torpedo', 23 July 1980. The Committee agreed Stingray should proceed on 19 September 1979. If it ran into further serious difficulties, the Committee was to be informed immediately.

spenders'.<sup>271</sup> On 10 September, Mrs Thatcher asked Defence to provide monthly spending profiles.<sup>272</sup> Specific programme reductions and the moratorium, with a tough exemption system policed by Defence ministers, were implemented to stay within the revised cash limit.<sup>273</sup>

The RAF believed the moratorium would increase costs due to lower operational capability. Vital contractual support, including repair and overhaul work, was caught in the embargo, rendering aircraft non-operational and effectively grounding squadrons.<sup>274</sup> Pattie assessed it had 'not saved us much money'. The impact within the MoD was 'as much psychological as material'. Pattie recommended more orthodox controls, allocating further savings to target managers. Within the RAF the repair and maintenance situation became critical. Pattie called for RAF repair contracts to be released from the moratorium from 13 October.<sup>275</sup>

Pym viewed the moratorium as 'an unsatisfactorily blunt instrument which was causing undue damage to industry'. Biffen now demanded a £400m annual cut from 1981-82 to 1983-84, a steep rise from the £140m he requested in July. Pym said cuts had gone far enough. Further reductions would depress Service morale, harm industry and damage NATO. Biffen maintained derogation from the NATO target

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<sup>271</sup> Howe, *Conflict of Loyalty*, p. 189. Howe later claimed: 'programme after programme exceeded budgeted cost by up to £1000 million; the Stingray [lightweight anti-submarine] torpedo and the Nimrod radar system were among the worst offenders'. He recalled securing the £2,000m of savings was 'important but in the end impossible'. See [http://hansard.millbanksystems.com/written\\_answers/1979/nov/14/the-sting-ray-anti-submarine-torpedo](http://hansard.millbanksystems.com/written_answers/1979/nov/14/the-sting-ray-anti-submarine-torpedo) *HL Deb 14 November 1979 vol 402 cc1378-80WA*. *The cost of Stingray was estimated at over £200m in November 1979. Inclusive of previous development and possible further orders, the total cost was estimated at around £800m. By April 1980 the cost was estimated at £920m. See Defence in the 1980s*, p.77. When questioned about cost and complexity, Pym told the Commons on 17 June: 'When the weapon is put into service it will not be in excess of our needs. It is fair to say that it took nearly the whole of the 1970s to develop this highly sophisticated weapon... The programme was not particularly smooth. However, that is in the past. The Government and I had to make an assessment about its future, and we concluded that it was right to go ahead. It has proved quite expensive, but there is no doubt about its need.' See <http://hansard.millbanksystems.com/commons/1980/jun/17/expenditure> *HC Deb 17 June 1980 vol 986 cc1316-7*.

<sup>272</sup> TNA, PREM 19/163, Lankester (PS/PM) to Norbury (PS/SofS), 10 September 1980; Omand (APS/SofS) to Lankester, 2 October 1980.

<sup>273</sup> *Ibid.* Government Permanent Secretaries were told the moratorium on new defence contracts was very strictly applied. When exceptions were absolutely necessary, they were only being made when explicitly approved by Ministers. Possible savings of £100m were mooted. DEFE 10/1269, PS(80) 32<sup>nd</sup> Meeting, 17 September 1980

<sup>274</sup> TNA, DEFE 13/1417, folio E6, PUS to SofS, 28 August 1980, noted the need for exceptionally stringent exemptions if substantial savings were to be secured and an extension of the moratorium would be necessary in one form or another; folio E11, Mottram (PS/PUS) to PS/PUSofS(Army), 9 October 1980.

<sup>275</sup> TNA, DEFE 13/1418, folio E16, Pattie (PUSofS(RAF)) to SofS, 13 October 1980.

was provided if a member was in economic difficulties.<sup>276</sup> Even after the moratorium, the MoD was likely to exceed its 1980-81 budget by £135m.<sup>277</sup> CDS thought if financial prospects deteriorated further it would be preferable to review Defence commitments.<sup>278</sup> Pym viewed the LTC as 'under strain but not out of balance...not to the point that something drastic had to be done'.<sup>279</sup> Cooper thought differently: 'from the time of the moratorium it was crystal clear there would have to be a review of some kind or another'.<sup>280</sup> What was clear was that the 3% NATO growth target would not be met for 1980-81.<sup>281</sup>

A fuller disposition of cuts was provided by Pym for the Prime Minister. Two tranches of reductions saved about £250m. Despite the cash limit uplift a substantial gap remained. The moratorium was projected to save £100m at a cost of spares and poorer maintenance. Pym expected Defence sector redundancies, with some firms folding, especially subcontractors.<sup>282</sup> The further savings of £100m Pym sought were mentioned earlier in the year,<sup>283</sup> with marked reductions in operational activity and exercises. Flying by the Air Transport Force and the Long-Range Maritime Patrol Force was cut by 30%. The Army and RAF drew down war reserves of fuel by a quarter, dropping below NATO recommendations. Pym wanted the moratorium to stop at three months [8 November], to be replaced by a different but 'nevertheless very stringent' regime.<sup>284</sup> The Treasury viewed a third consecutive

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<sup>276</sup> TNA, PREM 19/356, CST to SofS, 'Public Expenditure Survey: Defence', 19 September 1980; CAB 164/1555, folio 15M, Note of a Meeting held in the Treasury at 10.30 am on 29 September 1980, 'Public Expenditure Survey, 1980'. Pym later described the moratorium as a 'nuisance' which 'upset' the Services and contractors. Others claimed the moratorium was forced upon Pym and the MoD by other Ministers because of Defence's inability to remain within cash limits. Boren, 'Britain's 1981 defence review', pp. 231-232.

<sup>277</sup> TNA, PREM 19/356, PUS to SofS, 'Defence Expenditure, 1980/81', 2 October 1980.

<sup>278</sup> Ibid., Defence Programme Steering Committee Note of Meeting, 29 August 1980.

<sup>279</sup> Boren, 'Britain's 1981 defence review', pp. 232-233.

<sup>280</sup> Ibid., p. 237.

<sup>281</sup> Staff Reporter, 'Pym questions arms target', *Guardian*, 23 September 1980; Michael White, 'Defence spending misses 3pc target', *Guardian*, 18 October 1980; Richard Norton-Taylor, 'Labour MP alleges defence U-turn', *Guardian*, 21 October 1980.

<sup>282</sup> TNA, PREM 19/163, SofS to PM, 'The Defence Programme', 3 October 1980.

<sup>283</sup> TNA, DEFE 4/287, COS 20<sup>th</sup> Meeting/80, 15 September 1980, Confidential Annex, Item 1, Fuel Savings 1980/81. The package of measures amounting to £100m had been recommended by the MoD's Financial Planning and Management Group (FPMG) and subsequently agreed by Pym.

<sup>284</sup> Ibid; TNA, DEFE 13/1418, Omand (APS/SofS) to DUS(FB), folio E40, 'The Moratorium', 3 November 1980; folio E44, Ministry of Defence Notice to Directors and Heads of Divisions, Serial 44/80, 'Defence Expenditure 1980/81: Period of Stringent Discipline on New Commitments', 13 November 1980. Pym warned delaying necessary spending in 1980-81, only increased financial pressure for 1981-82.

MoD cash limit breach as ‘very damaging’.<sup>285</sup> Pym remained defiant and gave a ‘bravura performance’ at the Conservative conference in October, warning of a ‘decade of danger’, extolling NATO, highlighting successful recruitment and retention in the Services and advocating Trident.<sup>286</sup> Pym had announced the Trident decision in the House of Commons on 16 July.<sup>287</sup> The exchange of letters between the British and US Governments on 30 September, extended the Polaris sales agreement (1963) to cover its proposed replacement – initially, the Trident 1 missile system.<sup>288</sup>

Concerns about Defence encompassed worries about Services’ morale, defence and foreign policy implications and industrial and employment consequences.<sup>289</sup> Cooper underlined the revised cash limit was 1½% below the forecast rate of inflation, making it impossible to achieve the planned volume programme for 1980-81. For April to August, procurement cash spending was £625m more than expected, largely due to decisions taken years before. The reduction in the MoD’s volume plan was about £110m in 1980-81. For the PESC years 1981-82 to 1983-84, Biffen proposed deeper cuts of £400m, £412m and £419m respectively, a 4% annual programme cut. Existing allocations required ‘a further period of severe restraint...to go further would have dramatic consequences which could go beyond those experienced this year with existing orders being cancelled as well as future orders being put off.’<sup>290</sup> Armstrong thought the Chiefs would insist on their right to meet the Prime Minister, ‘an occasion to be avoided if possible’.<sup>291</sup> They were committed to a programme within the DPWP baseline, the minimum to meet existing commitments. Adjustments arising from inflated prices and increased industrial output, although

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<sup>285</sup> TNA, PREM 19/163, CST to SofS, ‘The Defence Programme’, 8 October 1980.

<sup>286</sup> ‘Soviet moves bring decade of danger’, Mr Pym says’, *The Times* 11 October 1980; ‘Pym celebrates over Britain’s increasing military muscle’, *Guardian*, 11 October 1980.

<sup>287</sup> David Fairhall, ‘£5 billion Trident deal is signed’, *Guardian*, 16 July 1980.

<sup>288</sup> <http://hansard.millbanksystems.com/commons/1980/oct/28/trident-missiles-1> HC Deb 28 October 1980, vol. 991, columns 183-5; Parliamentary Staff, ‘Trident procurement programme starts’, *The Times*, 29 October 1980.

<sup>289</sup> TNA, CAB 164/1555, folio 19, PUS to Armstrong (Cab Sec), ‘Defence Expenditure’, 15 October 1980.

<sup>290</sup> *Ibid.*

<sup>291</sup> TNA, CAB 164/1555, folio 20, Hastie-Smith (Cab Off) to Armstrong (Cab Sec), ‘Defence Expenditure: Meeting on Friday 17 October at 3pm’, 16 October 1980.

painful, would have to be absorbed. Reductions to Treasury figures presented ‘unacceptable penalties’.<sup>292</sup>

SofS’s recommendations at OD Committee in July were welcomed. Ministers avoided the expected ‘fundamental choice between a continental army and a deep-water navy’. This induced complacency. Defence faced four main challenges: the 1981-82 budget, cash limit concerns for 1980-81, numerous items of additional spending and the next armed forces pay award. SofS was ‘personally very worried’ but frustrated the Treasury prioritised underpinning loss-making nationalised industries. If the Chief Secretary pressed for £400m cuts in 1981-82, Pym might ‘start to talk about his personal position’.<sup>293</sup> To bring the programme into line with planned figures involved stopping a dozen warship orders, halting thirty major Army equipment orders and reducing the RAF. A £400m reduction would involve cancelled contracts, no new contracts, excessive cancellation charges, defence sector closures and more unemployment.<sup>294</sup> CDS was similarly bleak. Armed Forces activities in 1980-81 had been cut by 30%, with economies unprecedented since 1945: ‘A fundamental divergence appeared to be developing between the Government’s defence policy and the means available to realize it.’ Armstrong emphasised these issues could only be decided by Ministers.<sup>295</sup>

## **Defence in the Firing Line**

The Chief Secretary, John Biffen, labelled Defence ‘an area of special difficulty’ and admitted that his inability to get substantial reductions from the MoD gave him sleepless nights. He insisted the Government had stopped the decline in spending which occurred under Labour but significant increases needed to be deferred until

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<sup>292</sup> TNA, DEFE 4/287, COS 22<sup>nd</sup> Meeting/80, Confidential Index, Item 1 Long Term Costing 1981. The Chiefs resolved to provide Pym with as much factual evidence as was then available to allow him time for discussions with his colleagues before the Cabinet formally discussed PESC.

<sup>293</sup> TNA, CAB 164/1555, folio 20, Hastie-Smith (Cab Off) to Armstrong (Cab Sec), ‘Defence Expenditure: Meeting on Friday 17 October at 3pm’, 16 October 1980. The Cabinet Office doubted the 3% growth rate was really ‘attainable and sustainable’, as ‘our experience over the last decade does not offer much encouragement’. Conversely, Britain’s predicament was also questioned: ‘Do our European partners really acknowledge that with a strong pound, a favourable balance of trade, and our own supplies of North Sea oil the UK has really got a special economic problem, other than those stemming from a lack of will to work and mismanagement in the public and private sectors?’ The Cabinet Office also detected soundings the Treasury was considering a £600m reduction to the 1981-82 Defence budget. See folio 21, Hastie-Smith to Armstrong, ‘Defence Expenditure’, 17 October 1980.

<sup>294</sup> *Ibid.*, Note for the Record, ‘Future Defence Expenditure’, meeting 17 October 1980, Cabinet Office, 20 October 1980.

<sup>295</sup> TNA, CAB 164/1555, folio 22, Note for the Record, ‘Future Defence Expenditure’, meeting 17 October 1980, Cabinet Office, 20 October 1980.

later in the Government period of office.<sup>296</sup> SofS's major difficulty was the main procurement Vote but his lack of exactness exasperated Mrs Thatcher. She peppered his minute with question and exclamation marks.<sup>297</sup> If the flow of payments did not subside, Pym considered rationing the money going to industry for existing contracts and closing establishments for specified periods, although: 'The scale of economies and reductions in the activities of the Armed Forces which I have had to enforce is without precedent known to me'. Cooper told Pym that the Chiefs were concerned about the severity of the cuts. Pym warned Mrs Thatcher:

If the economic and industrial conditions which have created such difficulty this year were to persist, or even get worse, their continuing effect in my ability to sustain next year a programme which approaches military needs and our international obligations could be very serious indeed, whatever decisions we reach on future volume figures.<sup>298</sup>

Mrs Thatcher said the MoD was 'not being really tough enough [with contractors]... They live in a different world from ordinary industry'.<sup>299</sup> The MoD insisted it did not simply pay up on a cost-plus basis, with three-quarters [by value] of contracts involving incentives and most tied to a fixed or maximum price. Mrs Thatcher remained sceptical.<sup>300</sup> Howe maintained unless defence took its share of cuts, wider public expenditure plans would be threatened.<sup>301</sup> Commentators thought

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<sup>296</sup> TNA, CAB 129/210, C(80)58, 22 October 1980, 'Public Expenditure Programmes', Memorandum by the Chief Secretary, Treasury; C(80)59, 22 October 1980, 'The Economic Prospect and Implications for Policy', Memorandum by the Chancellor of the Exchequer. This noted the prospects for the UK economy 'was dominated by the cumulative effects of past and present inflation and low productivity'. The prospects for 1980-81 and 1981-82 were 'extremely difficult' with GDP falling in both years; Comment, 'Much binding in the defence marsh', *Guardian*, 4 November 1980.

<sup>297</sup> TNA, PREM 19/414, SofS to PM, 23 October 1980.

<sup>298</sup> *Ibid.* The moratorium ran for three months over the summer of 1980. See also Richard Norton-Taylor and Julia Langdon, 'Split grows over cuts in defence spending', *Guardian*, 24 October 1980.

<sup>299</sup> *Ibid.*, Omand (APS/SofS) to Lankester (PS/PM), 'The Defence Programme 1980/81', 31 October 1980; Lankester to Omand, 'The Defence Programme 1980/81', 3 November 1980.

<sup>300</sup> *Ibid.*, Omand (APS/SofS) to Lankester (PS/PM), 'The Defence Programme 1980/81', 17 November 1980.

<sup>301</sup> Howe, *Conflict of Loyalty*, p. 189.

Pym might resign.<sup>302</sup> He privately expressed doubts about 'Treasury' policy.<sup>303</sup> Publicly, he insisted the Government remained committed to NATO's target and spoke of 'annual increases in the range of 3 per cent'.<sup>304</sup> Concurrently, six sensitive documents were leaked to the Press Association which detailed the strength of feelings, particularly in the Navy over cuts and Trident costs, wider concerns about overstretch and Pym's wrangles with the Treasury.<sup>305</sup> Meanwhile, as he fought the cuts, Pym kept the Chiefs and the Conservative backbench Defence Committee onside.<sup>306</sup>

Concurrently, steeper personnel cuts were demanded by the Lord President as the Government aimed to shrink the civil service to 630,000 by April 1984. The MoD, in the process of reducing from 247,000 in April 1979<sup>307</sup> to 227,000 civil servants by April 1984, was told to drop to 222,300 by April 1982 and 200,000 by April 1984. The latter was 27,000 below that initially envisaged. Some 17,000 of the

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<sup>302</sup> Alan Clark, *Diaries: Into Politics* (London: Phoenix paperback edition, 2001), pp. 173-176, 28, 29 October 1980. The likely significance of Pym resigning and the extent of his potential support was outlined: 'Only Francis could combine the old Heathite gang, who are resentful of cuts in public spending, plus the Union Jack Right who will go to the stake on defence and law-and-order issues.' George Clark, 'Pym wins the job he most wanted', *The Times*, 6 April 1982, mentioned Pym twice threatened resignation over Defence cuts. Peter Hennessy, 'How the defence lobby defends its budget', *The Times*, 21 May 1981. This said Pym threatened to resign on two occasions during the autumn/winter cuts round of 1980, while Young, *One of Us*, p. 210 noted Pym was the first Minister in the Thatcher government to threaten resignation and did so with effect in mid-November 1980, as Defence 'got very nearly all the money it was asking for'. Julia Langdon, 'Pym "is prepared to quit" over cuts demands', *Guardian*, 4 November 1980. However, contrary to contemporary press reports, Pym later denied ever explicitly threatening to resign. Pym, Lord Strathcona and Speed were only ready to leave if £500m annual cuts were imposed on Defence according to Boren, 'Britain's 1981 defence review', pp. 234-235.

<sup>303</sup> Pym was critical of the Treasury role in Defence planning. He thought it too strong, especially as they did not have to consider Defence implications: 'Their sole concern was the budget and they paid inadequate attention to defence needs and fulfilling the government's commitments.' Boren, 'Britain's 1981 defence review', p. 234.

<sup>304</sup> <http://hansard.millbanksystems.com/commons/1980/oct/28/nuclear-weapons> *HC Deb 28 October 1980*, vol 991 cc185-8; *Parliamentary Staff*, 'Government aim to stick firmly to Nato commitment of 3% growth in defence expenditure', *The Times*, 29 October 1980.

<sup>305</sup> Richard Norton-Taylor, 'Whitehall leak spotlights new thinking on defence', *Guardian*, 25 October 1980; Comment, 'Leaking brass and the basic conflict', *Guardian*, 25 October 1980. At Pym's instigation, a police investigation followed into the leak, see TNA, PREM 19/356.

<sup>306</sup> Julia Langdon, 'Pym will fight Treasury on defence cuts', *Guardian*, 29 October 1980; Marks, 'The shadow leader' wrote, 'He handled negotiations with the Treasury with tactical mastery, deploying the chiefs of staff on one flank and the Tory defence committee on the other.'

<sup>307</sup> About half the MoD's civilian workforce were industrial workers and a significant proportion of the non-industrials were professional engineers, technicians or scientists, with serious shortages in some of these key areas. See TNA, DEFE 25/754, DCM(79)4<sup>th</sup> Meeting, 30 July 1979.

reduction would be generated through increased efficiency and privatisation. The remaining 10,000 accrued from annual efficiency improvements of 1½%.<sup>308</sup>

On 6 March 1980, the Cabinet had decided as a contribution to reconciling cash limits and the likely pay settlement departments had to reduce the gross wages and salaries cost of its civilian workforce by at least 2½% in 1980-81. PUS deemed this a 'formidable target', on top of a year when MoD had reduced strength by 3% but only cut personnel costs by 1½%. For the most part savings could only be made by adjusting recruitment over the year. Cooper concluded that savings had to be maximised in the first part of 1980-81 by intensifying the existing recruiting ban and mentioned a 6% reduction in strength by 31 March 1981. This would only be enough if there was a tough early cut-back spread over all grades. Immediate savings were also to be found in order to ease the threat of potential undermanning. He thought the MoD faced 'grave problems' coping with this further manpower cut but advocated a decentralised approach, delegating responsibility, cutting some tasks and weeding out areas of overstaffing.<sup>309</sup> Civilian manpower reductions impacted on the operational effectiveness of all three Services. The Navy was most dependent on civilian support. SofS wanted to take a direct part in the further work to cut numbers. A premature retirement scheme was proposed. Pym only approved priority manning for the strategic nuclear deterrent and wanted this 'stringently interpreted'.<sup>310</sup>

The PUS also demanded a renewed drive for greater efficiency from Service and civilian personnel and called for more accountable management and sharper decision making. He stated in the real world the MoD would have to settle for less, accept that it could no longer afford to keep every option open and take reasonable risks. At a time of extreme pressure on public spending it was essential 'to cut out the frills, if we do not, something more important will suffer'.<sup>311</sup> SofS was concerned about possible harmful reports of extravagance on public acceptance of the need for higher defence spending. Cooper proposed extending the review of administrative costs into all units and establishments employing over 1,000

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<sup>308</sup> TNA, CAB 129/210, C(80)56, 17 October 1980, 'Civil Service Manpower: The 630,000 target', Memorandum by the Lord President of the Council; DEFE 10/1305, DCP(80)18, 'Civilian Manpower', Memorandum by the Permanent Under-Secretary of State, 9 October 1980.

<sup>309</sup> TNA, DEFE 10/1305, DCP(80)4, 'Civilian Manpower', Memorandum by the Permanent Under-Secretary of State, 14 March 1980; DCM(80)3<sup>rd</sup> Meeting, 20 March 1980. The recruitment freeze meant that 1,000 staff had been made offers of employment from 1 April 1980.

<sup>310</sup> *Ibid.*, DCM(80)3<sup>rd</sup> Meeting, 20 March 1980.

<sup>311</sup> *Ibid.*, DCP(80)5, 'Efficiency in Administration', Memorandum by the Permanent Under-Secretary of State, 17 March 1980.

people.<sup>312</sup> By October 1980, MoD civilian numbers had fallen by 15,000 since April 1979.<sup>313</sup> The MoD was reportedly on course for committed 2½% reductions in both cash and numbers. To meet the 1 April 1984 target, PUS believed a substantial measure of privatisation and contracting-out would be essential.<sup>314</sup>

On 29 October 1980, the Treasury recommended a reduction of £500m annually from Defence, comprised of £188m from the general 2% cut in cash limited expenditure and £312m of specific cuts. The Treasury stressed the 3% increase was achieved in 1979-80 and through overspending would be met in 1980-81. Although the 3% would be broken in 1981-82, it would be resumed later: 'this is... a modest contribution from a £10bn programme'.<sup>315</sup> At Cabinet on 4 November, SofS argued Labour's 'inadequate' programme had been reduced by £1.5bn and an emergency moratorium imposed.<sup>316</sup> The Budget has already been reduced as far as he and the Chiefs considered prudent. Pym claimed Howe's proposals would cost 70,000 jobs, contradicted manifesto commitments and cut defence spending in real terms. Pym offered a package of £152m, with strings attached. Mrs Thatcher sought compromise – cuts less than the £500m wanted by Howe but more than the £152m offered by Pym, below the 2% cut in cash limited expenditure (£188m).<sup>317</sup> Pym advised that the Chiefs could not support the compromise.<sup>318</sup> It would be premature for Cabinet to reach any decision until they assessed the military impact of various

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<sup>312</sup> TNA, DEFE 25/754, DCM(80)3<sup>rd</sup> Meeting, 20 March 1980.

<sup>313</sup> <http://hansard.millbanksystems.com/commons/1980/oct/28/defence-expenditure> *HC Deb 28 October 1980, vol 991 cc188-9*.

<sup>314</sup> TNA, CAB 128/68, CC(80)44<sup>th</sup> Conclusions, 11 December 1980; DEFE 10/1305, DCM(80)8<sup>th</sup> Meeting, 16 October 1980. It was thought public and private sector firms might be less keen to take-over Government establishments in a recession and when defence orders looked likely to be lower than anticipated.

<sup>315</sup> TNA, CAB 129/210, C(80)64, 29 October 1980, 'Public Expenditure Changes', Memorandum by the Chancellor of the Exchequer and Chief Secretary, Treasury. The percentage of GDP allocated to Defence remained higher than any major European ally.

<sup>316</sup> TNA, CAB 128/68, Limited Circulation Annex to CC(80)38<sup>th</sup> Conclusions, 4 November 1980; Julia Langdon, 'More Treasury talks over Cabinet cuts', *Guardian*, 5 November 1980.

<sup>317</sup> *Ibid.*; Thatcher, *The Downing Street Years*, p. 128, 'On defence, the Cabinet accepted that the reductions would have to fall somewhere between what the Treasury demanded, and the MoD was then offering.' The Treasury highlighted to Mrs Thatcher media reports about other Allies not meeting the NATO commitment, such as West Germany at 1.75% for 1981-82. TNA, PREM 19/414, Mathews (HMT) to Whitmore (PPS/PM), 'Defence Expenditure', 6 November 1980; Wiggins (HMT) to Lankester (PS/PM), 'Defence Expenditure: German plans in relation to the NATO 3% target', 11 November 1980. The Treasury emphasised: 'The Chancellor would be grateful if you would check that these reports have not escaped the Prime Minister's attention.'

<sup>318</sup> TNA, PREM 19/414, Armstrong (Cab Sec) to PM, 'Proposed Reductions in Defence Expenditure', 5 November 1980.

reductions.<sup>319</sup> There were three central questions – the size of cuts in 1981-82, the treatment of Armed Forces pay for cash limits purposes and the application of the prices factor on the cash limit for Defence equipment.<sup>320</sup>

The Chiefs met the Prime Minister and SofS on 12 November. They called for no Defence cuts; a fruitless hope.<sup>321</sup> CDS mentioned Britain's 'declining military capability'. The programme agreed by OD Committee in July, reduced operational capability; the base line would be cut. Trident presented a further budget challenge to spending on conventional forces. If the Government insisted on these cuts, it either ran a 'dangerous' risk, or it reduced commitments. CAS stressed the cuts threatened UK air defence. Barely 100 fighters would be mustered to counter 250 or more Soviet bombers. The objective of a 150-aircraft fighter force would not be met. It would be impossible to initiate interim improvements, running on the three Phantom squadrons and forming an additional Lightning squadron, before Tornado ADV's arrival. Further cuts involved disbanding the Shackleton AEW squadron with a three-year gap in AEW cover before Nimrod's introduction. UK air defence would be in a 'worse state' than when the Government came into power'.<sup>322</sup> Mrs Thatcher highlighted the 'very deep recession', the need to meet public spending targets and with a £10bn budget Defence could find a £250m reduction. The Chiefs were unimpressed:

The Chiefs of Staff were simply saying that if the planned defence expenditure had to be reduced, they wanted their commitments cut. They would then reshape the defence programme accordingly.

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<sup>319</sup> *Ibid.*, SofS to PM, 'Defence Expenditure 1981/82', 6 November 1980.

<sup>320</sup> *Ibid.*, Armstrong (Cab Sec) to PM, 'Defence Expenditure', 10 November 1980. Howe maintained Defence should be pressed to accept a £300m cut in 1981-82. TNA, PREM 19/414, Wiggins (HMT) to Lankester (PS/PM), 'Defence Expenditure', 11 November 1980. The Treasury also claimed Defence industries had done better than manufacturing industry in general, alleging the protection the programme had enjoyed had been abused, with companies passing on unjustifiably high pay and price increases.

<sup>321</sup> Fred Emery, 'Prime Minister faces two tense meetings', *The Times*, 12 November 1980; Political Editor, 'Service chiefs plead for no cuts at all', *The Times*, 13 November 1980; Michael White and Richard Norton-Taylor, 'Cuts stay, Thatcher tells defence chiefs', *Guardian*, 13 November 1980; Political Editor, 'Cabinet to meet again on new cuts', *The Times*, 14 November 1980. Briefing for Lewin prior to the meeting concluded that reduction below DPWP meant doing the same less well or doing less and there was no military justification for either. DEFE 25/591, folio 6, CDS Draft Speaking Notes for meeting with Prime Minister, 5 November 1980.

<sup>322</sup> TNA, PREM 19/414, Whitmore (PPS/PM) to Norbury (PS/SofS), 'Defence Expenditure', 13 November 1980. This is a record of the Prime Minister's meeting with Pym and the Chiefs on 12 November. See also DEFE 25/591, 'Future Defence Cuts – Speaking Note' – drafted for the CAS before the 12 November meeting.

Anything less was not fair on the Forces. Servicemen should not be asked to carry out commitments with inadequate resources.<sup>323</sup>

Savings were hard to find with 90% of the equipment budget committed at the start of the year. CAS highlighted committed expenditure left little remaining money, less than £200m for the RAF. Savings from cancelling contracts would be offset by cancellation charges.<sup>324</sup> Despite their professional misgivings, the Chiefs recognised Ministers judged if reductions were necessary for economic reasons. They would provide further advice if commitments were required to be reduced.<sup>325</sup> Importantly, SofS agreed to absorb in 1981-82, the 1980-81 overspend of £250m-£350m.<sup>326</sup> Mrs Thatcher did not forgive Pym for his ‘advocacy’, which forced her to compromise. His days at Defence were numbered.<sup>327</sup>

Pym met the Prime Minister on 18 November and agreed the 1981-82 Defence budget should be reduced by £200m at late 1979 prices, subject to four conditions.<sup>328</sup> First, if the AFPRB recommended increasing the Armed Forces pay bill beyond the 6% factored into the cash limit, then the limit would be increased accordingly. Secondly, due to special considerations affecting price increases in Defence, the cash limit would be reviewed in the light of changing conditions. Thirdly, the Government committed to increase Defence expenditure by 3% annually in real terms, economic circumstances permitting, hopefully from 1982-83. Fourthly, any cash limit overspend in 1980-81 would incur a compensating reduction in 1981-82.<sup>329</sup> Pym ‘accepted the cut proposed with reluctance’. These cuts, alongside absorbing the 1980-81 overspend, made it ‘difficult to fulfil the Government’s present defence commitments’ and ‘involve some risk to the security of the

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<sup>323</sup> TNA, PREM 19/414, ‘Defence Expenditure’.

<sup>324</sup> *Ibid.*

<sup>325</sup> TNA, CAB 128/68, CC(80)40<sup>th</sup> Conclusions, Limited Circulation Annex, Minute 7, 13 November 1980.

<sup>326</sup> TNA, PREM 19/414, Armstrong (Cab Sec) to Whitmore (PPS/PM), ‘Defence Expenditure’, 17 November 1980.

<sup>327</sup> Howe, *Conflict of Loyalty*, p. 189. Howe wrote: ‘As he [Pym] was by convention entitled to do, he wheeled in the Chiefs of Staff to lobby the Prime Minister. This was not an occasion the Chancellor was expected to attend, but Margaret was well briefed on my behalf. Indeed she scarcely needed briefing since we were both of the same mind on the strategy – or at least I thought we were. In fact she had two distinct minds of her own: and not for the first time the Iron Lady overruled the would-be Iron Chancellor that was within her. Margaret’s heart had joined the argument on Francis’ side – and overruled her head (which was on mine).’

<sup>328</sup> *Ibid.*, Whitmore (PPS/PM) to Norbury (PS/SofS), ‘Public Expenditure: Defence Budget’, 18 November 1980.

<sup>329</sup> TNA, CAB 128/68, CC(80)41<sup>st</sup> Conclusions, Limited Circulation Annex, Minute 5, 19 November 1980.

nation'<sup>330</sup> Defence would be cut by £200m for three years from 1981-82 to 1983-84.<sup>331</sup> Procurement remained the main problem. The MoD discussed various options with industry to reduce bills during the remainder of the financial year.<sup>332</sup> The £200m cut was announced in the Chancellor's economic statement on 24 November. It signalled Britain would not achieve the 3% growth target for 1980-81, attributed to the Treasury's cash limit making insufficient allowance for inflation.<sup>333</sup>

Before the Chiefs met Mrs Thatcher and the imposition of the £200m cut, DUS(Air) advised the AFB of likely reductions. The AFTH costing was based on assumptions which reflected DPWP Option 2 measures, broadly endorsed by OD Committee in July 1980. The cumulative impact of this and of previous LTC 80 savings was to reduce the front line by one Puma Mark Two squadron, the equivalent of one Canberra squadron, one Vulcan MRR squadron, two Jaguar squadrons (one reconnaissance and 12 aircraft at Bruggen). Two Canberra Photographic Reconnaissance squadrons were to be phased out early, planned Jaguar improvements were limited and a new aircraft to meet AST 403 was postponed. Ministers accepted this major overall reduction to RAF operational capability. Economies and the moratorium severely damaged its works programme, affecting essential operational projects and 'quality of life' improvements. Major savings would fall on the equipment programme with lasting damage to industry. AFD faced

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<sup>330</sup> Ibid.; TNA, PREM 19/414, Whitmore (PPS/PM) to Norbury (PS/SofS), 'Public Expenditure: Defence Budget', 18 November 1980.

<sup>331</sup> TNA, CAB 129/210, C(80)73, 25 November 1980, 'Public Expenditure 1982-83 and 1983-84', Memorandum by the Chief Secretary, Treasury. Howe was still not happy and told Conservative backbenchers he was 'hemmed in' by General Election pledges, with Defence a particularly prominent roadblock. Michael Hatfield, 'I am hemmed in by our election promises, Sir Geoffrey Howe tells Conservative backbenchers', *The Times*, 26 November 1980. Ronald Butt, 'Sir Geoffrey takes his revenge', *The Times*, 12 March 1981.

<sup>332</sup> TNA, PREM 19/414, Omand (APS/SofS) to Mathews (HMT), 3 December 1980. CST maintained the 'MoD's response was...quite inadequate'. The MoD agreed to review its internal systems to impose tougher controls over cash spending. The Treasury welcomed this but awaited recommendations before suggesting further actions Hansford (HMT) to Rawlinson (HMT), 'Expenditure Control in MoD', 22 December 1980. Two studies were commissioned, the first concerned procedures for cash expenditure, while the second involved a wider review of financial accountability.

<sup>333</sup> David Fairhall, 'Britain no longer able to meet Carter's military growth target', *Guardian*, 25 November 1980.

a 'wholly exceptional situation'. The task of reducing programmes to meet targets long term could only be attempted on a Defence-wide basis.<sup>334</sup>

The AFB noted in mid-November the Cabinet had not yet decided on a final allocation for Defence for 1981-82. This uncertainty was compounded by the 1980-81 overspend, concerns over Forces' pay and the 'realism' of the eventual cash limit.<sup>335</sup> It was hoped to limit reductions in activity to protect the future front-line and maintain morale. Savings would mainly be found in the equipment programme, reducing operational capability when the threat was unaltered, damaging UK air defence quantitatively and qualitatively and depleting Strike capability:

It should be remembered that the reductions now proposed were to be superimposed on the programme cuts adopted following the OD decisions of July, as a result of which the equivalent of seven squadrons had already been removed from the planned front-line.<sup>336</sup>

When the AFBSC met on 8 and 9 December, Beetham said they faced three 'exceptionally difficult' tasks. Some previously agreed [at AFB on 17 November] savings could no longer be counted. Alongside this, improved forecast manpower retention meant a larger pay bill. These two factors necessitated finding economies of £20m. A second challenge was to identify £76m of savings, the Air Force share of the £200m Defence cut. The third task was to find a further £60m of savings in case the budget was cut in 1981-82 for overspending in 1980-81. In total, the proposed economies comprised the £163m of the original economy package, the £76m budget cut and the additional £60m saving. The scale of flying reductions needed to achieve much of the additional £60m would probably involve declaring the RAF non-operational for periods. The economies necessitated NATO consultation. Most damaging was the major cut to nuclear strike capability following the Vulcan force's early rundown, reduced capacity for reinforcement through cutting the VC10 force and the 'degradation' of operational standards and capability arising from reduced frontline flying.<sup>337</sup> Pattie observed the cancellations approved by the AFB included weapons systems and sensors relevant to Tornado effectiveness in the conventional attack role. He wondered if without these it would

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<sup>334</sup> AHB, AFB(80)8, 'Estimates 1981/82 and Long Term Costing 1981', Note by DUS(Air), 10 November 1980. Despite these reductions the need for uniformed manpower continued to rise - 2,000 higher in 1981 and 4,500 higher in 1986, than costed in LTC 80.

<sup>335</sup> AHB, AFB, 7(80), 17 November 1980.

<sup>336</sup> *Ibid.*

<sup>337</sup> AHB, AFBSC, 3(80), 8 and 9 December 1980. The cumulative impact would be 'most damaging...on the operational capability and staying power of the Royal Air Force'.

become questionable whether the aircraft itself remained viable and suggested reducing display flying first.<sup>338</sup>

The Chiefs considered a Defence Review essential. The Navy believed its programme was being eroded by DPWP actions, signalling an ‘inadvertent shift in Defence Policy’, without substantive debate in the Cabinet or in the MoD.<sup>339</sup> The Chiefs met for three days from 16 December to discuss the programme, how to meet the Survey baseline and the further £200m reduction. They took differing approaches. The Army reduced its equipment programme, the Navy and RAF proposed frontline cuts as a short-term measure to preserve future capabilities. Beetham mentioned front-line and reserves cuts marked an implicit assumption the country would not become involved in a war in the next five years. Out-of-area capability would be eroded, not improved.<sup>340</sup> A compromise was reached. The Chiefs agreed that apart from giving top priority to the nuclear deterrent, they would not prioritise any other policy pillar.<sup>341</sup> Meanwhile, the ‘Capabilities’ an informal MoD study group, chaired by Sir Ronald Mason, the Chief Scientific Adviser, supported by Defence Operational Analysis Establishment data, reported to Pym in December, dividing the programme into capabilities. It rejected the Navy re-equipment programme. Mason warned, ‘there are storm clouds coming’.<sup>342</sup>

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<sup>338</sup> AHB, AFB, 8(80), 11 December 1980. It was hoped the JP233 programme would continue on a cheaper basis. Although the British development of an anti-radar missile [AST 1228] had been cancelled, the Air Staff intended to fill this gap by overseas purchase. Display flying was viewed as a cost-effective contribution to recruiting publicity and RAF public relations. The RAF spent less than the other Services on PR and recruiting. It was claimed, ‘The annual cost of the Red Arrows was less than that of Army bands.’

<sup>339</sup> TNA, DEFE 4/287, COS 29<sup>th</sup> Meeting/80, 16 December 1980; DEFE 13/2020, folio 34, CNS to CDS, 17 December 1980. Leach feared Pym would make firm proposals to Mrs Thatcher to reduce the programme before the essential review of commitments were completed and observed ‘they seemed to be rushing blindly ahead to satisfy a routine Treasury programme’.

<sup>340</sup> TNA, DEFE

. 4/287, COS 29<sup>th</sup> Meeting, 16 December 1980, Confidential Annex, Item 1 The Defence Programme. Leach complained the Navy Department had been compelled to carry out a radical internal naval defence review in a totally inadequate timescale. He thought this ‘thoroughly unsatisfactory’ for determining policy and believed a proper defence review was essential. He was also concerned at the speed with which the Chiefs were being asked to take ‘momentous decisions’. He feared Pym might minute Mrs Thatcher with firm commitments to reduce the programme before the essential review of commitments was finished.

<sup>341</sup> TNA, DEFE 4/287, COS 30<sup>th</sup> Meeting/80, 17 December 1980, Confidential Annex, Item 1 The Defence Programme. Scope for proposed addbacks was limited by the possibility that the Cash Limit might again be inadequate and a fine for overspend could be imposed.

<sup>342</sup> Boren, ‘Britain’s 1981 defence review’, pp. 255-262. The Capabilities work was condemned by the Navy but was re-drafted and presented to John Nott in February 1981. The Navy had not addressed the

SofS emphasised the scale of the programme reductions (£360m at 1980 Survey prices) and the Cabinet’s November cuts (£200m) to Mrs Thatcher on 23 December. These were large short-notice cuts to a programme overwhelmingly committed well ahead. Suggested reductions affected ‘almost every aspect of defence activity’. The third Lightning Squadron was abandoned. The MoD remained over £100m short of the target.<sup>343</sup> Projecting the £200m cut beyond 1981-82 had severe repercussions. Pym repeated the Chiefs believed ‘a broad re-appraisal of the pattern of our future defence effort is unavoidable.’<sup>344</sup> The reductions listed under ‘Defence Cuts’ and ‘Measures to be Confirmed’, detailed below, made painful reading for the RAF. They were additional to overarching savings sought from recruitment, fuel stocks and works programme cuts:

<b>Measure</b>	<b>Amount £m</b>	<b>Impact</b>
Reduction of strike Vulcans by one squadron equivalent brought forward	5.5	Affected declarations to NATO in long range theatre nuclear capability and national strike cover
Rundown Canberra photographic reconnaissance squadrons early	1.0	Affected commitments to NATO
Hold Buccaneer establishment to 24 aircraft	0.4	RAF maritime/strike attack capability to be reduced by one-third
Reduce long-range maritime patrol,	31.4	Reduced capability to meet Service

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problem of missiles and its Sea Dart surface to air missile for air defence was criticised for its shortcomings as it primarily addressed the threat from aircraft.

<sup>343</sup> TNA, PREM 19/414, folio 8, SofS to PM, ‘Defence Estimates 1981/82’, 23 December 1980.

<sup>344</sup> Ibid.

Vulcan, fast jet and communications flying		tasks, fast jet measures affected operational standards
Defer purchase of 14 Jetstream and further 18 Hawk	17.2	Industrial implications
Defer electronic counter-measures for Jaguar	4.1	Reduced planned future capability of Jaguar
Reduction in Shackleton Airborne Early Warning Force	1.0	Affected declarations to NATO (Nimrod AEW not due until 1984-85)

There were also RAF entries, below, in the Measures to be Confirmed, as proposed cuts left the MoD over £100m short of target savings:<sup>345</sup>

Programme	£m saving
Do not form 3 <sup>rd</sup> Lightning squadron or increase Establishments of existing squadrons	3.4
Cancel Sea Eagle, putting Staff Requirement in abeyance	29.7
Cancel Sky Flash Mark II, abandonment of air Defence improvement already announced. Gap until advanced weapon becomes available in the late 1980s or early 1990s	11.0
Disband Nimrod (R) force	7.0

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<sup>345</sup> Ibid.

CDS asserted the £200m volume cut, accentuating earlier reductions, would 'seriously weaken operational effectiveness in the years ahead'. AFD aimed to protect long-term capabilities; £62m of measures were considered but then rejected,<sup>346</sup> including further reducing the Vulcan force and steeper reductions to fast jet flying. Other potential cuts which were sidestepped included economies to the Nimrod maritime reconnaissance programme and reducing the Air Transport Force's VC10s. The Chiefs were frustrated. There was no clear, coherent long-term policy view. CDS underlined a 'major review of our commitments is inescapable' and initiated a force mix study paper from DCDS(OR).<sup>347</sup>

SofS needed to find £560m of savings in a financial year, beginning only three months hence.<sup>348</sup> The Service boards, chaired by their Ministers and the Central Staffs considered every facet of the programme. Deferments of equipment was preferable to cancellation. Major programme spending for 1981-82, still included a significant RAF component, comprising £675m for the two Tornado variants, £70m on Nimrod AEW, substantial sums on the Harrier (including the improved version), the Jaguar and various major weapons projects, incorporating airfield attack weapons and various existing and projected air-to-air missiles.<sup>349</sup>

Mrs Thatcher was told some 'Measures to be Confirmed' had likely been suggested by the Chiefs 'to make the flesh creep'. Pressure was to be exerted on the 'tail' - to take old ships and equipment out of service.<sup>350</sup> On 31 December, SofS met the Prime Minister, Howe and Carrington. Mrs Thatcher suggested allowing the MoD to accelerate spending on equipment if this was offset by lower spending in later years. If the Treasury insisted on further programme cuts in 1981-82, she hoped that, if possible, projects could be deferred rather than cancelled. She mentioned accelerating MoD land and buildings disposal.<sup>351</sup> Pym insisted 90% of the programme was fully committed. There was minimal room for manoeuvre. It was

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<sup>346</sup> TNA, DEFE 13/2020, CDS to SofS, 19 December 1980

<sup>347</sup> Ibid.; DEFE 4/287, COS 30<sup>th</sup> Meeting/80, 17 December 1980; COS 31<sup>st</sup> Meeting/80, 18 December 1980. The Service Departments had proposed measures to meet a pro-rata share of £250m [£50m more than required]. The bid under the Miscellaneous Target Heading had produced £12m towards the required saving, thus providing scope to reduce the measures proposed by £62m.

<sup>348</sup> TNA, PREM 19/414, Whitmore (PPS/PM) to PM, 'Defence Expenditure 1981/82', 24 December 1980.

<sup>349</sup> Ibid., Omand (PS/SofS) to Whitmore (PPS/PM), 'Defence Estimates 1981/82', 30 December 1980.

<sup>350</sup> Ibid., Hastie-Smith (Cab Off) to PM, 'Defence Estimates 1981/82: Meeting on Wednesday 31 December at 3pm', 30 December 1980.

<sup>351</sup> Ibid., Lankester (PS/PM) to Omand (APS/SofS), 'Defence Estimates 1981/82', 2 January 1981; TNA, DEFE 25/591, folio 15, Graydon (MA/CDS) to PSO/CDS, 'Meeting at No. 10 - 31 Dec', 31 December 1980.

extremely difficult to plan a sensible defence programme when it was subject to continued cuts, on five occasions since the Government entered office.<sup>352</sup> Pym stressed the serious impact on air defence:

In terms of defence policy...namely not forming the third Lightning squadron or increasing establishments of existing squadrons was much more serious. When there was a clear need to improve our air defences he was very loath to pursue this option.<sup>353</sup>

Howe insisted the 1980-81 overspend had to be clawed back, otherwise the Government would lose credibility on public spending and the Defence programme retained a 'formidable list of projects'. He thought Britain was over committed, exacerbated by Trident, with the MoD focussed on the volume programme and service priorities.<sup>354</sup> Mrs Thatcher wanted the 1981-82 *Defence Estimates* to be prepared according to the Cabinet's spending decisions in November, revealing the depth of the cuts, but rejected any major statement before she visited President Reagan in February 1981. Mrs Thatcher accepted Carrington and Pym's argument [below] on persuading the new US administration of the need to review NATO spending and considered discussing this with Reagan.<sup>355</sup>

SofS had wanted Britain to lead a comprehensive review of NATO. A joint paper, produced with Carrington, was circulated to OD Committee, talking about making it more relevant to western defence needs and more cost effective, with a longer-term shift towards greater specialisation.<sup>356</sup> They questioned NATO's health and

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<sup>352</sup> Ibid. It was claimed Pym came 'very close' to getting agreement that the overspend could be carried over until the MoD could repay it - in an underspend year. He was pipped by Howe but this option remained on the table.

<sup>353</sup> Ibid. Despite Pym's success in reducing the proposed cuts to Defence he could not shift Cabinet emphasis from economics to political and strategic factors and later lamented, 'Mrs Thatcher and her ministers were more committed to reducing expenditure than to defence'. Boren, 'Britain's 1981 defence review', p. 235.

<sup>354</sup> TNA, PREM 19/414, Lankester (PS/PM) to Omand (APS/SofS), 'Defence Estimates 1981/82', 2 January 1981.

<sup>355</sup> Ibid. Pym was told to minute Mrs Thatcher with details of each item cut, whether NATO advice was needed, if a Parliamentary Question would suffice or if no announcement was necessary. This envisaged 'a trickle of cuts rather than a flood'. On the NATO angle see DEFE 13/2020, DUS(P) to PS/SofS, 'Defence Programme Changes - Timing of Announcements', 19 December 1980. The Treasury estimated Defence's overspend at about £350m. HMT, PO-CH-GH-0045 Part B, Minute by Bush (HMT), 'Stocktaking Note: Matter for Ministerial Attention', 19 December 1980.

<sup>356</sup> TNA, CAB 148/191, OD(80)65, 'Health of the Alliance', Note by the Secretary of State for Foreign and Commonwealth Affairs and the Secretary of State for Defence, 4 November 1980; Thatcher, *The*

doubted it had the military capability to implement the existing strategy of flexible response.<sup>357</sup> Alongside making the Alliance more efficient, a fresh appraisal might produce a fairer deal for Britain and relief towards forces' costs in Germany.<sup>358</sup> Pym and Carrington launched this initiative at NATO ministerial meetings in December.<sup>359</sup> Pym asked NATO planners to review troop deployment and advised the Conservative backbench Defence Committee of this initiative.<sup>360</sup> Pym then had to deny he simply wanted to save money by reducing forces in West Germany.<sup>361</sup> Mrs Thatcher recalled these ideas, though attractive, were scuppered by two political factors. Chancellor's Schmidt rejected a new look at NATO and said the Alliance was prone to underestimating its own capability while overstating the Soviets. Pym minuted, 'That's dished it I fear!' The second development was Reagan's election seemed likely to lead to a radically different policy focus in Washington. Mrs Thatcher prioritised keeping the alliance together, 'united behind American leadership'.<sup>362</sup>

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*Downing Street Years*, p. 249. See also DEFE 4/287, COS 24<sup>th</sup> Meeting/80, 22 October 1980, Confidential Annex, Item 1, The Health of the Alliance; COS 25<sup>th</sup> Meeting/80, 28 October 1980, Confidential Annex, Item 2, The Health of the Alliance. The Chiefs noted that Pym's Steering Group had looked at the studies and concluded there was very little scope for a worthwhile UK initiative, particularly in view of the impact of the financial situation on the UK's negotiating position. It was suggested a better tactic was to stimulate NATO into taking a fundamental look by 'Three Wise Men' at its organisation and strategy in view of the altered circumstances since its creation.

<sup>357</sup> TNA, CAB 148/189, OD(80)23<sup>rd</sup> Meeting, 7 November 1980.

<sup>358</sup> TNA, DEFE 13/2020, Quinlan (DUS(P)) to PS/SofS, 'Health of the Alliance', 22 October 1980. PUS stated the basic problem involved with any scheme designed to cut the UK's burden of maintaining forces in Germany required a contribution by the Federal German Government. It was stressing their own public spending issues. Many of the issues had been overtaken by the work commissioned by OD Committee in June 1980 on the 'Health of the Alliance'. It was hoped the Germans would offer Host Nation Support as this appeared to offer the best prospect of providing significant relief for the cost of maintaining BFG and to improve the climate for defence sales to Germany. See DEFE 10/1305, DCM(80)8<sup>th</sup> Meeting, 16 October 1980.

<sup>359</sup> TNA, CAB 148/189, OD(80)23<sup>rd</sup> Meeting, 7 November 1980.

<sup>360</sup> Henry Stanhope, 'Nato review sought by Mr Pym', *The Times*, 22 December 1980; Michael White, 'Pym calls for NATO forces review', *Guardian*, 22 December 1980.

<sup>361</sup> David Fairhall, 'Rhine army will not be cut', *Guardian*, 23 December 1980; 'Mr Pym denies cut in strength of BAOR', *The Times*, 23 December 1980. Pym claimed Britain's commitment was 'central to our whole alliance contribution'.

<sup>362</sup> TNA, DEFE 13/2020, folio 30, Alexander (PS/PM) to Walden (PPS/Foreign Secretary), 'The Health of the Alliance', 19 November 1980; Thatcher, *The Downing Street Years*, p. 249. A third factor was that Britain was in EEC negotiations to substantially reduce its budget contribution and this had higher priority.

Pym remained decidedly off-message, describing the MoD as ‘obviously unlike any other Department’ and telling the Commons: ‘I think that in the context of defence a strict cash limit is not a sensible way to do our business.’ His outspoken criticism of this core instrument of Government spending control was devoured by the press.<sup>363</sup> He told the Treasury it was not possible to devise the perfect system to bring the Defence budget to the nearest pound but conceded the MoD's financial control procedures had ‘not been able to cope with the conditions of deep recession and double-digit inflation which has been our experience this year’.<sup>364</sup> Pym’s exhortations against cuts ensured his tenure at Defence was soon curtailed.

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<sup>363</sup> <http://hansard.millbanksystems.com/commons/1980/dec/02/arms-expenditure> HC Deb 2 December 1980, vol. 995, columns 119-21; Fred Emery, ‘Mr Pym is not giving up rebellion over cuts’, *The Times*, 3 December 1980; Parliamentary Staff, ‘Annual cash limit not sensible in defence’, *The Times*, 3 December 1980.

<sup>364</sup> TNA, PREM 19/477, SofS to PM, ‘Financial Management in the Ministry of Defence’, 31 December 1980. The Treasury welcomed the two new studies on financial management in the MoD and hoped ‘they will lead to a material improvement in financial control, the need for which has been made manifest by the developments this year which have led to the major forecast cash limit overspend’. See also CHX to PM, ‘Financial Management in the Ministry of Defence’, 8 January 1981.

## Chapter 2

### The 1981 Defence Review, January 1981-January 1983

‘As regards the RAF, there is no scope for savings. Indeed, additional expenditure would probably be required.’ – Note for the Record, meeting of Prime Minister, Foreign Secretary and Defence Secretary, 10 February 1981<sup>1</sup>

‘We are all agreed that we cannot go on as we are. Our Armed Forces do a truly remarkable job... It is no reflection on them, or on the leadership they have received that the defence programme is currently in a mess. In my view this situation results from the creeping impact of successive cuts.’ – John Nott, ‘Bermudagram’, 16 March 1981<sup>2</sup>

‘[A] Defence Review [is] a traumatic exercise but the RAF has come out well with its long-term future assured. All our major re-equipment programmes underway will proceed and further improvements will be made to air defences, notably in the number of fighters...The changes will not require any redundancies.’ – Point Brief for the CAS’s briefing to Commanders-in-Chief, 25 June 1981<sup>3</sup>

#### **Nott’s Landing**

In Mrs Thatcher’s first Cabinet reshuffle on 5 January 1981, Francis Pym was replaced as Defence Secretary by John Nott. Nott, a regular officer with the 2<sup>nd</sup> Gurkha Rifles from 1952 to 1956 during the Malayan Emergency, had as Trade Secretary, shown he ‘belonged to the strict monetarist school of Cabinet ministers’.<sup>4</sup> Mrs Thatcher authorised him to undertake a ‘radical look at the Defence programme’,<sup>5</sup> frustrated that Pym had circumvented Cabinet collective responsibility by publicly criticising Defence cuts.<sup>6</sup> On Nott’s appointment, Mrs

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<sup>1</sup> TNA, PREM 19/414, Note for the Record, 10 February 1981.

<sup>2</sup> TNA, AIR 8/2805/1, folio 15, SofS to CDS and PUS, Defence Policy and Programme, 16 March 1981.

<sup>3</sup> Ibid., folio 59, Point Brief for CAS’ Briefing to Commanders-in-Chief, 25 June 1981.

<sup>4</sup> Michael Hatfield, ‘Mrs Thatcher drops three senior ministers in reshuffle – Mr Pym to be Commons leader’, *The Times*, 6 January 1981. Nott was later dubbed: ‘the double-dyed monetarist now thought eligible on that account to deal ruthlessly with the MoD’. Hugo Young, *One of Us: A Biography of Margaret Thatcher* (London: Macmillan, 1989), p. 210.

<sup>5</sup> John Nott, *Here Today, Gone Tomorrow: Recollections of an Errant Politician* (London: Politico’s, 2002), p. 201; TNA, PREM 19/415, folio 7, SofS to PM, ‘The Defence Programme’, 14 May 1981 – ‘my radical look at the defence programme’. Nott also claimed Mrs Thatcher never explicitly asked him to carry out a Defence Review: ‘There was no mandate because I think both if us privately knew that something would have to be done.’ Boren, ‘Britain’s 1981 defence review’, p. 239.

<sup>6</sup> Editorial, ‘The Fall-Out Not as Intended’, *The Times*, 8 January 1981. The Chancellor, Sir Geoffrey Howe, recalled: ‘Pym’s stubbornness...had earned him Margaret’s resentment. Geoffrey Howe, *Conflict of Loyalty* (London: Macmillan, 1994), p. 198. Pym became Leader of the House of Commons, a post of which she [Mrs Thatcher] had a ‘modest view’. Mrs Thatcher’s authorised biographer noted Pym’s

Thatcher recalled: 'I was convinced that someone with real understanding of finance and a commitment to efficiency was needed in this department.'<sup>7</sup> Nott's appointment was met with trepidation in the MoD. Alongside Nott's foreign and defence policy inexperience and calls for a re-examination of Trident, which Nott doubted initially,<sup>8</sup> there were wider concerns:

Mr John Nott...will bring...a strong sense of the need for economy...But an administration with Mrs Thatcher's foreign policy cannot have defence on a shoestring if it is not to appear inconsistent, or even hypocritical.<sup>9</sup>

Seasoned Defence-watchers predicted deeper cuts.<sup>10</sup> Defence would not be a special case. Nott's background led some to proclaim he was the Treasury's man.<sup>11</sup> Nott insisted Defence embarked on a more realistic, affordable course.<sup>12</sup> Like Mrs Thatcher, he did not view the RAF as a prime candidate for savings. In healthier

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'stout and largely successful resistance to defence cuts had annoyed her'. Charles Moore, *Margaret Thatcher: The Authorized Biography, Volume One* (London: Penguin Books, 2014), p. 536.

<sup>7</sup> Margaret Thatcher, *The Downing Street Years* (London: HarperCollinsPublishers, 1993), p. 131. Howe remarked: 'Both Margaret and I saw Nott as a trustee, who could be relied upon to get on top of the brass-hats.' Howe, *Conflict of Loyalty*, p. 198. Nott was a member of Margaret Thatcher's Thursday Breakfast Group which met at No 10 prior to Cabinet meetings. Mrs Thatcher added: 'No one was better at analysing a situation and prescribing a policy to deal with it. But he found it hard, or perhaps boring, to stick with the policy once it had been firmly decided. His vice was second thoughts.' Thatcher, *The Downing Street Years*, pp. 26-27.

<sup>8</sup> Boren, 'Britain's 1981 defence review', pp. 239-240. To the 'horror' of the Prime Minister, Nott was the only Cabinet minister to protest when the purchase of Trident was announced. Nott feared Trident costs would severely damage conventional forces. The DUS(P), Michael Quinlan, a renowned expert on the nuclear deterrent, played a key role in persuading Nott that Trident was the right replacement for Polaris. On defence, it was observed, 'Mr Nott knows nothing about the subject'. Julian Critchley MP, 'Mr Nott's best line of defence', *Guardian*, 12 January 1981.

<sup>9</sup> Editorial, 'A Poor Day for Authors', *The Times*, 7 January 1981. The Government was 'already twisting and turning over its pre-election pledges on defence'. Henry Stanhope, 'A testing baptism of fire for Mr Nott', *The Times*, 9 January 1981.

<sup>10</sup> Alan Clark, *Diaries: Into Politics*, p.190, entry for 12 January 1981. At this point, Nott was touted by many Conservatives and the media as a future Chancellor of the Exchequer.

<sup>11</sup> <http://hansard.millbanksystems.com/commons/1981/jan/20/defence-estimates-1980-81> HC Deb 20 January 1981, vol 997, cc151-62.; Boren, 'Britain's 1981 defence review', p. 238. Nott was a Minister of State at HM Treasury, 1972-74. Nott's finance credentials, merchant banker background and prior Treasury affiliation, led Julian Amery MP to remark this was 'the first time that the Treasury team has managed to oust a Defence Minister'. Nott retorted, 'I have not been a member of any Treasury team'. Cash limits were 'absolutely fundamental', although it was difficult for Defence, with its immense procurement programme, to always meet them every year.

<sup>12</sup> Nott believed the Defence programme was 'hopelessly overinflated'. He attributed this to the 'aspirations of the military' finding 'a very happy ally with the expressed aspirations of the Conservative Government for defence expenditure'. Boren, 'Britain's 1981 defence review', p. 242.

economic circumstances it would get more, particularly for UK air defence. When a Defence Review transpired, it was one of the RAF's less painful reviews. The repercussions of the 14-page White Paper, *The United Kingdom Defence Programme: The Way Forward*<sup>13</sup>, published in June 1981, were far-reaching. A mythology has surrounded it, with Nott's savings, overwhelmingly from the Royal Navy, being frustrated because of the Falklands Conflict. This over-simplifies the Review and its repercussions.<sup>14</sup>

### **Nott's First Impressions**

John Nott was 8,000 miles away in Indonesia on a trade visit when news of his appointment broke.<sup>15</sup> The outlook for Defence was summarised for him by the CDS on his return. Lewin's minute covered NATO, the four pillars and the Warsaw Pact threat. In 1978-79, the Defence Budget had fallen to its lowest level in real terms since 1950-51. The Government had cut programme assumptions five times since entering office. In the 1980 PESC allocation there was a shortfall below planned allocation for the next three years of £1.25bn. This, and Trident acquisition, necessitated reshaping and reducing plans. The Defence Programme Working Party (DPWP) considered the changes required. Their proposed adjustments were endorsed by OD Committee in July 1980, eroding fighting capability in the Eastern Atlantic/Channel and Central Europe. However, as the budgetary situation worsened, the Services endured severe restraint, including the three-month Moratorium on new spending, a recruitment squeeze, a virtual halt to new Works, a reduction in operational activity by 30% and cuts to war reserves. Operational capability was degraded. The impact on Defence was 'severe and lasting... As we told the Prime Minister and your predecessor, a review of our defence arrangements is inescapable. We have set work in hand to provide an analysis of the problem and a choice of options for decision.'<sup>16</sup> Facing difficult decisions from the outset, SofS

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<sup>13</sup> HM Government, *The United Kingdom Defence Programme: The Way Forward* Cmnd 8288 (HMSO, London, June 1981). It was claimed Defence spending in real terms had increased by 8% over the past three years.

<sup>14</sup> See also David K Boren, 'Britain's 1981 defence review', PhD thesis, King's College London, September 1992; 'The Nott Review', 20 June 2001, Institute of Contemporary British History, 2002, <http://www.icbh.ac.uk/witness/nott/> accessed 3/11/2016; Dorman, Andrew; 'John Nott and the Royal Navy: The 1981 Defence Review Revisited', *Contemporary British History*, Vol 15, No 2, Summer 2001, pp. 98-120; Dorman; 'The Nott Review: Dispelling the Myths?' *Defence Studies*, Vol 1, No 3, Autumn 2001, pp. 113-121; Hampshire, Edward; 'Strategic and budgetary necessity, or decision-making "along the grain"? The Royal Navy and the 1981 Defence Review', *Journal of Strategic Studies* (forthcoming).

<sup>15</sup> David Fairhall, 'The battle of the cuts', *Guardian*, 7 January 1981.

<sup>16</sup> TNA, DEFE 13/2020, CDS to SofS, 'The Outlook for Defence', 9 January 1981.

suggested a small informal meeting of senior figures ‘to review our defence commitments and the manner in which we seek to meet them’.<sup>17</sup> This was held on 16 January, at CDS’s house in Greenwich.<sup>18</sup>



A man in a hurry. John Nott, Secretary of State for Defence, 1981-83. Photograph: Public Domain.

The PUS, Sir Frank Cooper, explained to SofS the Chiefs had in mind the ‘balance of effort between our roles in NATO’ and the ‘capabilities we provide in support of each of these roles’. Cooper mentioned speculation about Britain’s ability to sustain the four pillars, exacerbated by buying Trident, although ‘inevitable even before then’. The Chiefs tasked DCDS(OR) to examine future Force mixes and recommend, using military judgment, ‘optimum Force mixes in the East Atlantic and Central Region’. The CSA, Professor Sir Ronald Mason, was working on ‘cost effectiveness’ of the equipment programme. The Services were sensitive to this ‘scientific’ judgement believing ‘military’ judgement should be predominant.<sup>19</sup> SofS described the day at Greenwich as ‘helpful and enjoyable...It was a very good start for me.’<sup>20</sup> His mask slipped when he asked Leach [CNS], ‘Why do we want surface ships?’ Leach was speechless. Lewin said CNS required ‘longer than five

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<sup>17</sup> Ibid.

<sup>18</sup> Ibid., PS/SofS to SofS, ‘Talk In on Future Defence Policy’, 12 January 1981; SofS to CDS, ‘Outlook for Defence’, 12 January 1981; Minute by PS/SofS, ‘Future Defence Policy: Talk In’, 13 January 1981. Other potential ‘neutral’ locations were unavailable.

<sup>19</sup> Ibid., PUS to SofS, ‘Defence Capabilities’, 15 January 1981.

<sup>20</sup> TNA, DEFE 13/2020, folio 43, SofS to CDS, 16 January 1981.

minutes to do any justice to that question'.<sup>21</sup> British Aerospace's flotation presented another challenge. Nott could not say how much MoD work the company would get over the coming years. Although he appreciated its importance:

I am concerned, however, that the conditions for a flotation now could create difficulties for me in conducting the sort of fundamental look at defence commitments, roles, and capabilities which even a few days in office has convinced me is necessary.<sup>22</sup>

SofS advocated an early statement on programme adjustments arising from the agreed spending reduction for 1981-82. Nott faced announcing £200m of cuts, outlined by Pym in late December. To counter damaging speculation, Nott proposed a Commons statement on 20 January 'outlining the totality of the necessary measures'. He hoped to move away from MoD-Treasury battles by concentrating on Britain's 'tremendous contribution' to NATO and vast procurement programme.<sup>23</sup> Nott agreed most of Pym's proposals, including abandoning the extra peacetime Lightning squadron but considered forming a much cheaper 'shadow squadron' from training units. He cancelled the Skyflash missile, though maintained the technology with a small programme. Subject to further study, Nott accepted disbanding the Nimrod squadron but reprieved Sea Eagle, BAe's air-launched anti-ship missile. Nott accepted half the shipbuilding measures but pointed to 'damaging operational and industrial consequences'. The remaining gap was £40m. After considering further reductions to Vulcan bomber forces and reducing the VC10 force by three aircraft, Nott highlighted the damage from hurried, short-term adjustments and rejected such cuts before appraising the long-term programme.<sup>24</sup>

### **First Cuts, January 1981**

SofS's Commons statement was cleared by Mrs Thatcher and senior colleagues and the BAe flotation approved for February 1981. Nott found £160m of cuts. He could not find the remaining £40m without damaging industry, including four shipyard

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<sup>21</sup> Boren, 'Britain's 1981 defence review', pp. 252-253. Leach soon concluded the Royal Navy would bear the brunt of future cuts. Boren noted the threat to the surface fleet did not originate with Nott personally but his perspective on priorities was formulated from advice he received from within the MoD and 'Thinking within the Ministry weighed heavily against the Naval Staff'.

<sup>22</sup> TNA, PREM 19/414, SofS to PM, 'BAe Flotation', 16 January 1981. When reviewing the forward programme Nott could not exclude cancellations and adjustments affecting BAe, including the Sea Eagle anti-ship missile. If flotation proceeded it should not restrict his freedom to act, although he doubted it could legitimately proceed on this understanding.

<sup>23</sup> Ibid, SofS to PM, 'Defence Estimates 1981/82, 16 January 1981.

<sup>24</sup> Ibid.

closures. The Chancellor was surprisingly accommodating. In the cash limit mid-year review, he would consider exceptional movements in Defence prices, Ministers' decisions on the AFPRB's recommendations and the need, in principle, to offset in 1981-82 the 1980-81 overspend.<sup>25</sup>

Savings included accelerating phasing-out older equipment, deferring procurement and trimming training and maintenance budgets. The Vulcan force and Shackleton AEW aircraft were rundown ahead of schedule. Vulcan squadrons were reduced from seven to six. The Canberra photographic reconnaissance squadron rundown was accelerated. Orders for Jetstream communications aircraft and Hawk trainers were deferred. Big-ticket procurement programmes remained largely untouched. Nott insisted Tornado would be accelerated. Nott's statement was most damaging for the Royal Navy and Royal Marines, but the accelerated rundown of Vulcans and Shackletons left RAF capability gaps until Tornado and Nimrod entered service. Nott dismissed 'apocalyptic choices' but warned 'we must, over the next year or so, look realistically at our programmes in order to match them to the resources that may be available'.<sup>26</sup> Plans to boost air defences suffered. Shelving the additional Lightning squadron generated criticism, although it was a stopgap.<sup>27</sup> Plans to retain three squadrons of Phantom interceptors in service until the late 1980s were cancelled. The projected £300m cost to modernise weapons and electronic systems and likely maintenance costs for ageing aircraft drove this decision.<sup>28</sup>

Nott updated the new Chief Secretary to the Treasury, Leon Brittan, on 22 January advising despite significant savings on non-equipment votes, he forecast a £262m overspend.<sup>29</sup> The MoD's financial situation remained fraught. The PUS told the

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<sup>25</sup> Ibid., Whitmore (PPS/PM) to Norbury (PS/SofS), 'Defence Expenditure and BAe Flotation', 19 January 1981.

<sup>26</sup> Ibid., Ferguson (MoD Parliamentary Clerk) to Sanders (No. 10), 'Defence Expenditure – Statement', 20 January 1981; <http://hansard.millbanksystems.com/commons/1981/jan/20/defence-estimates-1980-81> HC Deb 20 January 1981, vol 997, cc151-62; David Fairhall, 'Nott wields a strategic axe to save £200m on defence bill', *Guardian*, 21 January 1981; Hugh Noyes, 'Commando disbanded but Trident spared in £200m defence cuts', *The Times*, 21 January 1981. The Government disliked the term 'Defence Review', believing it had negative connotations with the previous Government. Nott found the term 'emotive'. Peter Hennessy, '£500m gap in defence funding puts pressure on ministry for re-examination of costs and options', *The Times*, 12 March 1981; Peter Hennessy, 'Mr Nott lays basis for spending review', *The Times*, 16 April 1981.

<sup>27</sup> Editorial, 'In the Context of Nato', *The Times*, 22 January 1981. A Lightning squadron from training units would be rendered operational in an emergency – the 'shadow squadron' mentioned by Nott.

<sup>28</sup> Arthur Reed, 'RAF Phantoms to be phased out', *The Times*, 26 February 1981.

<sup>29</sup> TNA, PREM 19/414, SofS to CST, 'The Defence Cash Limit 1980/81: Spring Supplementary Estimates', 22 January 1981.

Commons' Public Accounts Committee (PAC) on 2 February the MoD would overspend its cash limit on new equipment by over £250m in 1980-81. Cooper insisted the 1979-80 cash limit was 'quite frankly, unrealistic'. He added that cash limits only worked if they were realistic and while the MoD was not trying to wreck the system, he did not think it could work in the present circumstances. The limit could only be made if the MoD planned a deliberate underspend of £200m and this figure was rising annually. Instead, recession-hit firms had delivered equipment and bills quicker than envisaged. Moreover, 90% of the equipment budget was committed at the start of the financial year.<sup>30</sup> Cooper pointed to economies in travel, spares and equipment. Fuel savings were extended to 1981-82. The RAF's transport fleet had its fuel allocation reduced by 25%. Front-line jet squadrons faced a 16% cut. Monthly flying hours were reduced from 22 hours to around 17 hours.<sup>31</sup>

The worrying costings situation was explained to the AFB on 12 February. The circumstances were 'unprecedented'. Exceptional budgetary pressures led the Chiefs to review tasks and commitments, priorities and force mixes; LTC 81 was a benchmark for a more radical review. There was little point completing an exercise based on the £200m cut for 1981-82. This would only pre-empt 'the root-and-branch study of resource allocation which some now considered essential'. Initial bids by the other Services were similarly over target as the AFBs. The cancellation or deferment of weapons programmes and works services savings meant a loss of operational capability equating to seven squadrons from the planned front line, on top of the six squadrons removed by the DPWP study. The savings were designed to have minimum impact on long term capability. They were the maximum which could be offered without reducing the tasks the RAF was expected to perform.<sup>32</sup> SofS told the Commons on 17 February Defence had overspent its cash limit by

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<sup>30</sup> Henry Stanhope, 'Defence spending goes £250m over cash limit', *The Times*, 3 February 1981; Colin Brown, 'Defence Ministry will break cash limit by £250m', *Guardian*, 3 February 1981.

<sup>31</sup> Defence Correspondent, 'Gloom in Armed Forces as fuel economies are continued to next year', *The Times*, 18 February 1981. In April 1981 a Commons Defence Committee report reckoned the RAF was short of one-eighth of the pilots it needed. They attributed this to Government incomes policies in the 1970s and maintaining commitments which had been expected to be reduced. It was estimated training a successful pilot cost more than £1.7m. Staff Reporter, 'RAF is short of pilots, MPs report', *The Times*, 3 April 1981. Despite cuts in training, the Government maintained operational effectiveness would not be reduced. Flying hours for trainee pilots remained unaffected as the RAF was more than 300 pilots short.

<sup>32</sup> TNA, AIR 6/255, AFB Conclusions 2(81), 12 February 1981, Confidential Annex, Item II, Long Term Costing 1981. The Board's priority was that a 'credible, stable programme should be determined which was consistent with financial constraints'.

£260m.<sup>33</sup> He rejected Conservative backbenchers calls for increased spending, saying resources were limited.<sup>34</sup> Indeed, some press reports claimed Defence spending had risen by 5% in 1980-81, pointing to the overspend, early delivery of equipment and greater manpower retention.<sup>35</sup>

### Initial Thoughts on Programme Adjustments

The longer-term programme adjustments led private office to discuss questions SofS proposed to ask the Department and their relationship with the CSA's work on capabilities. The PUS recommended keeping the two separate and 'not to include CSA in the exam paper'. Cooper preferred to link Nott's minute launching his study to the Chiefs' work on force mixes.<sup>36</sup> Nott's minute of 5 February posed six specific questions, one each to CDS, PUS, CNS, CGS, CAS and CDP on policy and programme, requesting 'two or three pages' each by 20 February. The CAS, ACM Sir Michael Beetham was to provide 'a view on how RAF Germany (RAFG) might be reshaped to reduce its costs and so as to concentrate the Tornado force in the UK.'<sup>37</sup>



ACM (later MRAF) Sir Michael Beetham, CAS, 1977-82. Photograph: AHB (RAF).

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<sup>33</sup> <http://hansard.millbanksystems.com/commons/1981/feb/17/cash-limits> HC Deb 17 February 1981, vol 999, cc130-1; Parliamentary Correspondent, 'Defence exceeds cash limits by £260m', *The Times*, 18 February 1981.

<sup>34</sup> Parliamentary Staff, 'Defence White Paper coming before Easter', *The Times*, 18 February 1981. Later, in September 1981, the overspend for 1980-81 was estimated at £60m-£70m, notwithstanding supplementary votes received during the financial year. Henry Stanhope, 'Defence cash limits overspent by £60m', *The Times*, 4 September 1981.

<sup>35</sup> David Fairhall, 'Defence spending rises by 5pc', *Guardian*, 11 March 1981.

<sup>36</sup> TNA, DEFE 13/2020, Mottram (PS/PUS) to PS/SofS, 'Defence Capabilities', 4 February 1981.

<sup>37</sup> *Ibid.*, folio 45, SofS minute, 'Defence Policy and the Defence Programme', 5 February 1981.

Nott spoke with Mrs Thatcher and Lord Carrington on 10 February to ensure his ideas would not be 'totally unacceptable' and compatible with the Prime Minister's forthcoming meeting with President Reagan.<sup>38</sup> He underlined the Defence Budget was 'hopelessly over-extended'. Long-term costings were outstripped by over-commitment and equipment inflation. Mrs Thatcher was 'appalled' at the over-commitment, estimated at between £2bn and £3bn. The escalating costs of sophisticated weapons systems meant, in volume terms, Defence could not stand still, even with 3% annual growth to 1986.<sup>39</sup>

Procurement required to be narrowed and quantities reduced, although shifting towards simpler weapons systems would take time. More purchases from the US were envisaged, assuming they bought more from Britain.<sup>40</sup> However, equipment cuts would not solve the budgetary problems. The main pillars required examination. Forward defence was central to the Government's European policies. No savings could be found in the home base. It was already 'totally inadequate' and requiring increase. Similarly, 'As regards the RAF, there is no scope for savings. Indeed, additional expenditure would probably be required'. The Royal Navy

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<sup>38</sup> TNA, PREM 19/414, Note for the Record, 10 February 1981. Nott did not envisage any decisions on Defence before May or June and 'His [Nott's] ideas at this stage were essentially personal but he knew that his senior officials were thinking on similar lines.'

<sup>39</sup> In 1978, Labour had only committed to the 3% annual increase for 1979-80 and 1980-81. Moreover, Britain was firmly in recession. As GDP fell significantly in 1980-81 and 1981-82, public spending rose rapidly. Gavyn Davis and David Piachaud, 'Why public spending has gone through the roof', *The Times*, 8 July 1981. As a proportion of GDP, public expenditure jumped from 41.5% to 44.25% during the first two years of the Thatcher government.

<sup>40</sup> TNA, PREM 19/414, Note for the Record, 10 February 1981. The Defence and Overseas Policy Committee discussed the possibility of Tornado export sales, particularly as France had launched a determined drive to sell various aircraft to the Middle East. British attempts to sell less sophisticated aircraft such as the Jaguar and the Hawk were handicapped unless a sophisticated aircraft, the Tornado, was part of the package. However, a drawback of a collaborative programme such as the Tornado was the tri-national Memorandum of Understanding, stated overseas sales of the aircraft required the approval of the British, West German and Italian Governments. American agreement to any sale of the Tornado overseas was also imperative if the West Germans and Italians agreed a proposed export sales policy. Possible sales were further complicated by regional tensions. In the Middle East, Arab governments were potential customers but Israel wanted Tornado engines. The Government sought a policy of even handedness and preferred trying to sell the Strike Attack version already in service, rather than the uniquely British Air Defence Variant, which had specialised radar. Mrs Thatcher was critical of the tri-national export aspect and observed: 'Care should be taken in future collaborative projects not to allow our hands to be tied in this way.' See CAB 148/197, OD(81)8, 'Tornado-Export Sales', Memorandum by the Secretary of State for Foreign and Commonwealth Affairs and the Secretary of State for Defence, 10 February 1981; OD(81) 2<sup>nd</sup> Meeting, 12 February 1981.

offered greatest scope for savings as 'its present surface capability was excessive and extremely expensive'. Its procurement of three through-deck cruisers [small aircraft carriers] was 'grossly extravagant'. Its refit programme was similarly extravagant. A steady reduction of destroyer and frigate numbers was advocated. Through-deck cruisers might assist the American rapid reaction force in the Gulf, allowing another NATO ally, presumably West Germany, to fill the gap in the North Atlantic.<sup>41</sup>

SofS thought two-thirds of the Conservative Party and two-thirds of the Cabinet opposed Trident. The Chiefs were not unanimous either. Nott believed five nuclear submarines were required, costing £10bn rather than £5bn and added, 'we are losing the defence/deterrence argument at present' with wide scepticism over Trident in Whitehall and beyond. Interestingly, in view of subsequent developments, SofS hinted he would approach the Prime Minister in the summer to abolish Service ministers and shift to a Ministerial structure encompassing Ministers of State for Procurement and the Armed Services and two Parliamentary Under-Secretaries as, currently 'he had the worst political team in Whitehall'. Nott also questioned the Chiefs of Staff structure. He was resisting pressure from Lewin, to name his successor as CDS and the next generation of single Service Chiefs and pondered over bolstering the post of CDS or abolishing it.<sup>42</sup> On maintaining strategic nuclear capability, Nott told the Commons at the beginning of March that 'the case for Trident as the most cost effective way of doing so was overwhelming'. He added, 'If we are not prepared to afford Trident, we had better get out of the business altogether'.<sup>43</sup> Opponents, from across the political spectrum, argued that the

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<sup>41</sup> TNA, PREM 19/414, Note for the Record, 10 February 1981. This offered the potential political benefits of assisting the new American administration.

<sup>42</sup> Ibid. Mrs Thatcher cautioned Nott about creating a rival to himself. Nott noted abolishing the post of CDS would allow him 'to get rid of a lot of bureaucrats' and understood Buckingham Palace would not create difficulties; PREM 19/555, SofS to PM, 'Trident: Public Attitudes', 2 February 1981. Pym had made it clear to the Prime Minister in April 1980 that he wanted the next CDS selected on merit and not by the existing system. He wanted flexibility so Ministers could appoint the right man for the circumstances of the time and told Mrs Thatcher he would be bringing her proposals in due course. There had been friction because Pym had only taken CDS to a recent OD meeting. He did say there would be occasions in the future when it would make sense for all four of them to attend. The Prime Minister agreed with this view but thought it unwise to upset the Chiefs unnecessarily and said she was always ready to have a separate meeting with them and the Defence Secretary, if the need arose. PREM 19/4060, folio 1, Whitmore (PPS/PM) to Norbury (PS/SofS), 2 April 1980.

<sup>43</sup> Colin Brown, 'Cost case for Trident 'overwhelming', says Nott', *Guardian*, 4 March 1981 The Treasury monitored Trident developments closely and Howe later claimed, with Prime Ministerial support, they cut back plans for a new Trident base and rejected proposals for a fifth submarine for the Trident force. Howe, *Conflict of Loyalty*, pp. 144-145.

projected £5bn plus spend on Trident over 15 years placed a heavy burden on the Defence budget for conventional forces, notably the Navy's allocation.

SofS also received answers to his questions. Cooper concluded it would be 'extremely difficult' to live within existing planning totals over the following 2-3 years. Numerous 'highly unpalatable steps' were required. Longer term, the programme was unsustainable. PUS advocated slimming down non-front-line activities, reducing overheads and slaughtering various 'sacred cows'.<sup>44</sup> CDS observed the forecast budget meant reducing the span of Britain's NATO contribution. Political guidance was needed on US commitment to Europe and NATO's future and treaty commitments, before providing military advice on re-ordering priorities and programmes. CDS sought confirmation no major reduction to resources for UK defence was being contemplated. Clarification was needed on maintaining an out-of-area capability.<sup>45</sup>

CAS described the size and role of RAF Germany, as a Brussels Treaty commitment and as part of the Second Allied Tactical Air Force. In 1979-80 it cost £171m, excluding equipment, some 17% of British Forces Germany (BFG), incorporating 12 front-line squadrons, four stations and 150 front-line aircraft. RAFG's Buccaneers and Jaguars would be replaced by Tornados and Harrier squadrons re-equipped with the improved version. It was planned to deploy a squadron of Chinook medium-lift helicopters. Recent reductions precluded the planned increase in combat aircraft numbers, with the purchase of Puma Mark II helicopters for a new Army support squadron being abandoned in 1980. Three possible options for reshaping RAFG were outlined – withdrawing aircraft to the UK but maintaining airfields for wartime use, concentrating all aircraft on three stations or closing a base in Germany and withdrawing its aircraft permanently to the UK. Operational, infrastructure, training and readiness considerations discouraged these options. Although they would reduce running costs, all required heavy capital spending, with no net savings initially. These could be found by closing a station and disbanding its squadrons entirely, which Beetham rejected.<sup>46</sup>

CAS also addressed concentrating the Tornado force in the UK. The original plan was for three GR1 bases in Britain and one in Germany. This changed in 1980 when to avoid funding major Jaguar improvements, these would be replaced by Tornados

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<sup>44</sup> TNA, DEFE 13/2020, folio 52, PUS to SofS, 'Defence Policy and the Defence Programme – Room for Manoeuvre', 19 February 1981.

<sup>45</sup> Ibid., folio 54/1, CDS to SofS, 'Defence Policy and the Defence Programme', 20 February 1981.

<sup>46</sup> Ibid., folio 54/2, CAS to SofS, 20 February 1981. These reductions in existing plans involved seven squadrons (over 80 aircraft).

originally earmarked for maritime tasks, with maritime Buccaneers run on. Beetham mentioned operational advantages for basing Tornado forward. Its limited range necessitated flight refuelling if operating from UK airfields or forward stationing in Germany to be effective in counter-air and interdiction roles in the Central Region. As the tanker force was geared to supporting UK air defence operations, it was an operational necessity to base much of the Tornado force in Germany. CAS highlighted concerns about the location of Harriers and Support Helicopters and treaty obligations regarding policing West German airspace. There was little scope for any major restructuring of RAFG to find significant savings, without harming Britain's role supporting SACEUR.<sup>47</sup> Nott proceeded with the *Defence Estimates* on Pym's lines but alerted colleagues:

Nevertheless it is right that I should warn colleagues at this early stage that current resources devoted to defence are inadequate to fulfil our existing commitments, not least because equipment costs, in real terms, are increasing much faster in real terms than the projected increase in defence expenditure of 3 per cent.<sup>48</sup>

SofS aimed for 'a more rational and cost-effective use of resources, without damaging our deterrent posture'.<sup>49</sup> He told OD Committee: 'It would probably be necessary to narrow the range of the country's defence capabilities, with difficult and unpalatable consequences for the defence industrial base.'<sup>50</sup> Nott's introduction in the *Estimates* mentioned looking realistically at the programme to reflect available resources.<sup>51</sup>

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<sup>47</sup> Ibid. See also TNA, AIR 6/255, AFB Conclusions 1(81), 15 January 1981. In summer 1980 it was decided to run on the Buccaneers in the maritime role, with the Tornados, which were due to replace them, taking the place of the Jaguars in Germany. This new plan was designed to maximise the effectiveness of the Tornado in the strike/attack role. The replacement of the 48 Jaguars in Germany with an equal number of Tornados would result in a considerably greater capability in both RAF Germany's strike and attack roles. One concern surrounded in-flight refuelling requirements in the light of the GR1's limited range. As things stood, it was noted a stand-off capability appeared to be the only way in which the heartland of the Soviet Union could be threatened. The Tornado had a combat radius of 870 miles, only half of that of the Vulcan. Henry Stanhope, 'Can the RAF shut that open window?', *The Times*, 29 March 1982.

<sup>48</sup> TNA, CAB 148/197, OD(81)21, 'Statement on the Defence Estimates 1981', Note by the Secretary of State for Defence, 25 February 1981.

<sup>49</sup> Ibid. Nott predicted 'difficult decisions' harming industry.

<sup>50</sup> Ibid., OD(81) 4<sup>th</sup> Meeting, 5 March 1981.

<sup>51</sup> Ibid. Mrs Thatcher's Washington visit produced no adverse American comments about British defence efforts. The new American administration planned to undertake a massive increase in Defence spending, whilst simultaneously reducing other public expenditure and cutting taxes. The Cabinet was concerned

Meanwhile, the three Services and the PE identified various measures totalling £60m from which the £40m shortfall could be found. CAS complained the requirement for AFD to find an additional £48.5m cut in its Block Adjustment at this late stage, leading to a total reduction of £175m, presented ‘an almost impossible problem’ especially if AFD had also to bear a share of the £40m. AFD was told to find £18m of savings for consideration towards the £40m cut.<sup>52</sup> The £42m cuts identified, grouped by category not priority, were initially divided equally between the three Services.<sup>53</sup>

SofS had ‘more bad news from Defence’ for Mrs Thatcher on 11 March. Alongside the outstanding £40m cut, he mentioned safeguarding the civil service pay award, block adjustments for the equipment programme and abandoning the cut to the Special Nimrod Squadron (Nimrod R, £6m), required for essential intelligence work. Overall, this meant £141m in further savings during 1981-82. He feared cutting activity to a point where the Government would look ridiculous, particularly claims about upholding Armed Forces morale. Nott claimed, ‘There is nothing else to cut.’ Restrictions on training and ammunition required lifting.<sup>54</sup> Nott listed £158m of savings measures, but proposed reductions of £105m, £36m short of the total required - £141m.<sup>55</sup> In addition to further reducing Defence civil servants (generating £13.7m of savings), the following cuts earmarked the RAF:<sup>56</sup>

Savings Measure	£M saved
Reduce flying hours in RAF Fast Jet Force by more than one hour/pilot/month	8.5

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resultant economic problems might cause Washington to increase pressure on NATO allies for additional defence effort. The six major firms who undertook 80% of British Defence procurement business had little ground for complaint. Their orders had jumped from £3.5bn in 1978-79 to £5bn in 1980-81 at constant prices.

<sup>52</sup> TNA, DEFE 4/288, COS 5<sup>th</sup> Meeting/81, 17 February 1981.

<sup>53</sup> Ibid., COS 6<sup>th</sup> Meeting/81, 24 February 1981.

<sup>54</sup> TNA, PREM 19/415, Nott to PM, ‘Defence Expenditure 1981/82’, 11 March 1981; AIR 8/2805/1, folio 19(i), CDS to SofS, ‘Defence Budget 1981/82’, 2 March 1981; Folio 21(i), PUS to SofS, ‘Expenditure 1981/82’, 4 March 1981. Ammunition stocks, fuel supplies, training and recruitment had been cut to the bone and Nott said ‘the equipment budget is already over-committed and...there is continuing upward pressure on it’.

<sup>55</sup> TNA, PREM 19/415, SofS to PM, ‘Defence Expenditure 1981/82’, 11 March 1981.

<sup>56</sup> Ibid.

Defer expenditure on the improved Harrier GR5/AV8B (ASR 409)	3.1
Sell Canberra B2s	6.0
Delete Griffin engine (Shackletons) repair capability	0.4
VC10 spares and engines; obtain cheap supplies by purchase of BA fleet	8.1
Consequential effects of economies already made in Long Term programme, mainly RAF equipment	6.4
Defer expenditure on meteorological satellite programmes	0.7
Reduce airmen recruiting to 5,000 from planned level of 8,500	3.5
Suspension of RAF extra/mural training	0.3

Other possible RAF reductions went too far for SofS. These included cutting the Vulcan force by the equivalent of a further squadron to save £5.5m, more cuts to Fast Jet Force flying hours to save £4.5m and deferring elements of the Nimrod Maritime Reconnaissance Programme to save £1.5m.<sup>57</sup>

SofS thought major re-adjustments were likely to Britain's role, 'more particularly a fairly radical set of proposals for the "mix" of forces and equipment to carry out our present commitment'.<sup>58</sup> Although controversial, they represented a coherent attempt to 'up-date and streamline our front-line capability' to meet the changing Soviet threat.<sup>59</sup> The Review also had to involve significant future savings as the programme was massively over-committed.<sup>60</sup> The procurement programme was

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<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

<sup>59</sup> Ibid.

<sup>60</sup> Ibid. Nott was determined to take a strategic approach to weigh up defence priorities. In doing so, he placed a premium on advice from Sir Frank Cooper and Michael Quinlan (DUS(P)). He later claimed, 'Frank and Michael were very keen to have a defence review.' Nott wanted no repeat of 1980 and the

‘grossly over-extended’ and could not be altered to produce short-term savings. Cuts had to fall on Services’ activity. He was prepared to undertake all the savings measures detailed but viewed them as ‘politically daft’; the sums involved being minor against £1bn support for British Leyland and £5bn for British Steel. SofS also underlined there was no way to find a cash clawback for the expected £300m overspend for 1980-81.<sup>61</sup>

The Cabinet Office described Nott’s minute as ‘remarkable’. It was ‘indiscreet’ to suggest the eventual Civil Service pay award would be well above the proposed 7%. His claim that it would be easier to find the final £36m of savings for 1981-82 after his major review was completed was ‘breathhtakingly untrue’. Finally, proposals to raid the Contingency Reserve for £300m were a ‘throw away sentence’. Unless SofS had prepared the ground in advance with Mrs Thatcher, he was ‘walking straight into a minefield’.<sup>62</sup>

The Chancellor remarked: ‘It is absurd that the MOD internal costings procedures should over the past year have produced expenditure plans for 1981-82 amounting to £850m in excess of available resources.’ Howe insisted Nott followed the programme agreed by the Cabinet, in the *Estimates*.<sup>63</sup> Howe wanted the programme brought in line with the cash limit and disputed Nott’s suggestion it would be impossible to accommodate a reduction in 1981-82 to compensate for 1980-81 anticipated overspend. This was a central feature of the cash limits discipline, previously accepted by Pym. The sums involved were marginal in a Defence Budget of £12.3bn. The cash limits of £11.5bn, half for procurement, should focus discussion. Howe wanted to find out where it would be spent in 1981-82.<sup>64</sup>

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moratorium. He wanted to create room for manoeuvrability in the programme and not see training and exercises curtailed and the need for year-end cost-cutting. Boren, ‘Britain’s 1981 defence review’, pp. 242-243.

<sup>61</sup> TNA, PREM 19/415, SofS to PM, ‘Defence Expenditure 1981/82’, 11 March 1981. Nott remarked: The consequences of such small savings would ‘lead the general public to believe that we had taken leave of our senses’.

<sup>62</sup> TNA, CAB 164/1555, folio 40N, Wade-Gery (Cab Off) to Armstrong (Cab Sec), 13 March 1981. On deferring the £36m of savings it was remarked, ‘The further you get into a financial year the more you lay yourselves out to the classic MOD argument that that year’s expenditure is all irrevocably committed and that only future years are left to play for.’

<sup>63</sup> TNA, PREM 19/415, folio 1A, CHX to PM, 16 March 1981. Howe told the Prime Minister, ‘Certainly I have no doubt – because we have discussed the problems together – that John [Nott] faces real difficulties. But then so do I!’

<sup>64</sup> *Ibid.*

Armstrong advised Mrs Thatcher the potential £300m overspend was what 'really matters'. Howe's reaction was 'very understandable'. Armstrong warned: 'Letting Mr Nott off this would not only make a large dent in his public expenditure policy but would also incite other hard-pressed colleagues to seek similar derogations.' Mrs Thatcher was advised to support Howe on the principle involved. However, practically, it was not possible to order Nott to meet his reduction obligations in full, regardless of consequences. Armstrong suggested two options to bridge the gap. The first was a small deferment [10%] of MoD payments into 1982-83 on new equipment [total cost £2.5bn]. The second suggestion was a possible bargain between the MoD and the Treasury, that MoD would fund any increase larger than 6% for Armed Forces pay in return for being let off the £300m.<sup>65</sup> Nott stated long-term costings were the main problem, being far greater than likely resources. He had commissioned an alternative costing [see below, 'Bermudagram'], likely to lead to a substantial re-shaping of the programme. The problem with expenditure in 1981-82 was smaller but more immediate. Howe agreed the £36m saving should not involve programme cuts requiring a further announcement. He accepted there needed to be an assessment of the RPE (Relative Price Effect) later in the year. Howe even recognised it would be impossible to claw-back the whole £300m in 1981-82, it might be spread over more than one year. Nott emphasised competing demands on limited resources, including increasing BAOR ammunition stocks, barely sufficient to fight a conventional war for four days. Mrs Thatcher approved £105m of savings, with the £36m gap remaining for the MoD and Treasury to close when the 1981-82 cash limit was reviewed later in the year, when agreement would be sought on accommodating the 1980-81 overspend.<sup>66</sup>

### **Defence Review Confirmed, March 1981**

On 8 March, SofS announced the review: 'I am looking right across the board to see where we can do the job more effectively without spending more money.'<sup>67</sup> Unlike 1974-75 this was a high-speed, MoD-led review. Despite Conservative backbench sensitivities the Government was more secure than Harold Wilson's.<sup>68</sup> However,

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<sup>65</sup> Ibid., folio 2, Armstrong (Cab Sec) to PM, 17 March 1981.

<sup>66</sup> Ibid., Whitmore (PPS/PM) to Norbury (PS/SofS), 'Defence Expenditure, 1981/82', 18 March 1981.

<sup>67</sup> Henry Stanhope, 'Mr Nott promises defence review', *The Times*, 9 March 1981. Interviewed on ITV's *Weekend World*, Nott said his first priority was to address the MoD's cash difficulties and his second was to consider Trident. He discounted speculation he was planning to 'sink the Royal Navy'. Nott added: 'I wholly agree with the Services that we must never again get ourselves into a penny-pinching situation that we are in at this moment.'

<sup>68</sup> Some commentators questioned the degree of Conservative backbench concern about the Royal Navy's fate during the following months. One sketch-writer observed the passing of generations of Conservative

the Review developed alongside serious political, social and economic challenges to the Thatcher government between the spring and late summer of 1981.<sup>69</sup>

The Vice-Chiefs used the Chiefs of Staff committee machinery to discuss the draft paper on Force Mix, produced by the DCDS (Operational Requirements) on 20 February. This work was essential because Nott planned to present proposals on Defence priorities in the summer. The paper mentioned unsuccessful attempts to rationalise the balance of equipment spending between the Services: 'It will require firm direction and central control if any changes recommended in this study are to be implemented.' The study tried to identify the components of each force mix (in the Eastern Atlantic and Central Region) which had the lowest operational priority, should budgetary pressures necessitate further cuts. Its conclusions guided future work on resource allocation.<sup>70</sup>

Factored into thinking was the increasing Soviet threat and the political commitment to the deterrent. Deterrent costs had to be minimised for the conventional programme to remain viable. It prioritised investment in more effective weapons rather than sophisticated weapons platforms. It called for the RAF to acquire a truly effective weapon for battlefield air interdiction against enemy armour and warned deep penetration by manned aircraft against enemy air bases although necessary, would become increasingly expensive, with costly attrition. The Army was to have primary responsibility for air defence over the Central Europe battle zone and be made 'more able to look after itself, and...be encouraged to strengthen its own organic air defence capability'. However, the Air Force Department firmly rejected

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backbenchers with a naval background and their replacement by a 'flotilla of public relations consultants and similar types.' Frank Johnson, 'What became of those old invincibles?' *The Times*, 22 May 1981. There was no common position against Nott held by dissenting Conservative backbenchers. There was the maritime lobby, the defenders of the BAOR, the supporters of Trident and those sceptical of the new deterrent. Peter Hennessy, 'Thatcher's peace mission to MPs', *The Times*, 25 June 1981.

<sup>69</sup> Kwasi Kwarteng, *Thatcher's Trial: Six Months That Defined a Leader* (London: Bloomsbury, 2015); Graham Stewart, *Bang! A History of Britain in the 1980s* (London: Atlantic Books, 2013), chapters 3, 4 and 5. Mrs Thatcher faced dissent from the so-called 'Wets' in her Cabinet which peaked in July 1981 when they combined with normally supportive Ministers, including Nott, to frustrate her plan to cut public spending by a further £5bn. Howe's Budget of March 1981 slashed spending and increased taxes to reduce inflation and achieve sound finances. Unemployment rose towards three million and the Government faced challenges to order arising from IRA hunger strikes, inner-city riots across England and a civil service strike. Politically, the Government was confronted by a new threat with the SDP's formation led by the Gang of Four – former Labour ministers Roy Jenkins, Shirley Williams, David Owen and William Rodgers. The subsequent Cabinet reshuffle of 14 September 1981 when the Prime Minister sacked or moved prominent Wets is sometimes seen as the moment Mrs Thatcher asserted her authority and forged a Cabinet more in line with her ideological convictions.

<sup>70</sup> TNA, DEFE 13/2020, 'The Force Mix Study - A Paper by DCDS(OR)', 20 February 1981.

any reduction to air defence aircraft, citing the scale and quality of the enemy threat and shortage of Allied capability. The importance of battlefield mobility justified spending on RAF transport helicopters rather than buying additional land vehicles. The paper questioned the Tornado reconnaissance programme's value and recommended prioritising the joint Army/RAF programme based on the Phoenix. Longer-term, priority was placed on cruise missiles for airfield attack, with minimum investment on defence suppression to maintain the Tornado's effectiveness in this role, at the expense of improvements to airframes under ASR 409 [improved Harrier] and AST 403 [Jaguar replacement]. If the ground attack fleet was to be increased in the meantime, the purchase of 60 additional Harrier GR3s was supported. Improvements to the defence of the UK Base were 'essential', particularly to the air defence system, with a focus on investing in ADGE, AEW, point defence and AD fighters, supported by tankers. Ministers were warned: 'Defence votes could not sustain a nuclear programme greater than about £5bn at present prices.'<sup>71</sup>

The AFD questioned the COS machinery. DUS(Air) told CAS the Chiefs currently had 'a (useless) paper on commitments, a provocative paper on force mixes and an inconclusive paper on priorities, which you and CGS have suggested should be radically re-cast'. He thought the Chiefs should be addressing these areas, not discussing present programmes unlikely to proceed because of resource issues. Beetham agreed the CDS was only trying 'to muddy the waters'.<sup>72</sup> CDS advised his fellow Chiefs about progress towards a common position on priorities, against a backdrop of 'no immediate prospect of the financial situation for defence getting any better'. He highlighted three Defence Policy Staff (DPS) assumptions – Trident would proceed, the UK Base was not to be cut, and out-of-area capability should be given the modest improvement previously planned. The provision of any room for manoeuvre for Nott meant 'capabilities in both the Central Region and Eastern Atlantic will inevitably suffer'.<sup>73</sup> Lewin warned the Service chiefs there was 'little

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<sup>71</sup> Ibid.; DEFE 4/288, COS 8<sup>th</sup> Meeting/81, 11 March 1981, Confidential Annex, Item 1, Force Mix. The author of the paper was Lieutenant General M R Johnston. In respect of offensive support aircraft, an F18 buy was the Air Staff's preferred option for AST 403. Phoenix was a battlefield target acquisition system, probably an unmanned drone which was only an idea at that point. See DEFE 13/2021, Part Two, Omand (APS/SofS) to SofS, 'Introductory Call by DCDS(OR)', 6 March 1981.

<sup>72</sup> TNA, AIR 8/2805/1, folio 29(ii), DUS(Air) to CAS, 'UK Defence Priorities', 11 March 1981.

<sup>73</sup> Ibid., folio 35(i), minute by CDS, 'The Defence Programme and Priorities', 13 March 1981, enclosing DP Note 6/81, 'LTC 81 – The Extent of the Problem', Note by the Directors of Defence Policy.

prospect of having your own problems solved at the expense of each other's programmes'.<sup>74</sup>

The Director Air Staff Briefing (DASB) told Beetham cutting the Central Region contribution was more damaging to NATO cohesion than reducing the EASTLANT commitment. Some approaches suggested by DPS had been 'constructed with some skill'. Option II (mainly Central Region) meant the RAF giving up air defence in West Germany and closing a station, presumably Wildenrath, while AST 403 had 'no friends outside the RAF'. The reduction of RAF uniformed strength was the same under any option. The Navy cuts postulated under Option III (mainly Eastern Atlantic) of the DPS note were 'clearly apocalyptic'.<sup>75</sup>

CAS pressed his fellow Chiefs on the Force Mix and Priorities papers. To challenge Nott's assumptions, they required well-argued rationale. In guiding staff in costing the detailed proposals contained in SofS's paper, it was agreed to cost the retention of Tornado in Germany until it could be replaced in the counter air role by ALCM (Air Launched Cruise Missiles) [as Nott intended] and also withdrawing of Tornados to the UK and sending them to Germany on temporary detachment. On cruise missiles it was impossible to buy an ALCM suitable for airfield attack off the shelf in Nott's timescale. It was better to run on existing Phantoms to provide the additional fighters Nott wanted rather than buy second-hand aircraft.<sup>76</sup>

The force mix paper was seen by SofS on a 'preview' basis. Its author, Lieutenant General M R Johnston, had 'broken ranks' to provide 'clear personal military judgements', which commanded considerable support. They chimed in with the CSA's views and largely reflected SofS's thoughts on political grounds. The emphasis was on readjustments in the equipment programme based on equal priority for the four roles. It provided a route into challenging equipment readjustments without making controversial judgements between maritime and continental strategies. The key was whether DCDS(OR)'s recommended force-mix changes produced sufficient savings to remain within likely available resources.<sup>77</sup> Nott met Johnston on 9 March. The role of DCDS(OR) would be vital in delivering Nott's

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<sup>74</sup> Ibid.

<sup>75</sup> TNA, AIR 8/2805/1, folio 36(i), 'Defence Programme and Priorities', note by Group Captain R E Johns, 16 March 1981. DASB thought a combination of the Army and RAF cuts of Option II and the Navy cuts of Option III would be proposed by Nott.

<sup>76</sup> Ibid., folio 41, 'Summary Record on an Informal Meeting for Members of the Air Force Board Standing Committee on 19<sup>th</sup> March 1981', 24 March 1981.

<sup>77</sup> TNA, DEFE 13/2021, Part Two, folio 3, Omand (APS/SofS) to SofS, 'The Force-Mix Study', 4 March 1981.

ideas into changes to the equipment programme. The paper's frank content was welcomed, with 'military judgements clearly expressed, separately from political and industrial implications'.<sup>78</sup>

CDS was convinced the 'force-mix study' influenced SofS's thinking in producing his remit. Johnston admitted he had not assessed cost-effectiveness. His conclusions were based on 'sound military logic'.<sup>79</sup> Air Marshal Sir David Craig, VCAS, emphasised the Vice Chiefs had not assessed competing priorities between Central Europe and the Atlantic, between nuclear and conventional capabilities and between manpower and equipment. The Vice Chiefs' major area of difference concerned the required ASW force. Despite the study not making cost judgements, it provided 'sufficient indication whether any proposed programme was a high or low priority relative to others competing for funds within the same capability'.<sup>80</sup>

CNS was dismayed the paper stressed the Central Region would be the decisive arena of any Warsaw Pact/NATO confrontation. He added ASW was a 'primary' but not 'paramount' role for maritime forces. CAS wanted greater emphasis on the Soviet air threat. He thought the first task should be to ascertain the UK's strategic priorities before the force mix. The latter should be considered in the context of the NATO force mix. The Chiefs agreed to stand firm. If resources were cut, current commitments could not be maintained. They had told the Prime Minister this the previous year.<sup>81</sup> When the Chiefs discussed Force Mix proposals on 15 April, CDS wanted RAF Offensive Support Aircraft to be considered by the Operational Requirements Committee (ORC). He would consider the advice to be given to SofS if the minute 'exposed the inability of the Navy and Air Force Departments to agree on force mix priorities for Anti-Submarine Warfare'.<sup>82</sup> He did not indicate what this advice would conclude.

Senior civil servants determined the Review's direction. When Nott was in Washington in mid-March, Cooper quietly drafted a paper in-house with David

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<sup>78</sup> Ibid., Part Two, folio 6, Omand (APS/SofS) to SofS, Introductory call by DCDS(OR), 6 March 1981. Concurrently, Nott received intelligence presentations and specific presentations in early March on the concept of operations in the Eastern Atlantic, Central Region and Defence of the UK Base. DEFE 13/2020, folio 55, Brook (PSO/CDS) to PS/SofS, 'Concepts of Operations', 27 February 1981; folio 56, Omand to PSO/CDS, 'Concepts of Operations', 2 March 1981.

<sup>79</sup> TNA, DEFE 13/2021 Part Two, Brook (PSO/CDS) to PS/SofS, 'The Force Mix Study', 3 March 1981; DEFE 4/288, COS 11<sup>th</sup> Meeting/81, 31 March 1981, Confidential Annex, Item 4, Force Mix.

<sup>80</sup> Ibid.

<sup>81</sup> Ibid.

<sup>82</sup> TNA, DEFE 4/288, COS 14<sup>th</sup> Meeting/81, 15 April 1981, Confidential Annex, Item 3, Force Mix.

Omand and Richard Mottram on moving forward. Omand told Nott they had tried to build a bridge to where he wanted them to be by July. This would be built by solid MoD costings work, so the new programme fell within the money available. Omand warned the Chiefs would send a minute concerning 'commitments and priorities', advising this might foreclose some options and put Nott in a 'position of direct conflict'. Omand suggested pre-empting the Chiefs with a statement at the Defence Council that showed Nott had not 'wasted' his 'time in Bermuda!' but had drafted guidelines for a mini-costing of an illustrative programme.<sup>83</sup>

Cooper detected growing interest on next steps, with the Chiefs 'moving inexorably' towards 'common misery'. He reported the Vice Chiefs had quite a 'ding dong' over the 'force mix' paper. Cooper insisted Nott had the initiative but needed to issue specific guidance. It was a 'formidable task' to turn guidance into plans, cost them and assess their consequences. Numerous decisions about equipment were needed quickly. Cooper recommended Nott formed a small steering group, including CDS, and suggested more detailed assumptions, before the machinery was set into motion. Cooper anticipated leaks. They had to keep knowledge of the whole exercise to a small number of people, although some aspects required many more. Cooper warned Nott about possible MoD reaction. The naval staff was 'obviously' the most difficult area. Cooper thought it 'inevitable you (will) get a blast from them'.<sup>84</sup>

SofS expected the Chiefs to play an important role in the process. Nott's objective was a 'fresh new look at how we perform our tasks' incorporating a wide-ranging examination of Defence commitments in the medium and long-term. Nott's rejection of equal misery, 'inhibited the emergence of a consensus among the Chiefs of Staff and thus increased the likelihood that responsibility for readjusting the programme would fall to the central staffs'.<sup>85</sup> The Chiefs prioritised preventing major cuts to their own Service programmes. Michael Quinlan, DUS(P), observed, 'overall financial targets for defence as a whole are the essence of the matter', adding, 'relative shares (a subject which both experience and reason show to be almost insuperably difficult for the DPS and the Chiefs of Staff, once "equal misery" is disallowed) is therefore the name of the game'.<sup>86</sup>

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<sup>83</sup> TNA, DEFE 13/2021, Part Two, Omand (APS/SofS) to SofS, 'The Future Defence Programme', 13 March 1981. Omand was APS to SofS and Mottram was PUS's PS.

<sup>84</sup> *Ibid.*, Part Two, PUS to SofS, 13 March 1981. Cooper observed the collective Chiefs response might be to say they could do it differently or apply better military judgment.

<sup>85</sup> Boren, 'Britain's 1981 defence review', pp. 243-245.

<sup>86</sup> TNA, DEFE 25/534, E19, Quinlan (DUS(P)) to 2<sup>nd</sup> PUS, 'Running Defence Reviews', 1 May 1981.

At the Defence Council on 16 March, SofS said he wanted to be ready with a fundamental reappraisal of the long-term programme when the 1981-82 cash limit was reviewed. He had tried to provide clear guidance for the next phase – the translation of the wide range of ideas into a costed programme. He acknowledged that some may view him as ‘too radical’ but clear guidance was necessary for costings. The Chiefs and civilian hierarchy were to turn Nott’s guidance into their own instructions for their staffs to cost. Cooper would co-ordinate this planning work. Nott’s note was an instruction for costing and not for executive action.<sup>87</sup>

### **Nott’s ‘Bermudagram’**

SofS detailed his requirements to the Services and senior officials on 16 March. This was the so-called ‘Bermudagram’. He had just returned from the US, stopping-off in Bermuda. It was drafted by Cooper and Quinlan with Nott’s support. It made clear, ‘We have now reached the stage where we must move forward to decisions and translate a wide range of ideas into a costed programme.’ Nott provided guidance and outlined proposals for costing. He acknowledged ‘our national economic dilemma’ meant many ideas could be viewed as ‘radical’ but they were ‘designed to be a source of strength to defence’. The current situation was unsustainable: ‘We are all agreed that we cannot go on as we are.’ It was no reflection on the forces, or their leadership, that the ‘defence programme is currently in a mess’.<sup>88</sup> Preserving the existing four pillars at current levels was unaffordable. The eastern Atlantic had least strategic value and Defence’s capital stock was unbalanced:

Too many resources [are] tied up for tasks which no longer have a matching priority...too many resources are locked into expensive capital units and not enough in individual weapons which they may carry or fire; too little is invested in stocks of war material necessary for staying power; and, in relative terms, inexpensive second and third line reserves of manpower and equipment have been given too low a priority in our forward planning.<sup>89</sup>

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<sup>87</sup> TNA, DEFE 13/2021, Part Two, Points to Make.

<sup>88</sup> TNA, AIR 8/2805/1, folio 15, SofS to CDS and PUS, ‘Defence Policy and Programme’, 16 March 1981.

<sup>89</sup> Ibid.

The programme costed in LTC 81, even at ‘baseline level’ was untenable. He requested the Service Departments and Procurement Executive undertake an immediate re-costing of the main lines of an alternative basic programme, within the confines of ‘wholly realistic assumptions about resource availability’ although to allow for contingency to cope with the unforeseen.<sup>90</sup> For the RAF:

The costing should assume we have no Tornados permanently based in Germany; and that our effort there is concentrated on short range close support. The cost of 60 AV8(B) aircraft should be included, to meet ASR 409 (the timescales and savings involved in an alternative assumption of the purchase of 60 Harrier GR 3 should be costed). No provision is to be made for aircraft to be acquired to meet AST 403 [Jaguar replacement]. High priority is to be given to acquiring better air delivered anti-armour weapons. Plans should be assumed for acquiring, by an off-the-shelf purchase, conventional cruise missiles (either air or ground delivered) for the long-range strike role, possibly based in the UK.<sup>91</sup>

Concerning the defence of the UK Base, Nott called for renegotiations to purchase more Tornado F2 at the expense of reduced GR1 numbers. The two Phantom air defence squadrons in Germany were to be regarded as forming part of the defence of the UK base. Nott wanted to investigate purchasing second-hand Phantoms. Meanwhile, missile defence was to be provided by Rapier and existing Bloodhound systems with planning for an area SAM abandoned. MoD civilian numbers were to be cut to 200,000 by 1 April 1984. Nott stressed ‘a real streamlining of all non-combatant arms is needed’ with reductions to in-house R&D ‘well beyond’ those recommended in Lord Strathcona’s report of 1980.<sup>92</sup> The Government was committed to the 3% NATO guideline until 1985-86, but:

Our present financial mess shows, however, what happens if we commit ourselves a long way ahead to a programme right up against the most optimistic assumptions about resources, and which leaves little or no room for cost growth or for short term changes to adjust to the unforeseen.<sup>93</sup>

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<sup>90</sup> Ibid.

<sup>91</sup> Ibid.

<sup>92</sup> Ibid.

<sup>93</sup> Ibid.

At one stage SofS indicated he required an examination of Tornado basing because of the vulnerability of RAFG airfields for fixed wing operations and possible losses anticipated in long range strike and interdiction tasks against Warsaw Pact objectives. This also related to introducing conventional cruise missiles into this role.<sup>94</sup> Likewise, Nott's preferred option was for the Phantoms to strengthen the UK base. He wanted potential costings implications examined.<sup>95</sup> PUS outlined the assumptions to be used by the Service boards to produce new costings, stressing 'realism and credibility' were significant factors. Nott wanted advice by 24 April; Cooper required interim progress reports by 3 April.<sup>96</sup> Howe was 'much encouraged' at the 'fundamental nature of the re-thinking' envisaged by SofS and predicted 'a fair amount of resistance in some quarters'. Nevertheless, the Treasury queried the figures. They resembled those from the 1982-83 and 1983-84 Public Expenditure White Paper figures, revalued by 18%, with 3% growth carried forward for 1984-85 and 1985-86 and 1% growth allowed for the remaining five years. The Chancellor found this 'distinctly optimistic'. They implied Defence spending would remain well above 5% of GDP throughout the period.<sup>97</sup>

Nott asked each Service to construct 'core' programmes spanning the next decade, with very tightly defined financial ceilings. By looking at the basic structure of each programme, working from the bottom up, he had evaluated the real problems of the Services on a defence basis. These basic structures would form the nucleus of the defence effort, around which would be built the full defence programme, matching available resources.<sup>98</sup> He believed the RAF's contribution was constrained by commitments and thought the Army was fairly forthcoming, not presenting major obstacles. However, the Royal Navy was more challenging. Nott recalled: 'I had a series of briefings from the Naval staff but they always seemed to me to be

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<sup>94</sup> TNA, DEFE 13/2021, Part Two, PS/SofS to PS/PUS, 'Defence Policy and Programme', no date (late March 1981), draft.

<sup>95</sup> Ibid.

<sup>96</sup> Ibid., Part Two, folio 9, PUS minute, 'Defence Policy and Programme', 19 March 1981. The confidential nature of the exercise was emphasised. Other Government departments were only to be consulted with Cooper's authorisation. Copies of Nott's 'Bermudagram' minute were also passed on a personal basis to the Chancellor and the Home and Foreign Secretaries. Norbury (PS/SofS) to Principal Private Secretaries Treasury, Home Office, FCO, 'Defence Policy and Programme', 17 March 1981. Having told Nott his 24 April deadline would be difficult to meet, de-facto the task was completed by 10 April. AIR 8/2806, folio 8, 'Brief for Chief of the Air Staff', Defence Policy and Programme (DP8/81), 14 April 1981.

<sup>97</sup> TNA, DEFE 13/2021, Part Two, folio 9, Wiggins (HMT) to Norbury (PS/SofS), 'Defence Policy and Programme', 23 March 1981.

<sup>98</sup> TNA, DEFE 13/2024, folio 39, Record of Conversation between the Secretary of State for Defence and the US Secretary of Defense, Washington DC, 20 June 1981.

unsatisfactory...Again and again I saw that I was being briefed in a way that fortified the traditional naval interest without getting down to the real nitty-gritty of the problem.'<sup>99</sup> Other observers also blamed the Royal Navy for the naval cuts.<sup>100</sup>

Nott soon agreed with senior colleagues that abandoning the British commitment under the modified Brussels Treaty, involving the deployment of 55,000 men in Europe, threatened Alliance stability and cohesion. The Admiralty Board faced the difficult task of shaping their programme within reduced resources. They were constrained by existing overheads, particularly in dockyard and other support. Radical change was needed to tackle low productivity and shift towards more cost-effective smaller vessels.<sup>101</sup> The Services had less than six weeks to re-shape and cost their programmes before Nott studied them within a very small group; including the CDS. Nott wanted to make an announcement in mid-June. He hoped to enhance future front-line capability through a greater concentration of limited resources on key elements of the Defence effort.<sup>102</sup>

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<sup>99</sup> Nott, *Here Today, Gone Tomorrow*, p. 211.

<sup>100</sup> Henry Stanhope, 'Navy blamed by Jane's over cuts', *The Times*, 5 August 1982. Captain John Moore, editor of *Jane's Fighting Ships* criticised the Royal Navy's excessive paperwork and committees which confused politicians and left long-serving civil servants in control. Greater analysis of requirements and roles and more consultation and flexibility over design was called for. Complex and expensive vessels had been brought into service when their job could have undertaken by much cheaper hulls. Captain Moore was a friend of Ian Gow, Mrs Thatcher's Parliamentary Private Secretary. His critical views on naval procurement were previously shown to Mrs Thatcher and Howe.

<sup>101</sup> TNA, DEFE 13/2024, folio 39, Record of Conversation between the Secretary of State for Defence and the US Secretary of Defense, Washington DC, 20 June 1981.

<sup>102</sup> TNA, AIR 8/2805/1, folio 15, SofS to CDS and PUS, 'Defence Policy and Programme', 16 March 1981.



The Gang of Four. Chiefs of Staff during the Defence Review and Falklands conflict. Left to right, Sir Michael Beetham (CAS), Sir Henry Leach (CNS), Sir Terence Lewin (CDS), Sir Edwin Bramall (CGS). Photograph: Public Domain.

The main pre-existing machinery for briefing SofS on options was the Financial Planning and Management Group (FPMG), created in 1977 by Cooper and chaired by him. It was tasked with establishing a tighter control over MoD spending and planning. Its membership included Lewin, Leach, Beetham, Sir Edwin Bramall (CGS), Mason (CSA) and Sir David Cardwell, Chief of Defence Procurement.<sup>103</sup> Options were limited. For political reasons there was little possibility of reducing the commitment to West Germany. Forward defence was central to NATO strategy. Cuts here threatened NATO's continued validity. Cuts to home defence were rejected. The Territorial Army was earmarked for strengthening. Similarly, as Mrs Thatcher observed: 'There was no room for savings on the RAF: on the contrary, additional expenditure would probably be required [for the air defence of the UK].'<sup>104</sup> Moreover, the Government was determined to maintain the nuclear

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<sup>103</sup> Peter Hennessy, 'Warrior-politicians battle with defence budget', *The Times*, 13 January 1981; Boren 'Britain's 1981 defence review', p. 245. The FPMG was the MoD's principal planning forum. Although geared to conducting Defence management in normal years, it was not the appropriate body for carrying out a Defence Review.

<sup>104</sup> Thatcher, *The Downing Street Years*, p. 250.

deterrent with Trident replacing Polaris. The savings burden fell on the Royal Navy and the eastern Atlantic.

The Government wanted to ‘concentrate effort upon the areas where the greatest return in deterrence can be produced’.<sup>105</sup> Nott maintained: ‘change is overdue’ but when launching the 1981 *Defence Estimates* denied he had any intention of withdrawing the BAOR or sinking the Navy in the Eastern Atlantic. Instead, new programmes were needed to harness technological and tactical advances. Whilst emphasising ‘we must re-establish in the long-term programme the right balance between the inevitable resource constraints and our necessary defence requirements’, he initially adopted a reassuring approach:

We need, therefore, to look realistically, and with an open mind, at the way in which our Forces fulfil their roles. I shall be considering in the coming months with the Chiefs of Staff, and in consultation with our allies, how technological and other changes can help us fulfil the same basic roles more effectively in the future without the massive increase in real defence expenditure which the escalation in equipment costs might otherwise seem to imply.<sup>106</sup>

With limited resources the focus fell on a narrower range of equipment to perform roles on the European Central Front and Eastern Atlantic more effectively.<sup>107</sup> Moreover, despite warm words from Mrs Thatcher to President Reagan, out-of-area proposals were trimmed back to the minimum – there was no question of Britain going ‘East of Suez’ again.<sup>108</sup> On process and timing, Quinlan wanted to ‘work carefully upon the US’ and to a lesser degree on West Germany before informing the wider Alliance and giving NATO a month to respond. SofS demanded a shorter period, ‘I cannot have leaks from Bonn and Washington’.<sup>109</sup> Some even suggested consultations with NATO on cuts, in view of the interlocking contributions to the

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<sup>105</sup> HMG, *Statement on the Defence Estimates 1981*, Volume 1 Cmnd 8212-1 (London: HMSO, April 1981), Introduction.

<sup>106</sup> Ibid; David Fairhall, ‘Defence costs put under radical review’, *Guardian*, 16 April 1981.

<sup>107</sup> ‘Britain to review defence’, *Flight International*, 24 March 1981, p. 710.

<sup>108</sup> Ian Aitken, ‘Nott cuts back rapid deployment force’, *Guardian*, 9 March 1981; Fairhall, ‘Defence costs put under radical review’; Comment, ‘Grandiloquence’s bottom line’, *Guardian*, 16 April 1981. The improvement to capabilities to intervene outside the NATO area was tempered to ‘stretching’ the Hercules transport force and arrangements for requisite training for the rapid dropping of a parachute battalion and for the provision of headquarters facilities.

<sup>109</sup> TNA, DEFE 13/2021 Part Two, folio 16, Quinlan (DUS(P)) to SofS, ‘Defence Programme Changes: Handling with Allies’, 20 March 1981.

Alliance.<sup>110</sup> Cooper wanted the main thrust of policy and some major decisions settled before the summer recess [early August], mentioning a month for consulting NATO and major Allies. Nott minuted 'No'.<sup>111</sup> He wanted MoD agreement on the revised programme by early June and a public announcement at the start of July.<sup>112</sup>

The objections became shriller as departments produced reports for submission to DUS(FB) in early April. On 1 April, the Navy Minister, Keith Speed, championed its programme to SofS, pointing to the 'extraordinary expansion of the Soviet fleet' and 'large high quality mixed naval forces worldwide'. Recent DPWP cuts had hit the Navy hard and 'more draconian measures' were now planned. The Government had not ordered a major surface warship. The fleet's front-line units had been reduced by 12% since May 1979. The Navy was the 'Alliance mainstay' in the Eastern Atlantic and Channel, providing 70% of forces, with 23% of the Defence budget. In contrast, the UK contributed 10% of Central Front forces at a cost of 41% of the Defence budget, maintaining a 'full panoply of support facilities for our large standing forces on the Continent which contribute so generously to the West German economy'. SACLANT was already dismayed at Nott's 20 January cuts.<sup>113</sup> If fleet cuts continued it would be impossible to deny Britain was buying Trident at the cost of conventional naval forces. The proposed naval reductions would do 'disproportionate political damage to US, European, national and party confidence', harming the UK in NATO. Nott noted Speed's arguments showed the naval programme was 'wholly unrealistic'.<sup>114</sup>

Following SofS and PUS's minutes of 16 and 19 March, the DUS for the three Services submitted Target Headings for the costing exercise to DUS(FB) on 3 April. The Air submission was endorsed by the AFBSC. DUS(Air) said hasty drafting meant the credibility of some figures was questionable. It tried to adhere to Nott's guiding principles but also incorporated other military, political and economic factors, such as those determining the basing of the Tornado force:

We have then tried to show how we would protect the size and operational capability of the planned RAF front line (already reduced

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<sup>110</sup> Comment, 'Defence cuts: ask our allies first', *Guardian*, 19 May 1981.

<sup>111</sup> TNA, DEFE 13/2021, Part Two, folio 17, PUS to SofS, 'Defence Programme Changes: Action Plan', 2 April 1981.

<sup>112</sup> *Ibid.*, Part One, Omand (APS/SofS) to PS/PUS, 'Defence Programme Changes: Handling', 10 April 1981.

<sup>113</sup> TNA, DEFE 13/2021 Part Two, folio 16/1, Speed (PUSofS(RN)) to SofS, 'The Naval Programme', 1 April 1981.

<sup>114</sup> *Ibid.*

by 7 squadrons since January 1980) without removing elements of the force which would be of key importance to achieving the recovery we would hope to make with the allocation of new resources towards the end of the decade; in other words, while restructuring our front line and maintaining the main features of the re-equipment programme we have also attempted to preserve the basic framework of our training and support organisation without which we cannot hope to maintain, much less rebuild our capabilities in the later years.<sup>115</sup>

It was impossible to fit all SofS's recommended measures within his 'lower line'. DUS(Air) added: 'Almost all are militarily undesirable. We are nevertheless forced to include them in order to remain within the financial straitjacket, especially in the first five years.' After 'scraping the barrel to the full', a £50m residual gap was forecast for 1982-83, which could only be closed by further reducing activities: 'In other words reducing our flying rates yet again - this time to a level below the NATO minima - or grounding operational units for considerable periods of time.' There was scant room for manoeuvre. Most of the equipment programme was committed to the two Tornado variants and Nimrod AEW. LTC 81 had already involved £200m of savings on the AFTHs for the first three years, alongside Nott's proposed reductions. DUS(Air) warned:

Savings of this nature can only be found at the risk of extremely damaging reductions throughout the Royal Air Force of a character which will not only reduce capabilities in the medium-term but may also make it impossible to rebuild them in the longer-term, even with the extra resources he [Nott] suggests might be made available.<sup>116</sup>

DUS(Navy) was even more negative. He talked of being driven to consider 'unthinkable measures' and the 'serious mismatch' between the implications of reshaping the Fleet on SofS's lines and achieving the budgetary targets set. The maritime capability reductions were 'demonstrably irresponsible'.<sup>117</sup>

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<sup>115</sup> Ibid., Part One, DUS(Air) to DUS(FB), 'Defence Policy and Programme', 3 April 1981.

<sup>116</sup> Ibid.

<sup>117</sup> TNA, DEFE 13/2021, Part One, folio 18/2, DUS(Navy) to DUS(FB), 'Defence Policy and Programme', 3 April 1981. A cataclysmic scenario was forecast - involving the collapse of much of the maritime industrial base. When Nott saw this passage reproduced in [folio 24/5], Chiefs of Staff Committee Defence Policy Staff, 'The Defence Programme: Note by the Directors of Defence Policy', p. D-11, he wrote in the margin, 'What utter rubbish'.

In the shorter term, PUS thought 1981-82 would be very tough. It would be a 'severe task' containing spending within Estimates provision and cash limits. No new commitments were to be agreed unless funds were available; if not specific compensating savings were required.<sup>118</sup> CAS was warned by the Director, Air Staff Briefing (DASB) the only 'facts' arising from the costing was the policy guidance lacked internal coherence, breached international obligations and would cost the RAF more than anticipated. The question mark PUS raised over major equipment programmes 'whose future seems uncertain' could 'if interpreted literally put a stop to most of the programme'. A third proposal, to investigate logistic and support areas savings, required more details on tasks, commitments and the front line. DASB also thought presenting the 'facts' without Chiefs of Staff judgement on their implications was neither desirable nor possible in the circumstances.<sup>119</sup>

The first task set by SofS for departments was to cost his suggested specific changes. This did not reduce the programmes very far towards the lower line. The revised programme would only be in balance at the very end of the costing period, with significant excesses in the early years, sometimes above LTC 81 bids. The second stage of the exercise considered how programmes could be reduced to lower line targets, but considerable excesses remained, particularly in the middle years. Some of Nott's proposals increased costs, notably in the short term, such as not basing Tornado permanently in Germany. As well as having to make requisite provision in the UK and equipment aspects, this would limit flexibility and capability, degrading effectiveness. Under any circumstances the early years were especially difficult because of the programme level and scale of commitments. PUS wanted further examination of cancellation charges, particularly in 1981-82. and consideration of the consistency and compatibility of proposed measures by individual target headings. Considering likely economic performance, the lower line was thought optimistic rather than pessimistic. The difficulties arising from large, inflexible equipment programmes were accentuated with collaborative programmes. Moreover, in view of the likely large reductions, the Navy argued it could not absorb increased Trident costs.<sup>120</sup>

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<sup>118</sup> TNA, AIR 8/2805/2, folio 61, PUS minute, 'Expenditure 1981/21', 8 April 1981. Cooper remained committed to restraint and tight discipline. AIR 8/2806, folio 54, PUS to SofS, 'Defence Expenditure, 1981/82', 20 May 1981.

<sup>119</sup> TNA, AIR 8/2805/2, folio 67(i), DASB brief for CAS, 'Defence Policy and Programme: FPM(81)4 Note by PUS', 9 April 1981.

<sup>120</sup> Ibid., folio 71, FPM(81) 3<sup>rd</sup> Meeting, 9 April 1981; folio 67, FPM(81)4, 'Defence Policy and Programme', Note by PUS. If the Tornado was permanently based in the UK it had to be equipped with an

Due to the need to restrict information, the initial revised forward programme costings were rough. PUS indicated some sympathy for Navy Department, faced with trying to make detailed assumptions for Trident. CNS argued it should not be on the Navy's Target Heading until there was a firm cost estimate. Moreover, the aim of reducing the programmes to the lower line had not been achieved. Even after undertaking the fundamental measures there were excesses over the lower line which became substantial in the middle years. Early years excesses occurred even after very difficult decisions by the departments.<sup>121</sup> With the public expenditure cycle being conducted for the first time in cash terms, to avoid running up cumulative deficits, and wary of fluctuations when estimating inflation, it was essential to clearly define the core programme. Initial work illustrated the difficulties in bringing the programme significantly below the planning levels if coherent force structures were to be retained.<sup>122</sup>

The Chiefs minuted SofS on 10 April, enclosing the DPS's paper on the Defence Programme. Omand told SofS the Chiefs had discussed the minute, accompanying DPS commentary and analysis of the three Service programmes the previous day, 'but did not make much progress'.<sup>123</sup> Briefing for CAS noted, 'In general the AFD case is considered by the central staffs to have been well presented and well argued.'<sup>124</sup> As tensions surfaced, Omand advised SofS, 'I am told that there was a mood of personal animosity, particularly between the CNS and the CAS.'<sup>125</sup> CDS's

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air launched conventional cruise missile (ALCCM) to increase its effective range and numerous technical problems had to be overcome before this could become a reality, considered unlikely before 1990.

<sup>121</sup> TNA, DEFE 13/2021, Part One, folio 24/1, PUS to SofS, 'Defence Policy and Programme', 10 April 1981.

<sup>122</sup> Ibid.

<sup>123</sup> TNA, DEFE 13/2021, Part One, folio 24/2, Omand (APS/SofS) to SofS, 'The Defence Programme', 10 April 1981.

<sup>124</sup> TNA, AIR 8/2805/2, folio 67(iii), DASB brief for CAS, 'Defence Policy and Programme (DP 8/81)', 9 April 1981. It was underlined that the reduction in future resources would fall more heavily on the UK's maritime capability than on land/air operations in Europe. Beetham was told that given the reduced force level, the Royal Navy would be incapable of meeting most of the tasks listed in the final draft of the 1981 *Defence Estimates*. There were hints in this briefing that although CNS considered the AFD's input to be 'reasonable' he thought in some cases it did not confirm to the spirit of Nott's directives by putting forward politically impossible measures. These measures included reductions to activity levels which Nott had rejected before. DASB also observed, 'AST 403 was not mentioned, except in passing to comment that a collaborative ECA [European Combat Aircraft] programme was certainly a dead duck.'

<sup>125</sup> TNA, DEFE 13/2021, Part One, folio 24/2, Omand (APS/SofS) to SofS, 'The Defence Programme', 10 April 1981. Navy briefing for Leach claimed the AFD had subjected the 'Bermudagram' to 'further interpretation'. In some areas this interpretation was 'questionable' and in others Nott's guidance had been 'ignored'. It pointed to additional spending on increased Tornado numbers, queried the possible

minute indicated the Chiefs' exasperation at repeated budget cuts since early 1980. Lewin insisted their approach had been 'entirely consistent at every stage'.<sup>126</sup> Alongside 'the possibility of greater economies, SofS's broad guidelines for costing a revised programme, involved specific guidance on certain equipment projects and a 'lower' line of figures and distribution between Target Headings upon which the revised programmes were to be based. Due to the short timeframe, the work done was 'at best, rudimentary'. To reach the 'lower' line required removing a further £9bn from the budget over nine years. CDS's minute warned:

It is our collective view that the programme, resulting from costing to the 'lower' line constitute a major change in defence policy and do not accord with a satisfactory level of defence capability. Nor will they allow us to discharge all our commitments to our allies in the Western Alliance in an effective manner.<sup>127</sup>

The attached DPS study of the programme was equally critical. This infuriated SofS. He wrote, 'Who are they?' and 'utterly NEGATIVE'. He disputed their language. The Government had inherited 'a series of plans' in 1979, not a defence programme. The assumption the 3% annual increase would be maintained in accordance with the NATO aim was 'criminal negligence'.<sup>128</sup> Rather than citing reductions, Nott

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rotation of a Phantom squadron between the UK and Germany, questioned RAF redundancy figures and 'the apparently exorbitant AFD redundancy payments'. Moreover, the Navy wondered why the RAF had made provision for Defence Suppression missiles for deep interdiction, when Nott wanted the RAF effort in Germany to concentrate on short range close support. Similarly, the Navy highlighted what it viewed as the RAF's failure to outline any ways to reduce their bid to target during the early years. DEFE 13/2022, Annex B to DN Plans, 'The Air Force Department', 8 April 1981.

<sup>126</sup> TNA, DEFE 13/2021 Part One, folio 24/5, CDS to SofS, 'The Defence Budget', 10 April 1981. See also folio 24, Brook (PSO/CDS) to PS/SofS, 'Defence Programme', 9 April 1981. At CDS's behest, a copy of an account of the meeting between the Prime Minister and the Chiefs of Staff on 12 November 1980 was forwarded to Nott.

<sup>127</sup> Ibid. CAS underlined to CDS the DPS paper on the Defence Programme (DPS8/81) did not have the full support of the Chiefs. Work was required on anomalies and alternatives and add backs between the lower and upper lines. There were also questions to be posed to SofS and concerning defence priorities, CAS observed CNS's concerns and concluded until further work was completed, it was 'premature to draw conclusions about the effect of the exercise on any one part of the defence programme. The efforts need to be looked at as a whole.' AIR 8/2806, folio 1, CAS to CDS, 'The Defence Programme', 13 April 1981.

<sup>128</sup> TNA, DEFE 13/2021 Part One, folio 24/5, Chiefs of Staff Committee Defence Policy Staff, 'The Defence Programme: Note by the Directors of Defence Policy'. This noted that the Public Expenditure White Paper of January 1979 (Cmnd 7439) had only allowed for a 3% increase in spending for one year, 1980-81 to 1981-82.

preferred a 'switch in plans'.<sup>129</sup> Nott's question marks littered the paper, alongside 'No' and on five instances 'Rubbish'. The latter covered the claim that financial provision had been cut by £9.5bn to 1990. Adopting the lower line of figures would remove a further £9bn, making a potential total reduction of £18.5bn from resources for 1979-90. Nott said this was 'rubbish'. When it was suggested the prudent lower level of capability to meet existing commitments had already been reached and further cuts necessitated reduced commitments, it was noted Nott's guidelines failed to address the 'specific question of commitments'. In the margin, Nott snapped: 'What does this mean? Is it to suggest that the proposed reduction in Eastlant shipping do not address this question[?].'<sup>130</sup>

The main points of the overall guidance were listed. SofS inserted a cross in the margin next to 'Tornados should not be based permanently in Germany.' He made no comment beside the three assumptions covering no provision for AST 403, prioritising the acquisition of better air launched anti-armour weapons and strengthened UK air defence. When the paper claimed the Royal Navy would bear 62% of overall reductions, compared to 22% for the Army and 7% for the RAF, SofS added, 'Does this include Trident?'<sup>131</sup> A question mark from Nott greeted the claim that, 'For the RAF, any decision to base Tornado back in the UK must limit flexibility and reaction capability and thus degrade effectiveness'.<sup>132</sup> However, this was the considered view of the AFD. Similarly, in the 'Political Impact' section, Nott questioned the passage, 'The withdrawal of Tornados and Phantoms from Germany in peace-time would be particularly contentious and could lead to accusations of renegeing on Brussels Treaty commitments'. Here Nott wrote, 'not Tornado?' and 'provide info – we are spending 60% more than FRG'.<sup>133</sup>

The DPS paper mentioned specific measures proposed by the Service Departments were 'inconsistent with the thrust of S of S guidance'. To meet the financial criteria of the early years, the AFD proposed to delay converting the final three Nimrod Mk Is to Mk II standard, even although this delay would be much more expensive. Nott noted, 'They must not do this'. Similarly, the cancellation of Bloodhound-replacement and Sea Eagle was inconsistent with guidance to increase investment in weapons systems at the expense of platforms. In the margin, Nott, wrote,

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<sup>129</sup> Ibid. When the paper described a further reduction to the planned programme of £4bn in the LTC period to accommodate the 'decision that this project should be funded from within the existing defence budget', Nott wrote in the margin, 'Rubbish, this is a switch in plans, it is not a reduction.'

<sup>130</sup> Ibid., p. 2.

<sup>131</sup> Ibid., p. 4.

<sup>132</sup> Ibid., p. 6.

<sup>133</sup> Ibid., p. 7.

‘Procurement?’<sup>134</sup> Moreover, some equipment measures proposed by individual Target Heading Managers damaged other Target Headings [in other Services] and were ‘completely incompatible’.<sup>135</sup>

SofS was happier the Army planned to add £235m to their war stocks level, although, ‘With the exception of the RAF, whose war stocks are close to the NATO criteria and who are able to allocate funds to their enhancement, the Services have serious shortfalls in war maintenance reserves.’ Even with reduced force levels there would be little overall improvement in staying power.<sup>136</sup> Redundancy schemes were also inevitable. As well as affecting officers, lower line measures swept up large numbers of other ranks. Nott ticked the adjacent margin.<sup>137</sup> Finally, the timescale for considering this major programme shift was too short: ‘such a radical redirection as that proposed by SofS can sensibly be achieved only by an incremental process’. Other Government Departments and NATO required to be consulted, although it was recognised Defence faced serious short term financial problems which ‘can be solved only by an injection of extra money or a most stringent curtailment of activity below levels already barely adequate’.<sup>138</sup> Despite this blatant challenge to his plans for a radical re-think, SofS made no comment on this section.

The DPS paper also summarised the Service Boards’ responses to DUS(FB). SofS annotated the annex detailing the Navy Department Programme. The Army and RAF were spared comment. Like other target headings, AFD faced a considerable problem in the early years. At the end of the period its budget share increased in line with Nott’s directives. The AFD had tried, ‘to obey the letter and the spirit of the S of S’s guidance, protecting the air defence and anti-armour capabilities at the expense of other programmes. The objective was to minimise damage to the RAF’s long-term capability arising from measures essential to meet the ‘stringent financial necessities of the early years’.<sup>139</sup>

The AFD proposed 29 savings measures. Prominent was the proposal to purchase 35 Harrier GR3 instead of 60 GR5 and delay spending on AV8B in the early years while still pressing for an in-service date of 1987. It was proposed to cut the

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<sup>134</sup> *Ibid.*, p. 8.

<sup>135</sup> *Ibid.*, p. 9. For instance, the Navy’s cancellation of Stingray would harm the RAF’s ASW capability. Moreover, an AFD decision to defer Rapier-improvements hampered the Army’s plan for similar improvements. Beside both assertions, Nott wrote ‘No’.

<sup>136</sup> *Ibid.*, p. 10. It was accepted improvements could only be accomplished gradually.

<sup>137</sup> *Ibid.*, pp. 10-11.

<sup>138</sup> *Ibid.*, p. 12

<sup>139</sup> *Ibid.*, p. D-19.

maritime Buccaneer force to 18 operational aircraft, cancel Sea Eagle and instead buy 150 Harpoon missiles. The formation of a second Chinook squadron was to be delayed by four years, as were Rapier improvements. Tornado training in Canada was deferred. Restrictions on multi-crew aircraft flying were extended for a further three years, alongside cutting fast jet flying to 15 hours per pilot per month. It also proposed removing all RAF units from Cyprus. Officer strengths in headquarters were to be cut by 10% and airmen strengths were to be held at 95% of existing levels.<sup>140</sup>

These proposals meant the RAF's numerical front line would be broadly maintained at the planned level, albeit with a lower capability than envisaged. Funding was anticipated from the late 1980s for improved air defence capability and improved weapons for offensive support aircraft. However, basing the 2<sup>nd</sup> TAF Tornados in the UK would degrade their operational value and involve significant early years costs (£56m) with modest annual savings of £2.3m only from 1986, at the risk of losing NATO infrastructure funding. Moreover, if Tornado was permanently based in the UK it required an air launched conventional cruise missile to extend its effective range. Technical problems rendered an effective missile unlikely before 1990.<sup>141</sup> Cancelling AST 403, despite the AFB's recommendation that a true air combat capability was essential by the late 1980s, meant no such capability was likely before 2000. It was feared Britain would become reliant on US and French technology, with a minor role in future collaborative military aircraft projects. Although fighter air defence capability was to be enhanced later in 1980s with Phantom run-on and more improved Tornado F2s, the UK would not possess an area air to surface missile defence system in the 1990s. Furthermore, without ASR 409, the RAF would enter the 1990s with a close support capability reliant on aircraft designed in the 1960s. The detrimental military and intelligence implications of an RAF withdrawal from Cyprus included difficulties for any Army units remaining and 'serious implications' for UK intelligence gathering capability and UK-US intelligence cooperation. Meanwhile, proposed flying rate cuts involved units dipping below SACEUR's required standards, risking operational skills and lowering the deterrent impact of the RAF's front line. Notwithstanding

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<sup>140</sup> Ibid., p. D-20. DUS(Air) later noted it had proved impossible for the RAF to achieve their 10% reduction. Training organisation and Command structure were under scrutiny but the RAF was already very short of front-line pilots. TNA, AIR 8/2806, folio 52, PS/Min of State to PS/2<sup>nd</sup> PUS, 'Defence Policy and Programme - Overheads', 27 April 1981.

<sup>141</sup> Ibid., p. D-21.

these measures, AFD still faced a shortfall of £69m for 1982-1984 which could only be closed by further cuts to flying activity.<sup>142</sup>

PUS described responses to the 'Bermudagram' as 'fairly predictable'. He told SofS, 'They are designed to take ground offered or demonstrate the total impossibility of the situation. They are also designed - to put it crudely - to test your intentions and resolve.' The Navy had taken a 'simple stance', cutting deeply towards the end of the period. The Army retained manpower at the expense of equipment. He added, 'The RAF has simply dug in.' PUS proposed the Navy be moved to an 'alternative strategy' and the Army's regular manpower reduced, with better decisions on equipment. On the RAF, he rejected rotating Tornados in Germany, suggesting Tornado numbers stationed there should be reduced, and the reconnaissance role abandoned. PUS asked SofS to issue revised guidance, reflecting his basic thrust but offering more breathing space to achieve changes.<sup>143</sup> To provide some relief for the Navy, PUS suggested an alleviation confined to the final six years of the costing period, from 1985-86, of £100m annually, found from other Target Headings to the proportion of Army 35, Air Force 50, Procurement Executive 10 and Miscellaneous 5. However, Nott rejected this.<sup>144</sup>

Meanwhile, on 14 April, SofS received a 'fascinating note' from the CSA which should be 'the basis for the "July White Paper"'. Nott thought CSA could write it with DUS(P). The note identified future Defence R&D capabilities. Although predicting future developments in technology were 'notoriously dangerous', it was essential to try to assess future trends, particularly the prospective roles of surface warships, offensive aircraft and tanks. CSA argued Soviet technological developments made it 'increasingly difficult to envisage the successful defence of surface ships against determined attack'.<sup>145</sup> CSA also argued improved Soviet air defence meant 'the penetration of their airspace involves putative losses to our aircraft which will make such operations insupportable'. The cost of the ECM and

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<sup>142</sup> Ibid., pp. D-22 – D-23.

<sup>143</sup> TNA, DEFE 13/2021, Part One, PUS to SofS, 'The Defence Programme and Budget', 13 April 1981.

<sup>144</sup> Ibid., Part One, folio 28, Young (DS1) to APS/SofS, 'Defence Policy and Programme', 15 April 1981.

<sup>145</sup> Ibid., Part One, folio 25, CSA to SofS, 'Essential Needs for Defence R&D Capabilities in the Future', 14 April 1981. CSA added: 'It seems that the point has been reached at which we must withdraw the surface warship from the prospect of this type of conflict [a determined attack in wartime], replacing its functions as far as possible by a combination of submarines, maritime aircraft, anti-ship missiles and fighters. This should make possible the fulfilment of the remaining roles, in peacetime and lesser conflicts, by smaller ships with less complex equipment, which could largely be supported by present state of the art technology.'

suppressive measures necessary for a successful attack would likely be too expensive. The CSA forecast:

The use of offensive aircraft will be restricted to close support of the army, with minimal penetration of enemy airspace, and possibly the launch of long-range stand-off weapons. The extent to which the latter will prove cost effective, and within our means, is as yet uncertain; it may be that as an alternative to attacking enemy air bases we will need to strengthen our own air defences, through the use of both fighters and SAM's.<sup>146</sup>

Future combat aircraft were considered 'Technologies of declining importance'. Their R&D strained resources, with growing gaps between projects when development teams wasted away. Aircraft could be bought elsewhere. Surface warships were similar. CSA maintained cheaper, simpler ships had better sales prospects.<sup>147</sup> In contrast, 'Technologies of increasing importance' incorporated submarines and associated equipment, precision guided munitions, guided weapons and air defence systems, command and control, and electronic warfare systems. CSA suggested helicopters and military transport type aircraft, incorporating maritime patrol, AEW, tankers etc, required a closer relationship to civil aviation, with development costs shared with the civil market to make both viable. Fixed-wing airframes and aero engines were two areas, among many, where industry had to provide greater support to the R&D effort.<sup>148</sup>

SofS's minute of 16 April to CDS and PUS acknowledged work done towards the 'Bermudagram'. He accepted this had concentrated on the difficulties of re-assessing the programme costed in LTC 81 against a slower rate of increases in real resources than assumed in the rate of growth of the LTC bids. Nevertheless, the costings exercise still provided 'substantial, sustained real growth'. In view of these revised real growth rates for the 1980s, it was crucial to produce proposals for coherent and balanced forces for the Cabinet. Moreover, the programme must not be planned to the limit of resource projections – he wanted room for flexibility to meet the unforeseen. In seeking a balanced 'core programme' to provide stability Nott was ready to abandon elements of the present programme. He asked each Service to outline their proposed front line on 1 April 1986 and 1 April 1991.<sup>149</sup>

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<sup>146</sup> Ibid.

<sup>147</sup> Ibid.

<sup>148</sup> Ibid.

<sup>149</sup> TNA, AIR 8/2806, folio 8(i), SofS to CDS, PUS, 'Defence Policy and Programme', 16 April 1981.

The annex to Nott's minute provided specific guidance. Regarding the RAF, he agreed to abandon moving Central Region Tornado GR1 back to the UK and purchasing more Phantoms. A shift to cruise missiles for conventional attack operations fell outside the costing period. The shift from IDS to ADV Tornado was limited to 20 aircraft, with Phantoms being run on in the UK even after the ADV entered service. The RAFG Phantom force would be stationed in the UK. RAF Wildenrath's future was to be reviewed. In respect of savings, Nott queried how much would accrue substituting Harpoon for Sea Eagle and running on Buccaneers in the maritime strike role. There would be a purchase of a maximum 60 AV8Bs with as many existing Harriers as affordable run on, although these and the Jaguars were given the lowest priority in the combat front-line. He said there needed to be better anti-armour weapons, then cited 'JP 233 with defence suppression weapons'. Nott also wanted to investigate commercial sources for air trooping and communications, with the VC10 fleet used more for transport and tanker roles. Three extra Nimrods were to be converted to the Mk II and increasing the Hawk's role in UK air defence in time of tension was to be explored.<sup>150</sup>

Beetham was advised the directive 'contained no surprises'. SofS was firm on allocating funds to target headings. The Navy still faced major problems. In contrast, 'AFD still seem to have the strongest hand in the current round and major restructuring will not be necessary'.<sup>151</sup> PUS asked for revised costings to be submitted to DUS(FB) by 5 May. Some 2% either way in each of the first five years was acceptable, within certain stipulations.<sup>152</sup> AFD missed the target by up to 2% (£70m) either way in each of the first five years. CAS wanted to see excesses at the start of the period, balanced by excess savings towards the end, prioritising the RAF's 'core programme'.<sup>153</sup> Meanwhile, VCAS told the AFBSC that front line cuts, peaking in 1983-84 were necessary to get down to Nott's programme level. He was concerned about the impact of cutting activity levels for three more years. The front line had 'taken a hammering'; non-warlike activities had to endure equally severe reductions.<sup>154</sup>

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<sup>150</sup> Ibid., Annex B.

<sup>151</sup> Ibid., folio 10, DASB brief for Chief of the Air Staff, 'Defence Policy and Programme (SoS Minute MO9 dated 16 April 1981)', 21 April 1981.

<sup>152</sup> Ibid., folio 12, Minute by PUS, 'Defence Policy and Programme, 22 April 1981.

<sup>153</sup> Ibid., folio 13, Minute by Peters (AUS(AS)), 'Defence Policy and Programme: Further Costing, 28 April 1981.

<sup>154</sup> Ibid., folio 20, 'Summary Record of Informal Meeting of Members of the Air Force Board Standing Committee on 30 April 1981', 1 May 1981. If any addbacks were possible, arising from greater resources

## Air Force Board brief Nott, May 1981

The second round of work on re-shaping the programme, following SofS's 16 April directive, was completed in early May. Armed with these costings and papers, during the week beginning 4 May, SofS met the three Single Service Boards.<sup>155</sup> The RAF was led by Beetham, a renowned tough customer. Nott noted:

Michael Beetham was a very determined, pretty ruthless and very tough character. Not popular among the other Chiefs on the whole. Fought his corner, the Navy hated him...there were tensions there between Beetham and some of the others and he was not altogether approved of, I think, by some of the other Chiefs.<sup>156</sup>

As DASB until April 1981, the future CAS, Richard Johns, had a 'worm's eye' view of the review's gestation. He observed the Army tended to sit on the fence, believing their commitment to operations in Northern Ireland and Germany rendered them 'unassailable...It then boiled down to a bitter argument between the RN and the RAF on whose contribution to NATO was of the greater strategic importance.'<sup>157</sup> In the MoD's corridors, Johns witnessed the 'acrid relations between the Navy and the Air Force'.<sup>158</sup> The Army and the RAF had more clearly defined commitments to NATO to support their force levels. The Navy role was narrower.<sup>159</sup> Johns later lauded Beetham for steering the RAF through 'some very choppy waters' and assessed: 'Sir Michael was never a man to court popularity but his single-minded and ruthless determination to do what was best for the RAF earned him the respect of all of us who witnessed him fight the RAF's corner.'<sup>160</sup> CAS acknowledged tough Whitehall discussions over 'adjustments' to Britain's contributions to the Central Region or the Eastern Atlantic. It was 'not an easy dilemma' for 'John Nott to resolve'. CAS believed Soviet maritime forces had not attained conventional superiority over NATO forces in the Atlantic. If the Soviet fleet ventured into these waters, it would lack air cover and be exposed to NATO's air superiority. Beetham

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or costly measures, such as the conversion of the GR1 Tornados to the F2 version not proceeding, then priority should be given to restoring activity levels and works programme cuts.

<sup>155</sup> *Ibid.*, folio 24, PS/SofS to DUS (Navy, Army, Air), 'Defence Programme', 27 April 1981. Nott wanted to chair meetings of each board at an appropriate stage.

<sup>156</sup> Churchill Archives Centre, Churchill College, Cambridge, The Papers of Sir John Nott, Literary, NOTT 4, 6 (6) Transcript of interview on cuts to the RAF in Germany.

<sup>157</sup> Sir Richard Johns, *Bolts from the Blue: From Cold War Warrior to Chief of the Air Staff* (London: Grub Street, 2018), p. 122.

<sup>158</sup> *Ibid.*

<sup>159</sup> *Ibid.*, p. 123.

<sup>160</sup> *Ibid.*, pp. 125-126.

concluded: 'For them [the Soviets] a sea campaign would be a means to an end which could be achieved more quickly and effectively by direct assault on land.'<sup>161</sup>

SofS warned Mrs Thatcher the options emerging from the new costings [3% plus 1% figure envisaged in PESC estimates] were smaller than earlier costings and would anger the Party. He outlined options for cutting the BAOR. There would be no savings until Army numbers began to fall in 1984. The eventual reduction would be around 5,000 men. His proposal to withdraw Phantom units from Germany to the UK 'would cause a row but should be manageable'. However, cutting the Surface Fleet over the decade from 60 destroyers and frigates to 35 and closing two dockyards, probably Chatham and Portsmouth, risked the Admiralty Board's resignation. SofS recommended delaying spending on Trident and waiting for the Trident 2 variant. Allocated spending for Trident 1 for 1982-84 could be used elsewhere in Defence.<sup>162</sup> SofS found the prospect of a new, professional and viable defence force 'quite exciting'. Two factors were key – Trident and not reducing the new costings formula. The MoD could find no more savings; large scale redundancies and significant equipment cancellations, including the heavy torpedo and Sea King-replacement were already planned. Nott indicated Trident costs could be found from existing PESC estimates for 1984-85. Mrs Thatcher agreed to meet the Chiefs but was not drawn on Nott's demand that Defence should be excluded from a further round of spending cuts.<sup>163</sup>

At the AFB on 5 May, Board members extolled the Service's operational effectiveness to Nott, highlighting the maritime role.<sup>164</sup> The Defence Policy and Programme paper 'represented a core programme for the RAF to match the postulated allocation of resources over the next 10 years'. The early years were most challenging. The planning priority was to preserve the most essential elements in air power's contribution to Defence strategy. Tornado capabilities were underlined but although qualitative improvements were forecast, planned Jaguar force reductions

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<sup>161</sup> Air Chief Marshal Sir Michael Beetham, 'Air Power and the Royal Air Force: Today and in the Future', *Journal of the Royal United Services Institute for Defence Studies*, December 1982, pp. 21-25. The lecture was delivered on 14 July 1982 when he was still CAS.

<sup>162</sup> TNA, PREM 19/978, 'Note for the Record: Future Defence Policy', 5 May 1981.

<sup>163</sup> *Ibid.*

<sup>164</sup> TNA, AIR 8/2806, folio 18, DUS(Air) to AMP, 'Defence Policy and Programme', 1 May 1981; AIR 6/255, Special Air Force Board, Conclusions of Meeting, 5 May 1981. A few days later when discussing the nature and impact of RAF public relations (PR), the AFB highlighted the possible advantage of selecting particular PR themes within the general scope of air power to increase public knowledge of important RAF tasks such as anti-submarine warfare. Highlighting the use of aircraft against the enemy Navy was a timely reminder of this maritime aspect during a contentious Defence Review. AFB Conclusions 3(81), 14 May 1981.

meant 13% fewer offensive front-line support aircraft in 1991 than in 1981. The Nimrod and Buccaneer forces possessed the 'flexibility and staying power' to shadow and attack Soviet submarines and surface ships from the North Cape to Gibraltar. Soviet ships 'would transit these waters at their peril in war'. Building up the fighter element of UK air defences to 150 aircraft was highlighted alongside the significance of surface to air missiles in the 'layered defence concept of air defence'. Emphasis on improved weapons and larger stocks echoed Nott's priorities.<sup>165</sup>

VCAS expressed reservations about withdrawing air defence Phantoms from Germany. Considerable British assets in West Germany required protection. The Phantoms should not be withdrawn unless British forces were guaranteed air defence by another agency. Commitments in Germany were stressed. Closing Wildenrath was rejected. Also opposed was converting 20 Tornado GR1's to the air defence role, particularly as improvements to the F2 were then in development. The accelerated Vulcan rundown was challenging without a comparable increase in Tornado GR1 and strike (nuclear capable) aircraft numbers would not be restored until 1986. Neglecting AST 403 prolonged a dangerous gap in the RAF's air combat capability. Activity Levels were concerning. To balance the books a reduction was reluctantly proposed. The SACEUR minimum of 15 hours flying per pilot monthly was the absolute minimum. The forecast levels of 16 hours for three years, following reductions in 1980-81 and 1981-82, were on 'the ragged edge of prudence'. Alongside lowering standards in front line units, was the possibility of increased accident rates. A final concern surrounded the AWRE's ability to meet the RAF's nuclear weapons demands alongside Trident's needs.<sup>166</sup>

The proposed 10% cut to the RAF's trained 13,300 officers was raised with SofS. Although numbers could be cut by 10% over five years without redundancy, vital experience would be lost. Moreover, the RAF was short of 900 officers already. This would mean running the service with 2,200 fewer than planned. Controller Aircraft (CA) favoured a 10% cut to the 3,000 officers in staff appointments at NATO and national headquarters.<sup>167</sup> Similarly, the Air Member for Supply and Organisation (AMSO) mentioned risks arising from reducing civilian numbers in Support Command by 2,600 by 1984. Support tasks would slip, flexibility would be reduced, and greater costs incurred. In addition, the works programme suffered heavy cuts and the RAF estate was badly run down. Planned improvements to

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<sup>165</sup> TNA, AIR 6/255, Special Air Force Board, Conclusions of Meeting, 5 May 1981.

<sup>166</sup> Ibid.

<sup>167</sup> Ibid.

quarters had been repeatedly deferred. Only 25% of barrack blocks were built or modernised to 1970s standards. Less than 10% of married quarters had been modernised. This 'slow deterioration' in the 'quality of life' of RAF's people was 'very worrying'. Most operational works programmes related to Tornado, Nimrod AEW, VC10 tankers and UKADGE. Deferring these programmes risked losing NATO infrastructure funding, when it was available.<sup>168</sup>

CA also underlined reducing the AFD target by £900m during the first five years of the LTC period would damage the aerospace industry, with design and development capabilities particularly vulnerable. The abandonment of AST 403, substituting Harpoon for Sea Eagle and delaying an advanced STOVL programme were significant. Procuring weapons from abroad marked a shift from UK suppliers. The services found they could secure more front-line assets by capitalising on other states' R&D work. With Tornado design and development work having peaked, the aerospace industry faced likely contraction without major export income. Defence and economic factors placed greater dependence on overseas industry, losing sales at home and abroad. Once lost, design capabilities were almost impossible to recover. Competitors would exploit this. Sea Eagle epitomised this. If Harpoon was adopted it would be viewed that developing Sea Eagle was beyond UK industry's capabilities.<sup>169</sup> In discussion it was noted the AFB preferred to delete ASR 409 and AV8B from the programme rather than assuming AST 403 would have to be cut to remain within budgetary limits. Moreover, cancelling Sea Eagle might prove politically and industrially unacceptable. Similarly, Bloodhound-replacement could be deferred but was essential eventually. Remaining excesses in the early years could only be reduced by cutting activity levels such as flying hours.<sup>170</sup> AFD forecast a reduction of the RAF's overall front line in the early years, recovering by 1991. The RAF would not possess an effective air combat capability. With accelerated Vulcan disbandment and part of the Jaguar force, the reduction in theatre nuclear weapons declared to SACEUR would be further lengthened.<sup>171</sup> Despite such

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<sup>168</sup> Ibid.

<sup>169</sup> Ibid.

<sup>170</sup> Ibid.

<sup>171</sup> TNA, AIR 8/2806, folio 27, AVM Gilbert (ACDS(Pol)) to Chiefs of Staff, 'The Defence Programme', 6 May 1981. Under the DPWP Option II, broadly endorsed by OD Committee in summer 1980, the run-down of the Vulcan force was due to start at the beginning of 1982, with the last squadron withdrawn by March 1983. The economies announced by Nott on 20 January meant it was necessary to reduce the force by the equivalent of a squadron in 1981. Following Nott's 'Bermudagram' directive it was necessary to bring forward the total disbandment of the Vulcan force to April 1982. Costings were prepared on running the force to March 1983 and beyond although it was warned that flying rates had to be kept low to avoid expensive work to extend the aircraft's remaining fatigue lives. The withdrawal of the Vulcan

reservations, the media considered the emphasis on 'strengthening our air defences' signalled that the RAF would be the one service to get something 'really positive', perhaps 50 extra fighters, from Nott's review.<sup>172</sup>

Meanwhile, the hurried drafting and stress on secrecy meant costings 'lacked precision' and involved 'very rough assumptions'. The following three years were especially tough for Defence, particularly in 1982-83. Moreover, a fine for the 1980-81 overspend, approximately £150m, or any 'cash squeeze' were not factored in. Trident costings remained uncertain. Despite emphasising the core programme, PUS believed Defence was still trying to do too much and sustaining too many projects.<sup>173</sup> Cooper backed converting 20 Tornados from IDS to ADV. However, withdrawing Phantoms from RAFG and closing Wildenrath would dismay NATO, as would activity reductions, accelerating Vulcan squadron disbandment, with no provision for AST 403.<sup>174</sup> There were also differences about the duration of NATO's 3% formula. Howe rejected increases to 1988. He claimed Defence spending had reached a post-war peak. SofS was told this was 'inaccurate and misleading'; the Chancellor's figures ignored the relative price effect.<sup>175</sup>

The Admiralty Board tried to push SofS towards an alternative, maritime-based programme on 6 May. Nott asked PUS to show the impact of transferring £3bn from the Army programme and £2bn from the Air Force. CAS was advised this exercise was 'purely financial and illustrative' - Nott had not requested military advice. Although Nott seemed committed to his original programme, even the prospect of a rough alternative was concerning. However, CAS was advised, 'The status of this alternative strategy will be that much less authoritative, and his proposals will be that much easier to disown should the need arise.'<sup>176</sup>

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had entailed a temporary reduction in the UK's theatre nuclear force, which would only start to be addressed with the introduction in 1983-84 of GLCMs, Perishing II missiles and dual capable F16s and Tornados. DEFE 13/2022, folio 28, Moss (Head, DS9) to APS/SofS, 'Running on Vulcans and Building Additional Nimrod MR2s', 19 May 1981.

<sup>172</sup> David Fairhall, 'RAF likely to elude defence cuts', *Guardian*, 8 May 1981.

<sup>173</sup> TNA, AIR 8/2806, folio 35, PUS to SofS, 'Defence Policy and Programme', 8 May 1981.

<sup>174</sup> *Ibid.*, Annex E, 'Major Decisions to be taken this year and which will need to be announced to Parliament and/or NATO and Industry'.

<sup>175</sup> *Ibid.*, Norbury (PS/SofS) to Alexander (PS/PM), 'NATO Ministerial Meeting: The 3% Aim', 29 April 1981; CHX to PM, 'Defence Expenditure: The NATO 3 Per Cent Aim', 29 April 1981; folio 30, Young (DS 1) to PS/SofS, 'Defence Expenditure: The NATO 3% Aim', 5 May 1981.

<sup>176</sup> TNA, AIR 8/2806, folio 40, PS to CAS, 'Defence Policy and Programme', 8 May 1981. The Air Staff was not consulted about this alternative.

Meanwhile, the Chiefs questioned CSA's assumptions concerning future trends in military technology, stressing the implications for military policy and strategy 'beyond the narrow field of R&D effort'. Three main points concerned them. They maintained surface ships retained a significant war-fighting role. They argued manned aircraft still had a major role to play in interdiction and counter-air roles, denying prohibitive loss rates and questioning the cost effectiveness of long-range stand-off or cruise missiles. A third concern was the exclusive concentration on air defence, which surrendered the initiative to the enemy, who could then attack knowing their bases would be safe from conventional attack. In short: 'We would not wish to see the CSA's view on the nature of future warfare affect decisions on the deterrent and the war-fighting capability of the armed forces in the immediate future.'<sup>177</sup>

CDS advised SofS that the single-Service Chiefs were pre-occupied with their own programmes but following the latest costings he observed: 'There can, however, be no doubt that our overall military capability will be reduced particularly in maritime warfare.' The CGS and CAS broadly agreed with Nott's allocations and believed the Central Region would be the decisive arena for any Warsaw Pact/NATO confrontation. CNS disagreed and believed more even-handedness for Eastern Atlantic/Channel was in Britain's interest and provided greater flexibility. There was agreement over two issues. They doubted the notion of room for manoeuvre or 'elbow room', fearing the Treasury would pin the MoD to the 'core' programme. CDS also warned the Services programmes all involved damaging short-term measures hampering operational activity and professional standards.<sup>178</sup> Lewin called for wider debate and more options. He doubted conflict would erupt on the Central Front, despite Soviet troop concentrations. He thought the greatest risk to western interests emanated from Soviet activity beyond the NATO area; the US had diverted maritime forces accordingly. Moreover, other allies faced similar problems. CDS advocated timely consultation and co-ordination to make cost effective use of resources. It was imperative adjustments matched the needs of a changing world, met UK interests and satisfied NATO allies. As SofS sought speed, CDS wanted wider consultation.<sup>179</sup>

At CDS's request, the DPS prepared a military 'balance sheet' for the three services. Navy Department's core programme involved cuts to every type of ship and

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<sup>177</sup> Ibid., folio 41, CDS to SofS, 'Defence Programme – CSA and CDP Papers', 8 May 1981.

<sup>178</sup> TNA, AIR 8/2806, folio 41(i), CDS to SofS, 'The Defence Programme', 8 May 1981.

<sup>179</sup> Ibid., folio 41 (ii), CDS to SofS, 'The Defence Programme', 8 May 1981. CDS pointed to Poland's internal problems complicating Warsaw Pact lines of communications.

submarine, reduced activity levels and major redundancies. Trident added further uncertainty. The Navy's quantitative and qualitative NATO contribution would be reduced massively. Capability to mount a reasonably-sized maritime presence outside the NATO area was questionable. Army Department concentrated on balancing forces in the Central Region, reinforcements from the UK and home defence forces. A greater reliance would be placed on reinforcement by the TA and reservists from the UK, reducing the BAOR's deterrent value, while reduced numbers threatened its capability to react to unforeseen peacetime contingencies. The RAF's reduced front-line, arising from Vulcan-disbandment and Buccaneer-draw down, was underlined – falling to around 400 aircraft in 1983-84 and only reaching 1981 levels by 1991. Nevertheless, excepting activity levels, the air combat capability in the offensive support fleet and the deferment of some advanced weapons, the core programme maintained most main aspects of existing plans. SofS's guidelines on long-term air capability were judged manageable.<sup>180</sup> SofS still insisted the programme should not be re-planned to the hilt of his planning assumption projection. It would negate the objective of stability. Although allocations were higher, this was specifically to smooth transitional problems and improve equipment quality and stock levels. It was not for increasing basic force structures or restoring expensive projects earmarked for cancellation.<sup>181</sup>

### **Refining the Review**

SofS wanted an 'informed public debate about the new directions we might take'<sup>182</sup> and seemed surprised at subsequent intense advocacy and lobbying. He explained his central thoughts to the Procurement Executive's senior management:

At present, we are seeking to build, from the bottom up, a core programme which will sustain the equipment and the manpower arrangements of our Armed Forces for the next 10 years; rather than just cutting away from existing costings, causing the kind of disruptions which we have seen this year to activity rates and training.

I am asking the Royal Navy, the Army and the Royal Air Force to look to see what kind of balanced force in terms of equipment and

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<sup>180</sup> *Ibid.*, folio 51, Minute by Brook (PSO/CDS), 'Defence Programme', 13 May 1981.

<sup>181</sup> TNA, DEFE 13/2022, PUS to SofS, 'Defence Programme', 20 May 1981, draft minute to MoD.

<sup>182</sup> HMG, *Statement on the Defence Estimates 1981*, Volume 1 Cmnd 8212-1 (London: HMSO, April 1981), Introduction.

manpower they themselves envisage would be desirable, given the resource constraints which face us in 1985 and 1990.<sup>183</sup>

Cash limits and Trident were off-limits,<sup>184</sup> alongside plans to modernise UK air defence. In summer 1981, the Government eventually committed to the Trident 2 D5 operating system. SofS rejected the Naval Staff's request to spread Trident costs across the three Services.<sup>185</sup> He estimated Trident cost £5,000m at September 1980 prices, with spending spread over 15 years; 3% of the Defence budget and 6% of the equipment budget.<sup>186</sup> Nott hoped to meet with the Prime Minister and Cabinet colleagues most affected and wanted Mrs Thatcher to receive the Chiefs with him.<sup>187</sup> Nott warned Mrs Thatcher that lengthy consultation 'with everybody' was 'quite impossible'.<sup>188</sup>

Meanwhile, CNS demanded a meeting with the Prime Minister.<sup>189</sup> Downing Street thought Leach might offer his resignation if he met Mrs Thatcher privately.<sup>190</sup> SofS's personal minute to her on 14 May proclaimed shrilly: 'The forward momentum of the Review must be maintained, otherwise the initiative for reaching necessary decisions will be wrested from me by those who counsel delay, excessive consultation with the Allies, new options exercises etc etc - and all the Whitehall

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<sup>183</sup> Peter Hennessy, 'The defence controversy: Programme ahead of resources, text says', *The Times*, 19 May 1981. Nott's statement was published at the time to help explain the Government's position.

<sup>184</sup> Peter Hennessy, 'Speed predicts defence crisis if cuts go ahead', *The Times*, 29 May 1981.

<sup>185</sup> Nott, *Here Today, Gone Tomorrow*, pp. 219-220.

<sup>186</sup> Philip Webster, 'Anti-Trident lobby attacked by Nott', *The Times*, 6 June 1981. Nott anticipated Tornado would cost twice as much as Trident. Annual BAOR costs of £1.3bn exceeded Trident's peak annual cost.

<sup>187</sup> TNA, PREM 19/415, Norbury (PS/SofS) to Whitmore (PPS/PM), 7 May 1981.

<sup>188</sup> *Ibid.*, Prime Minister's telephone conversation with Secretary of State for Defence, Monday 11 May 1981. Nott feared the FCO wanted to 'consult everyone in sight on everything' but wanted to keep all options open, 'at least until we have discussed it'.

<sup>189</sup> *Ibid.*, CNS to SofS, 'The Defence Programme', 13 May 1981. The CNS informed Nott he wanted to see Mrs Thatcher before Ministers met her 'to discuss your proposals'. Leach's minute succinctly conveyed naval indignation. He highlighted the political and trade benefits of naval power and presence. Leach added, 'At a time when the capability to deter Soviet aggression outside Europe is becoming increasingly important it makes no sense to slash the only part of our defence capability which can contribute to this deterrence on a continuing day to day basis.' Leach told Nott: 'I consider your proposals for the Navy of the future to be irresponsible and damaging to the short and long term interests of our country. My advice has been disregarded.'

<sup>190</sup> *Ibid.*, folio 4, Note from Whitmore (PPS/PM) to PM, 14 May 1981 on minute from SofS to PM, 13 May 1981. Mrs Thatcher eventually agreed to see Leach separately, after her meeting with Ministers on the shape of the Defence programme and her follow-on meeting with the Chiefs of Staff. In the light of these meetings, No. 10 hoped there was a possibility that the separate meeting would not be required. PREM 19/415, folio 10, Whitmore to Norbury (PS/SofS), 15 May 1981.

devices for avoiding harsh and unpleasant changes.<sup>191</sup> He doubted the strength and reliability of some allies, although NATO would 'somehow "hang together"'. Freedom's survival depended on the US and UK. SofS thus emphasised the UK base, as it was the ultimate reinforcement base for NATO.<sup>192</sup> Long-term plans envisaged its marginal strengthening, a small out-of-area capability and maintaining and sometimes enhancing front-line force declarations to NATO. Despite Trident II costs, Nott cautioned against delaying tackling 'the deep-seated imbalances in our conventional programme' and recommended 'a radical change in the direction of the 10 year defence programme, involving extremely difficult political decisions'.<sup>193</sup> The problem was the early 1980s. Nott wanted published PESC allocations maintained and then carried forward at 3% until 1984-85. He could then 'turn round the conventional programme to its new, lower path'. However, he had no room for manoeuvre and needed additional Trident funding up to 1984-85:

I cannot bring about the necessary change and manage Trident, within my current PESC allocation – let alone produce short-term savings. For that reason, I cannot produce any sensible answer to the 3%/5%/7½% PESC exercise which has just been commissioned. I am operating in a much deeper way, constructing a new long-term defence programme; this is not compatible with short-term cuts which would only involve the virtual cessation of current activity for the Forces themselves.<sup>194</sup>

SofS considered the operational tasks and effectiveness of the three Services. Although NATO offered collective defence, 'it would be too great a risk to cut out totally a major capability of our Services'. Moreover, political factors rendered it impossible to embrace too great a degree of specialisation and dependence on others. Nott offered two Army options. One was reducing its contribution on the Central Front from four to three divisions in the BAOR and cutting the regular Army

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<sup>191</sup> TNA, PREM 19/415, folio 7, SofS to PM, 'The Defence Programme', 14 May 1981. In this minute Nott also recognised the 'threat' and told Mrs Thatcher he was 'appalled by the accelerating growth of Soviet military strength' fearing 'the military/scientific establishment is gaining control of the Kremlin', meaning the West faced an 'exceptionally dangerous period'.

<sup>192</sup> *Ibid.*

<sup>193</sup> *Ibid.*

<sup>194</sup> *Ibid.* The Public Expenditure White Paper (Cmnd 8175) had stated that public spending was higher than the Government wished and needed the most serious attention during the forthcoming survey. However, if in 1982-83 the Government maintained its commitment to ring fence Law and Order, Health, Retirement pensions and Defence (which implied 3% growth on 1981-82 figures), then the percentage cuts on other programmes required to achieve these suggested reductions to total spending would be some 4½%, 8½% and 13%.

by approximately 5,000 men. The other was reducing the BAOR from four to two divisions, involving a larger reduction to the regular Army and a withdrawal from the Central Front into a reserve role. The latter was more expensive shorter term. In view of Northern Ireland, Nott doubted whether reducing the Army from over 140,000 to below 130,000 regulars could be risked because of the impact on NATO and Britain's problems in the European Community. On the RAF, SofS was guardedly supportive:

There is little scope for a change in the size, role and cost of the RAF and indeed I can see no way of doing as much as we should – not least because of the Tornado – towards the air defence of the United Kingdom.<sup>195</sup>

Nott critically examined the Navy's role. The Admirals accused him of pre-judging the exercise. He rejected their demands to examine the financial consequences of withdrawing the BAOR and concentrating resources on the maritime role, dismissing the assumption that allies would assume Britain's responsibilities for 65 km of the Central Front. He was 'increasingly sceptical' of the surface fleet's viability in the Atlantic, faced with Soviet long-range submarines and air launched missiles. Nott advocated nuclear submarines and Nimrod maritime patrol aircraft alongside a smaller surface fleet with cheaper ships. Following his resignation [see below] Speed dubbed the whole idea as 'frankly rubbish'. The most painful resultant change involved reducing shipbuilding. Many older ships would be scrapped. Two dockyards and numerous naval shore establishments would close, with more training at sea. The new through-deck cruisers might be declared to SACLANT but would be used in 'out of area' tasks, avoiding considerable costs to protect them from Soviet Backfire bombers and cruise missile firing submarines.<sup>196</sup>

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<sup>195</sup> Ibid. Mrs Thatcher minuted in the margin, 'RAF – same'.

<sup>196</sup> Ibid. Nott was particularly worried about the new aircraft carrier HMS Ark Royal, due to be launched by the Queen Mother on 2 June, with Nott due to make a speech after the launching. The Naval Staff proposed its cancellation after the launching, but an indignant Nott said although one of the three anti-submarine carriers had to be got out of the programme, it must not be the Ark Royal. The high-profile launch and the particular associations with the carrier's name and the Royal Navy made it 'politically unthinkable' to put it in mothballs in June or July 1981. He proposed the sale or lease to the Australians of Invincible which was already in service or Illustrious which was due to be fully operational in March 1983. The Naval Staff also proposed that HMY Britannia should be retired in 1983 when a four-month refit was due. The resultant savings of £4.8m over nine years were small and Nott proposed 'to tell the Naval Staff to forget it'. In a handwritten postscript Nott added, 'To keep Ark Royal will cost us an additional £200 million – less any proceeds we received from selling another carrier. You can see the problems!' PREM 19/415, folio 6, SofS to PM, 'The Defence Programme, HMS Ark Royal', 14 May

SofS insisted his proposals provided the easiest and cheapest way of re-balancing the forward programme. Further delay meant ‘degraded capability and rising costs’. Nott’s proposals involved reducing civilian support staff by 50,000, despite most ‘performing essential service tasks’. The ‘Naval Lobby’ was ‘very strong’. Marginal seats would be affected by dockyard and other closures. The Government had to show it was re-organising Defence spending within the 3% guidelines and underline Trident was not the problem. Nott insisted, ‘given the current PESC provision plus around £600m for Trident over the next three years we can pull it off’.<sup>197</sup> SofS also summarised the Chiefs’ views:

They are at one in strongly deploring any reductions in our contribution and funding, at a time when the Soviet military effort continues to grow unchecked. If changes on the scale I postulate nevertheless are to be made, the Chief of the General Staff and the Chief of the Air Staff endorse the broad balance of the proposals; the Chief of the Naval Staff does not. The Chief of the Defence Staff would endorse it if our Brussels Treaty commitment to Europe is judged critical to Alliance cohesion, but he...would prefer to reach conclusions only after thorough dialogue with our Allies.<sup>198</sup>

Nott reminded colleagues that revising the programme was essential. Military technology advances and massive Soviet spending necessitated changing investment and operational priorities. Secondly, the latest LTC confirmed that even if the programme addressed the growing threat, it was ‘overfull by any reasonable standard of what Britain can afford and sustain’.<sup>199</sup> Reducing equipment quality or training, cutting numbers and squeezing out ‘waste’ would not suffice. Nott’s advocated a ‘deliberately severe reduction in resource assumptions’. He deplored pitching the planned force structure at the limits of the most optimistic projection. The basic structure had to be set at a level sustainable ‘through the inevitable shifts as budget allocations move from projection to specific decision in cash terms’. This had to be complemented by proper provision for logistic support, training and

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1981. See also David Fairhall, ‘The logic in the arguments of Mr Nott’, *Guardian*, 3 June 1981; David Fairhall, ‘Speed denounces Nott’s “rubbish”’, *Guardian*, 19 June 1981. Speed said the idea of relying on submarines and Nimrods was ‘rubbish’ and said the Russians, the intelligence people and Nott himself knew this. After the Review’s publication, Speed’s Labour predecessor as Navy Minister, Patrick Duffy, was also critical of Nott’s ‘high risk policy’. Patrick Duffy, ‘Behind Mr Nott’s smoke-screen’, *Guardian*, 29 June 1981.

<sup>197</sup> TNA, PREM 19/415, folio 7, SofS to PM, ‘The Defence Programme’, 14 May 1981.

<sup>198</sup> *Ibid.*, folio 8, SofS to PM, ‘The Defence Programme’, 14 May 1981.

<sup>199</sup> *Ibid.*

mobility.<sup>200</sup> The resource assumptions involved maintaining the proportion of GDP spent on Defence – about 5.25%, alongside cautious forecasts of GDP growth and Defence inflation relative to general inflation.<sup>201</sup>

Nott underlined the nuclear role was ‘cardinal’. The more expensive Trident II slowed early years spending. Nott aimed to avoid cutting the direct defence of the UK base but thought defensive mining capability would be abandoned. Some further Hawk trainers could be armed as supplementary fighters. Meanwhile, Nott recommended expanding the size and role of reserves, particularly the Territorial Army.<sup>202</sup> Formidable political challenges surrounded a slimmer BAOR of ‘perhaps 45,000’, despite potential UK military advantages. If this meant maintaining the BAOR’s current role and Brussels Treaty figure, it was essential to remain very tightly to an establishment of 55,000 and draw on the force more than hitherto (excepting Northern Ireland) for other contingencies. To ensure the Army was reasonably equipped total manpower had to be reduced, with five to ten major units disbanded.<sup>203</sup>

Considerable savings had to be found elsewhere, notably a 25% cut to ‘conventional’ Navy funding and reducing naval manpower by 17,000 by 1986. Nott highlighted, ‘there would seem to be no escape from substantial change in the structure of the maritime contribution’. The top-quality maritime effort, after the strategic deterrent and its protection would be ‘concentrated upon submarine and maritime air’. The surface fleet would be smaller, incorporating fewer expensive new ships.<sup>204</sup> The modified programme offered a chance to withdraw from Belize, close Gibraltar dockyard and transfer the airfield to civilian running. A ‘hard look’ at Cyprus was recommended, although political difficulties precluded major short-term savings. Meanwhile, modest measures, already identified, were approved to enhance the out-of-area flexibility of UK ground forces.<sup>205</sup> The re-balanced programme still involved increased real spending on equipment despite shipyard closures. The UK would proceed with AV8B (the UK/US improved Harrier purchase) and Sea Eagle. Navy and Army recruitment required to be ‘sharply

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<sup>200</sup> Ibid.

<sup>201</sup> Ibid.

<sup>202</sup> Ibid.

<sup>203</sup> Ibid.

<sup>204</sup> Ibid. The UK would thus envisage engaging in high-intensity operations against the Soviets only in circumstances where the US could provide the most sophisticated assistance, such as maritime air defence. Nott wanted to ‘exploit vigorously’ the fleet’s flexibility, including the anti-submarine carriers, for deployment beyond the NATO area.

<sup>205</sup> Ibid. Further savings were thought possible at Gibraltar if Spain joined NATO.

restrained', while Services and civilian redundancies were unavoidable, incurring near-term costs. Nott again stressed the inadequacy of support and stocks which were 'very tight' and required enhancing.<sup>206</sup>

SofS proposed reducing the RAF front-line from 649 aircraft to fewer than 600 in 1983-84, rising to 631 in 1986 and 662 by 1991. He complained Tornado was 'now deeply committed and made very inflexible by the complex collaborative arrangements'. The option remained to switch the last 20 Tornado IDS for use in UK air defence.<sup>207</sup> Similarly, an extra 36 Hawk trainers were to be armed as supplementary fighters, but Bloodhound SAM system-replacement was postponed for another decade or more. A study was proposed on returning the two Phantom squadrons from RAF Germany for UK defence and placing Wildenrath on a care and maintenance basis, retaining the option of forward detachment. The final three Nimrods in storage would be brought into service in the maritime patrol role. There was also consideration of converting three Nimrods used on special duties to maritime patrol and possibly adapting spare VC10s to special duties. The Buccaneers were to run on in the maritime role, relieving the more expensive Tornado front-line. The disbandment of remaining Vulcans was accelerated to 1 April 1982, before Tornado replacement. Jaguar run-down was also brought forward. The direct Jaguar replacement (AST 403 – the Trilateral Combat Aircraft) was abandoned. Some 60 improved Harrier AV8Bs were to be produced. Undertakings were made that the JP233 anti-airfield project would continue development and new weapons for the Tornado and other aircraft to suppress enemy air defences and attack armour would be purchased. VC10s would replace Victor tankers hitherto but replacement of communications aircraft by, for example, Jetstream, was delayed until the late 1980s. Flying hours were to be cut to the SHAPE minimum rate for three years.<sup>208</sup>

The PUS told SofS the costings were 'fairly broad brush in character'. He thought it inconceivable the projected programme could be 'rigidly contained within the lower budget line over the next few years'. Painful decisions were required on reshaping the Navy, restricting recruitment, implementing redundancies and closing units and establishments. These then required a massive programme of administration. The programme could not withstand further review during autumn's public spending discussions, with decisions required by the summer for reliable

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<sup>206</sup> Ibid. Intelligence indicated the Warsaw Pact had 60 days of war combat stocks.

<sup>207</sup> Ibid.

<sup>208</sup> Ibid.

budget planning purposes and to end the ‘mismatch between resources and programme’.<sup>209</sup>

Some believed SofS was moving too quickly. The Cabinet Secretary described Nott's timetable - proposals to NATO allies in early June, followed by an announcement and accompanying White Paper in early July - as 'unrealistically fast'. These were momentous decisions. Nott needed to take his colleagues with him, necessitating full Cabinet clearance and careful presentation to Allies. An early July announcement created major difficulties for the Chancellor with the PESC timetable. Nott's proposals also involved additional Defence funding when other programmes faced critical review and cuts.<sup>210</sup>

Armstrong questioned whether there was general agreement with SofS's resource assumptions, whether the proposals reflected the national interest and if Government supporters, the public and NATO allies would approve. The thrust of the proposals was clear. Longer-term they reduced the programme's rate of growth and Defence as a percentage of GDP. Shorter-term, however, it meant existing figures in real terms, alongside an additional £200m annually for Trident. Nott intended to 'impose marginal reductions on the Army and RAF programmes but to cut the surface fleet very severely. In effect the surface fleet is being cut in order to pay for Trident.' Armstrong thought it might be difficult to secure ministerial agreement. When OD Committee discussed the programme in July 1980 'there was a strong disposition to argue that in the long term it was in Britain's national interest to concentrate in her maritime defence effort'.<sup>211</sup> Armstrong thought the Chiefs 'presented a problem'. He suggested Mrs Thatcher met them, accompanied by SofS, after the ministerial meeting on 18 May and before OD Committee. He predicted: 'the CGS and CAS will broadly agree with what is proposed and the CDS will probably sit on the fence, the CNS will be left in a minority of one,' but would not resign. Armstrong predicted perceptively Speed might resign.<sup>212</sup>

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<sup>209</sup> TNA, DEFE 13/2022, folio 7, PUS to SofS, 'Defence Programme', 15 May 1981.

<sup>210</sup> TNA, PREM 19/415, folio 11, Armstrong (Cab Sec) to PM, 'The Defence Programme', 15 May 1981.

<sup>211</sup> *Ibid.*, folio 12, Armstrong (Cab Sec) to PM, 'The Defence Programme', 15 May 1981. The Lord Chancellor, Lord Hailsham backed the maritime defence effort and Lord Carrington expressed similar sentiments. Armstrong suggested alternative cuts if Howe argued Defence's demands remained too high or if Ministers thought some of the suggested reductions were too deep.

<sup>212</sup> *Ibid.*

SofS meant business. One profile observed: ‘He has a lean and hungry look about him.’<sup>213</sup> Scare stories abounded. There were rumours of £10bn cuts over the next decade and nightmare naval scenarios. Some 75% of the likely savings were predicted to emanate from Navy cuts. The Navy’s 66,000-strong establishment was projected to be halved, with up to half the surface fleet lost.<sup>214</sup> As tensions mounted, Speed questioned the review in an uncleared constituency speech on 15 May. He argued projected reductions threatened national security, greatly damaged Britain’s NATO contribution and set ‘a defeatist and dangerous course’.<sup>215</sup>

This was the biggest political crisis thus far in Mrs Thatcher’s premiership. Nott suggested moving Speed to another department.<sup>216</sup> Mrs Thatcher was ‘appalled’ by Speed’s ‘open disloyalty’. He was sacked,<sup>217</sup> being applauded out of the MoD by

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<sup>213</sup> Peter Hennessy, ‘The defence controversy – Mr Nott: Minister with a lean and hungry look’, *The Times*, 19 May 1981. The article observed, ‘He exudes none of that wordiness and false bonhomie that so often accompanies the professional politician.’ However, Conservative MPs expressed doubts at his resolve to achieve such a wide-ranging review, dubbing him ‘John Nitt’ and ‘too scatty’. Clark, *Diaries: Into Politics*, p.190, 12 January 1981; p.208, 4 March 1981. The nickname ‘John Nit’ was attributed to Nott’s Cabinet colleague Norman St John-Stevas, sacked by Mrs Thatcher as Leader of the House of Commons on 5 January 1981. Fred Emery, ‘The balancing act round the Cabinet table’, *The Times*, 17 January 1981. At a combined meeting of the Commons Defence and Foreign Affairs Committees in mid-June this impression was reinforced: ‘Notters was next in, as always slightly rattled and gangling. He is the embodiment of high rank *without* gravitas.’ Clark, *Diaries: Into Politics*, p.238, 15 June 1981. The former Conservative MP, Matthew Parris, later remarked: ‘I remember Nott from the Tory backbenches. He always looked a bit awkward, woebegone.’ Matthew Parris, ‘From defence to attack’, *Daily Telegraph*, 31 March 2002.

<sup>214</sup> Adam Raphael, ‘New defence cuts would halve fleet’, *Observer*, 17 May 1981; Henry Stanhope, ‘Threat of Tory revolt on £1,000 million cuts in defence’, *The Times*, 18 May 1981; George Clark and Richard Evans, ‘Thatcher dismisses minister over defence cuts speech’, *The Times*, 19 May 1981. Nott had also considered halving the 55,000 strong BAOR with consequent reductions to the costs for 80,000 dependants and the 30,000 local employed civilians engaged by British Forces Germany but this idea was rejected on political grounds.

<sup>215</sup> TNA, PREM 19/415, Keith Speed MP speech, 15 May 1981. Reports said that Speed had warned Nott twice verbally and once in writing that he was going to make public his opposition to the Navy cuts. Ian Aitken, ‘Thatcher fires rebel Speed as Navy Minister’, *Guardian*, 19 May 1981.

<sup>216</sup> TNA, DEFE 13/2022, folio 9, Speed (PUSofS(RN)) to SofS, 17 May 1981. Speed maintained that neither he nor his constituents viewed the Tenterden speech as a ‘controversial document’ and believed it did not represent a ‘radical new departure in Government or Defence thinking’. Nott wrote on Speed’s minute, ‘Testament of the heart!’

<sup>217</sup> TNA, PREM 19/415, Minute from Lankester (PS/PM) to Whitmore (PPS/PM), ‘Keith Speed’ (covering Prime Minister-Nott telephone conversation), 17 May 1981. Nott had observed: ‘He [Speed] had clearly broken ranks while the Navy Chiefs, while no doubt feeling the same way as he did, had remained loyal’; Thatcher, *The Downing Street Years*, p. 250; Political Correspondent, ‘Resignation denied by Navy minister’, *The Times*, 18 May 1981; Ian Aitken, ‘Ministers at loggerheads over planned defence

the Naval Staff and escorted to his car by CNS.<sup>218</sup> The media speculated the Navy had been hoodwinked over Trident, which unlike Polaris it had to fund, leading to frenzied Admiralty leaking and lobbying.<sup>219</sup> Speed's dismissal<sup>220</sup> initiated further Prime Ministerial action. Shortly afterwards, single Service junior ministers were abolished, as suggested by Nott in February, when he criticised his ministerial team.<sup>221</sup> The Minister of State and three single-Service Parliamentary Under-Secretaries were replaced by a Minister of State (Armed Forces) and Minister of State (Defence Procurement), each supported by a Parliamentary Under-Secretary, 'the most significant reorganization at the Ministry of Defence for more than a decade'.<sup>222</sup>

Meanwhile, CNS produced a trenchant minute for SofS to give Mrs Thatcher. Her busy diary meant she could not see Leach personally. He wrote: 'I am confident however that you will at least spare two minutes to read this note from the professional Head of the Navy before you and your Cabinet colleagues consider a proposition substantially to dismantle that Navy.' Leach claimed 62% of Defence cuts over the next nine years fell on the Navy, reducing its budget by a quarter. Naval manpower would fall to its lowest level for a century:

The proposal has been devised ad hoc in two months. It has neither been validated nor studied in depth. No alternative options have been

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cuts', *Guardian*, 18 May 1981; George Clark and Richard Evans, 'Thatcher dismisses minister over defence cuts speech', *The Times*, 19 May 1981; Editorial, 'Mrs Thatcher cracks the whip', *The Times*, 20 May 1981.

<sup>218</sup> Adam Raphael, 'How Nott sank the Admirals', *Observer*, 24 May 1981. When Pym had indicated he may resign over the Defence cuts in late 1980, Speed indicated he would go too.

<sup>219</sup> David Fairhall and Julia Langdon, 'Has the Navy been duped over Trident?', *Guardian*, 19 May 1981.

<sup>220</sup> TNA, PREM 19/416, Bernard Ingham, 'Note for the Record', 19 May 1981. Mrs Thatcher believed Speed had been disloyal in not clearing his speech with Nott prior to its delivery. Ingham remarked, 'There is no point in mincing words about it: this is a dismissal.'

<sup>221</sup> See under 'Initial Thoughts on Programme Adjustments' earlier in this chapter.

<sup>222</sup> Henry Stanhope and Craig Seton, 'Services lose their own ministers in reshuffle', *The Times*, 30 May 1981; Political Staff, 'Reshuffle aims to crush defence rebels', *Guardian*, 30 May 1981; Labour had planned to end individual Service ministers in the 1970 Defence White Paper but the incoming Conservative Government opted not to follow this course. Speed had exacerbated the situation by telling a seminar at the St Ermin's Hotel London on 28 May 1981 of a crisis in the 1980s and a cataclysm in the 1990s if some of the naval cuts contemplated by the MoD were implemented. Peter Hennessy, 'New strategy could bring an end to morale-sapping disputes', *The Times*, 18 June 1981. The emphasis on functional rather than single-Service lines was reinforced when it was announced that Peter Blaker, Minister of State (Armed Forces), would be Vice-Chairman of all three Service boards and chair them when the Secretary of State was away. Staff Reporter, 'Single appointment made to lead three Service boards', *The Times*, 2 June 1981.

considered. It has all been done in a rush. Such unbalanced devastation of our overall Defence capability is unprecedented.<sup>223</sup>

When selected Ministers met on 18 May, Nott did not propose fundamental changes to the RAF's size and capability, remarking the AV8B and JP233 programmes should continue. However, efforts in the Atlantic should be concentrated on nuclear submarines and Nimrod maritime patrol aircraft, alongside cheaper Type 23 frigates. Howe worried that in a recession, Nott's proposals involved more shorter-term spending. Nott wanted 3% increases until 1987-88 and an additional £600m to 1984-85, because he had 'almost no room for manoeuvre over the next three years'. He needed these resources to bring the programme under control and give it fresh direction.<sup>224</sup>

The Chancellor viewed Defence in the wider public spending context. If Defence avoided cuts, remaining programmes suffered deeper reductions. Howe warned against spending levels which would make further cuts inevitable two years hence. He rejected a 3% rise until 1987-88 and further £600m to 1984-85. Howe believed the whole Cabinet had to decide the issue. Nott argued if the programme was not changed as proposed, ultimately, he would need more money. Trident II would mean more spending. The Foreign Secretary, Lord Carrington, hinted a substantial reduction of the BAOR could lead to NATO's collapse but large cuts to the surface fleet would anger the Conservative Party. He forecast a campaign to cancel Trident if it was funded at the conventional navy's expense but accepted most reductions be made in the Eastern Atlantic. The Prime Minister underlined Trident 'was the ultimate safeguard of our national security'. Nott's proposals were the only way of getting spending under control and avoiding deeper cuts later. What was under discussion was the best way of allocating a 'steadily increasing defence budget'.<sup>225</sup> SofS confirmed Navy fears and made his hostility towards large surface ships clear

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<sup>223</sup> TNA, PREM 19/416, folio 1, CNS to PM, 'The Defence Programme', 18 May 1981; folio 2, Norbury (PS/SofS) to Whitmore (PPS/PM), 18 May 1981. Nott suggested Leach's minute was made available to ministerial colleagues and Whitmore assured the First Sea Lord's secretary that 'the Prime Minister had seen and read Admiral Leach's minute'. The American media commented prominently on the proposed Defence cuts and Speed's sacking. Coverage said the naval reductions would cause anxiety in the US and the US Navy would be unable to pick up the slack in the Eastern Atlantic, causing some strains between the two governments. See Washington tel no 1547, 19 May 1981.

<sup>224</sup> *Ibid.*, folio 3, Whitmore (PPS/PM) to Norbury (PS/SofS), 'Defence Programme', 19 May 1981.

<sup>225</sup> *Ibid.* Mrs Thatcher said there was no question of spending being cut from the levels quoted in Cmnd 8175. This was the Public Expenditure White Paper.

in the Defence debate (19-20 May) saying had the three anti-submarine carriers not been ordered, he would not have gone ahead with them.<sup>226</sup>

Marked reductions in recruitment were already planned for 1981-82. Retention rates had improved significantly. More favourable pay deals since 1979 played their part, alongside the challenging employment environment.<sup>227</sup> As a result, the RAF imposed a 60% cut on Service recruitment for 1981-82.<sup>228</sup> The RAF support organisation had not yet fallen to a level where it might break down but DUS(Air) thought this day was getting closer. The assumption that 'manpower and money could be saved by privatisation' often proved false. It was further complicated by various parallel savings exercises, including the 10% cut to both service and civilian HQ numbers, wider civilian cuts and reductions in officer cadres and command structures sought by Ministers.<sup>229</sup>

Defence commentators were sceptical about Treasury attempts to shift to a constant price basis rather than making allowance for actual price changes. Nott warned the figures could be interpreted as a 1.5% cut in real spending in 1981-82 which contradicted recent Prime Ministerial statements. SofS's concerns about changes to relative Defence costs and analysis of Defence's demands on national resources were central to his review. Nott thought this was best measured by considering Defence spending as a percentage of GDP. It was taking a lower share of national resources than in 1949-1968 but the threat had 'greatly increased' since then.<sup>230</sup> Ministers explored savings options in Germany: Nott wanted to know the cost of locally engaged civilians supporting the BAOR, numbering 23,000 in 1981, reducing to 22,000 by April 1986. He wanted to know their roles, why there were so many, and suggestions for cutting numbers and potential efficiency savings.<sup>231</sup>

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<sup>226</sup> David Fairhall, 'Nott statement confirms Speed's fears', *Guardian*, 20 May 1981. Nott conceded that large surface ships were ideal for assisting the US in operations beyond the NATO area.

<sup>227</sup> Services numbers had actually increased by 18,250 (or 5.8%) since the Conservative Government had come into office, Defence Review notwithstanding. In contrast, civilian jobs had been cut by 26,000 or 10½% during the same period and a further 21,500 redundancies were planned by April 1984. PUS, 'Civilian job cuts in Defence', *The Times*, 4 February 1982.

<sup>228</sup> TNA, PREM 19/416, SofS to PM, 'Service Manning 1981/82, 21 May 1981. The Army reduced recruiting targets by two-thirds and the Navy by 20%.

<sup>229</sup> TNA, AIR 6/255, AFB Conclusions 3(81), 14 May 1981. The AFB realised the proposed cuts arose from Government policy and Defence Council decisions and as such the maximum return was called for, however unwelcome these reductions would be, provided additional costs were not incurred.

<sup>230</sup> TNA, PREM 19/416, Omand (APS/SofS) to Wiggins (HMT), 'Real Defence Expenditure', 27 May 1981. Nott thus rejected Howe's claim that Defence spending was at a post-war high.

<sup>231</sup> TNA, DEFE 13/2022, folio 36, Omand (APS/SofS) to AUS(GS), 'The Defence Programme', 27 May 1981. Similarly, Pattie proposed the launch of a survey into the concept of accompanied service in the

PUS highlighted air systems expenditure but Pattie assured Nott that the AFD watched this very closely.<sup>232</sup>

Meanwhile, Pattie supported more Mk II Nimrods for maritime reconnaissance. He hoped two unallocated air frames could be added to the AEW Nimrod programme because the 11 aircraft in that programme constituted the 'absolute minimum'.<sup>233</sup> Nott asked about a Jaguar-successor for the 1980s. He wanted to know R&D, production and indirect costs of developing BAe's proposals for the P110 multi-role twin-engine fighter as a national venture.<sup>234</sup> First developed towards AST 403,<sup>235</sup> it was the RAF's British option.<sup>236</sup> BAe was developing it privately; hoping a British fighter could be ready for service by 1988-89; later if collaboration was involved. It was stated that what was at stake was the future of the military aircraft sector after Tornado. Middle Eastern funding was sought for a joint venture, although individual states had expressed interest in existing aircraft, including Tornado, Hawk and Nimrod.<sup>237</sup> The MoD did not have £1bn for a Tornado follow-on project and collaboration with the Europeans on a European combat aircraft 'appeared to be dead' although the Air Staff had talked to their French and German counterparts. There were major differences in requirements and severe Defence budgetary problems in Britain and Germany.<sup>238</sup> P110 was termed the 'Experimental Aircraft

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BAOR, although admitted additional costs would be incurred initially in the UK creating the necessary infrastructure. He hoped battalions could operate from fixed bases, with the men going to BAOR on a roulement basis, similar to Northern Ireland. He added, it was in the spirit of Nott's review to pose this question. See Pattie (PUSofS(RAF)) to SofS, 28 May 1981.

<sup>232</sup> Ibid., Pattie (PUSofS(RAF)) to SofS, 28 May 1981.

<sup>233</sup> Ibid.

<sup>234</sup> Ibid., Omand (APS/SofS) to AUS(AS), 'The Defence Programme: Supplementary Briefing', 26 May 1981.

<sup>235</sup> 'New UK fighter could be ready in 1988', *Flight International*, 27 June 1981.

<sup>236</sup> 'P.110 development funded until December 1982', *Flight International*, 4 July 1981. p. 9; TNA, DEFE 13/1772, folio 48, PUS to SofS, 'P110', 7 July 1982; folio 51, SofS to Sir Austin Pearce (Chairman, BAe), 27 July 1982. BAe had provided Nott with an outline submission of the P110 New Fighter Aircraft in June 1982.

<sup>237</sup> Ian Mather, 'Battle is in to win jet deal', *Observer*, 27 September 1981.

<sup>238</sup> TNA, DEFE 13/1772, 'Ministry of State's Working Group on Defence Sales – Minutes of a Meeting held on 15 February [1982], P110/Tornado – Sales to the Middle East'; 'Replacing Jaguar and Harrier', *Flight International*, 14 March 1981, p. 716. A miscalculation of Tornado funding left the German Defence Ministry significantly short of resources.

Programme’, a Government-industry demonstrator programme.<sup>239</sup> Only the demonstrator aircraft was built.<sup>240</sup>



The British Aerospace Experimental Aircraft Programme (EAP) technology demonstrator ZF534 displaying at the Farnborough Air Show, 1986. Photograph: AHB (RAF).

Mrs Thatcher met with SofS, Carrington and the Chiefs on 3 June.<sup>241</sup> Mrs Thatcher denied media reports she was ‘furious’ about the review process and said the Chiefs’

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<sup>239</sup> TNA, DEFE 13/1796, folio 22, Pattie (PUSofS(RAF)) to Robert Atkins MP, 30 November 1982.

<sup>240</sup> World sales of 2,500 aircraft were mooted and some foreign industrial investment was also secured but ultimately only a demonstrator was produced in April 1986 at a total cost of £180m. Arthur Reed, ‘RAF super jet gets go-ahead’, *The Times*, 27 May 1983; Rodney Cowton, ‘Britain’s fighter plane of the future’, *The Times*, 17 April 1986.

<sup>241</sup> CDS told SofS the Chiefs did not at this stage wish to exercise their constitutional right to see the Prime Minister formally. They did, however, ‘feel very strongly’ that as members of the Chiefs of Staff Committee they should accompany CDS to the next OD discussion on the Defence Programme. CDS said if Mrs Thatcher did not agree to this then it would be helpful if Nott spoke to the Chiefs personally to explain to them what he viewed as a departure from a constitutional position. If the Chiefs were

behaviour had been 'impeccable'. CDS maintained matters had worsened since November 1980. The Soviet threat had increased but NATO's resolve had weakened. The Chiefs called for collective review and coordination across NATO but recognised attempts by Britain in late 1980 to initiate a NATO-wide review were rebuffed. The Chiefs hoped Mrs Thatcher would still pursue this. CDS added that Britain had commenced a programme to make major changes in the direction of military effort 'without any consultation whatever'.<sup>242</sup>

CAS remarked SofS had concluded available resources should be focussed on the Central Region rather than the North Atlantic: 'Given that a choice had to be made, this was the right one.' The proposals would enable the RAF to fulfil its role over the coming years, make some improvements in air defence capabilities and 'provide some compensation on the Naval air side for the run down in the surface capability'. The RAF's greatest difficulties were in the early 1980s, with Vulcan's accelerated phase-out before Cruise Missile and Tornado arrived, reducing front line capability at a dangerous juncture. Longer term the major problem surrounded the air combat side. Jaguar-replacement would be expensive but needed to be addressed.<sup>243</sup>

While CDS's suggestion for consulting allies was 'logical and sensible', SofS and Carrington said insufficient time was available. NATO machinery was too slow. The better option involved making decisions and selling them to the US and West Germany.<sup>244</sup> Contingency funding for the nuclear deterrent, would be easier to

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excluded from OD they would appreciate an invitation from the Prime Minister to put their comments to her at a separate meeting. TNA, DEFE 25/591, folio 16, CDS to SofS, 'Chiefs of Staff meeting with the Prime Minister', 21 May 1981. Nott concluded that the best opportunity for the Chiefs to make their views known to the Prime Minister was if she received them separately before the OD meeting. Nott also recommended to Mrs Thatcher that CDS attended the OD meeting planned for 8 June to discuss his proposals for the Defence programme. DEFE 25/591, folio 17, Norbury (PS/SofS) to PSO/CDS, 'Chiefs of Staff meeting with the Prime Minister', 28 May 1981; DEFE 13/2022, folio 39, Norbury to Whitmore (PPS/PM), 28 May 1981.

<sup>242</sup> TNA, PREM 19/416, Alexander (PS/PM) to Norbury (PS/SofS), 'The Defence Programme', 3 June 1981; Julia Langdon, 'Defence chiefs tell Thatcher where to draw the line on defence cuts', *Guardian*, 4 June 1981. The Chiefs had last met the Prime Minister in November 1980. CDS mentioned rising pacifism in some NATO states. The Netherlands, Belgium and West Germany were conducting Defence Reviews, Canada was carrying out changes and the US was increasing its Defence budget, although prioritising South West Asia and global considerations at the expense of Europe.

<sup>243</sup> TNA, PREM 19/416, Alexander (PS/PM) to Norbury (PS/SofS), 'The Defence Programme', 3 June 1981. CNS said he was in a different, more difficult, position than his colleagues: 'It would be irresponsible of him to argue that the Navy should be preserved at the expense of the other services. At the same time, it would be irresponsible to agree that the majority of the savings should be found by the Navy.' Other options needed to be properly analysed.

<sup>244</sup> *Ibid.*

address if a 'central fund' was established. The notion of less sophisticated equipment, such as the Type 23 frigate, was ridiculed because military equipment was geared to meet objective threats. Basing procurement solely on financial factors risked failing to achieve effective military capability despite significant spending. The 1981-82 budget was forecast to exceed the cash limits by up to £500m, largely attributed to overruns on Air Force systems. The equipment inflation factor in the cash limit was 11%. British Aerospace expected their overheads to rise by 18% and Rolls Royce by 22%.<sup>245</sup> Mrs Thatcher pointed to achievements since 1979, such as sustaining morale by implementing the AFPRB's recommendations. The current challenge was equipping the forces as well as possible during a period of rapidly rising costs. A wider 'state of the Alliance' review might lead some states to withdraw from existing commitments. Nott's recommendations had to be approved quickly and sold to NATO.<sup>246</sup> Washington was also apprehensive about British cuts. Reductions in visible capabilities, particularly proposed naval cuts, would be viewed unfavourably against planned US increases. American reaction to reduced capabilities might be tempered if Britain demonstrated greater out of area intervention capability.<sup>247</sup>

SofS's note to OD Committee incorporated broadly the same package as considered by Ministers on 18 May.<sup>248</sup> CDS said the Chiefs accepted revising priorities and resource allocations due to technological developments and the changing Soviet threat. They disputed the emphasis on the 'operational need for change'. They agreed investment plans for equipment were 'unbalanced' but blamed insufficient resources being made available since the 1974/75 Review because of cuts to stocks, reserves and activity. CDS observed, 'In short you are making an operational judgement which I do not support'.<sup>249</sup> Nott's memorandum emphasised: 'The central message is that we are at present trying to do too much, with the certainty of not doing it well enough.'<sup>250</sup> Difficult decisions had to be taken immediately, 'If we

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<sup>245</sup> Ibid.

<sup>246</sup> Ibid.

<sup>247</sup> TNA, PREM 19/416, folio 6, Washington tel no 1721, 4 June 1981. The Embassy in Washington observed that Britain already carried more weight in Washington than its military power justified.

<sup>248</sup> TNA, AIR 8/2806, folio 56(li), Minute by Quinlan (DUS(P)), 'The Defence Programme', 26 May 1981.

<sup>249</sup> TNA, AIR 8/2807, folio 7, CDS to SofS, 'The Defence Programme', 2 June 1981.

<sup>250</sup> TNA, CAB 148/198, OD(81)29, 'The Defence Programme', Note by the Secretary of State for Defence, 3 June 1981.

duck decisions now, they will confront us more acutely and in more difficult circumstances later.’<sup>251</sup>

More positively, the 1980-81 overspend was held down to £110m. SofS predicted a substantially higher figure for 1981-82 unless special action was taken. Nott was determined ‘to break out of this kind of situation...we must both re-shape our programme to a more sustainable and relevant structure and assign, for the new structure, resource levels with sensible headroom to absorb inevitable cost growth and other such pressures.’<sup>252</sup> Nott maintained Defence thought in terms of volume rather than in cash terms. Vast resources were tied up in sophisticated weapons systems involving long lead times. Nott sought savings in overheads and support, citing R&D Establishment and staffs. However, he believed the central problem was basic force structure, asserting everything flowed from this. The Army and Navy dominated Nott’s thoughts. Two options were presented for the four-division strong BAOR – a reduction to three divisions, just keeping to the Brussels Treaty commitment of 55,000 men in Europe and maintaining the forward defence task, although reducing the overall Regular Army by around 9,000, or a reduction to two divisions and overall reduction of the Regular Army by about 13,000, withdrawing from the Central Front to a reserve role leaving NATO allies to man the front. SofS favoured the first option. The large works programme and redundancy costs made the latter option initially more expensive. Nott discouraged such a big reduction because of Northern Ireland, civil contingencies and damage to NATO. No other state would take on this frontage. Shifting from NATO’s doctrine of forward defence would harm Alliance and British credibility.<sup>253</sup> Slashing the RAF was rejected:

There is little scope for major change in the size, role and cost of the Royal Air Force (although forward plans must be pruned); indeed, I can see no way of doing as much as we should - not least because of

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<sup>251</sup> Ibid. Nott argued the investment plans for equipment which he had inherited were ‘unbalanced’. Too much was set aside for expensive weapons platforms such as ships, aircraft and tanks. Not enough was earmarked for modern weapons themselves to provide the most effective striking power. Nott believed a shift in the latter direction would improve real deterrence. The 1980-81 cash limit overspend was ultimately reduced to £60m. Nott painted a depressing picture of the previous year to justify the radical changes he proposed: ‘Otherwise we shall be faced with a fudged compromise which sustains Service manpower and civilian employment at the expense of realistic operational capability for the future, plus repeated reruns of the past year’s chaos in which short-term cash squeezes on a programme with no proper headroom lead to indiscriminate freezes on procurement, ships tied up in port, aircraft grounded, NATO exercise participation suddenly cancelled and stocks run down.’

<sup>252</sup> Ibid.

<sup>253</sup> Ibid.

the cost of the Tornado - towards the air defence of the United Kingdom, both for its own sake and as the European end of the reinforcement link with the United States.<sup>254</sup>

The remaining option involved critically examining the Royal Navy's tasks, particularly the surface fleet. SofS acknowledged the 'deterrence by presence' aspect and 'out of area' possibilities offered by aircraft carriers but recoiled at costs involved supporting them against Soviet forces in the Atlantic. Nott supported cheaper frigates and out of area tasks. Expensive infrastructure for refitting older destroyers and frigates was unaffordable. Nott and the Naval Staff disagreed on maritime priorities in a major war – both over protecting reinforcement and resupply shipping and anti-submarine warfare more generally. Nott asserted the anti-submarine effort in the Atlantic should focus on submarines and Nimrod, with cheaper ships with less equipment in a smaller fleet. The review's emphasis fell on the Navy:

The sharpest changes from existing plans will be in cutting back on surface shipbuilding (although orders for ships will continue), shortening the life of many of our older ships, and closing dockyards and other naval shore establishments (with more training at sea).<sup>255</sup>

SofS told Cabinet colleagues the Chiefs were united in 'strongly deploring any reductions in force levels declared to the Alliance'. CGS and CAS endorsed the broad balance of proposals whereas CNS did not. CDS would endorse them if the Brussels Treaty commitment was judged vital to NATO cohesion, although worried about Soviet moves beyond Europe and wanted detailed dialogue with Allies. Nott wanted haste.<sup>256</sup>

SofS expressed the need for 3% real growth, particularly in the difficult early years covering the main transition. He pointed to the political need to sustain Trident. It was essential until 1985-86 to provide additional funding of around £200m annually, in addition to the main 3%, towards Trident costs. Nott mentioned measures which might ease reductions over a longer period and not necessitate the

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<sup>254</sup> Ibid. Nott believed more should be done for the direct defence of the UK base. He said more Hawk trainers should be armed as supplementary fighters, while there would be benefits in bringing back the Phantom interceptors from RAF Germany, though this was not straightforward.

<sup>255</sup> Ibid. By 1986, the number of destroyers and frigates was forecast to drop from 59 to 38. Royal Navy uniformed personnel numbers were to be reduced from 68,000 to 50,000 in 1986 and ultimately to 47,000, equating to a 30% overall cut. Some 6-7,000 Navy redundancies were anticipated, and a smaller number of Army redundancies were also forecast.

<sup>256</sup> Ibid. Leach wanted to shift cuts to the BAOR to mitigate those projected to fall on the Navy.

Trident supplementary allocation, although these would delay significant structural and overhead savings. Nott proposed to explain the plans personally to his American and West German counterparts, informing the NATO Secretary-General shortly before his Commons statement. He envisaged formal Alliance consultation during the autumn through the normal planning cycle.<sup>257</sup>

The Chancellor supported SofS's resolve to tackle the 'massive over-commitment' in the programme and develop more cost-effective force structures but rejected major spending increases. Nott's proposed 3% increase in volume terms to 1985-86 plus £200m annually at 1980 prices would mean, according to Howe, the Defence share of GDP jumping from 5.2% to 5.9% as Volume Defence spending increased by 16% over the next four years. Nott's proposed 3% increase in volume terms until 1987-88 would, in Howe's calculations, also increase the GDP share to 5.9%, producing a 19% volume increase over six years. SofS hoped Defence would avoid the forthcoming Public Expenditure Survey. Howe believed this required Cabinet decision. Howe offered Treasury agreement to 3% growth annually to 1983-84. Howe asked Nott not to assume any further increases beyond the period of published plans, i.e. 1983-84:

To plan on a less realistic assumption about what we are likely in practice to be able to afford in the mid-80s would be to court a repetition of the over-commitment which the Secretary of State for Defence is determined to eliminate.<sup>258</sup>

Cabinet Office briefing for Mrs Thatcher on the Defence burden said absolute spending was similar to France and West Germany but UK GDP was only 60% of Germany's and 75% of France's. Thus the UK spent over 5% of GDP on Defence, the Germans spent 3.3% and the French 4%: 'We face an unpleasant choice, over the years to come, between continuing to make such greater sacrifices than they or opting out of their league.'<sup>259</sup> SofS's proposals offered the first real prospect for years to bring plans and resources into line and tackle 'overstretch'. Reducing the surface fleet, although controversial, was probably the least bad option in the circumstances. The 'main snag' was the 'implicit damage' to the Government's public expenditure strategy. Concerns surrounded spending after Nott's adjustment

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<sup>257</sup> *Ibid.*, Nott outlined the impact of his proposals on the three Services in separate annexes.

<sup>258</sup> TNA, CAB 148/198, OD(81)31, 'The Defence Programme', Note by the Chancellor of the Exchequer, 4 June 1981.

<sup>259</sup> TNA, PREM 19/416, folio 9, Wade-Gery (Cab Off) to PM, 'The Defence Programme', 5 June 1981.

periods and whether it would fall in real terms. The Cabinet Office recommended Nott's slower adjustment option and smaller reduction to the BAOR.<sup>260</sup>

Before the OD meeting on 8 June, the Prime Minister met SofS and CNS. The latter 'did not believe that the general thrust of the Defence Secretary's proposals was right'. If the Navy was cut as proposed, the French Navy could claim to be Europe's new maritime leaders. CNS knew Mrs Thatcher would find this 'unattractive politically'. He suggested examining headquarters and MoD staff, reducing support structures and reviewing Central Front forces. As other European allies were undertaking Reviews, he implied this was the best time to adjust the BAOR and reassess the Brussels Treaty. Another option was to cut specialist reinforcement forces.<sup>261</sup>

CNS and the Admiralty Board's professional advice was rejected by SofS. They claimed proposed surface fleet reductions unbalanced Defence capability and could not be recovered in the 20<sup>th</sup> century. CNS wanted OD Committee to consider alternative options before taking such fundamental decisions and asked Mrs Thatcher to circulate a note to the Committee with these views. SofS conceded the Navy had been asked to find much larger savings, partly because Trident costs fell under its programme. Nott rejected Leach's claims about BAOR's German civilian support costs saying British soldiers would be more expensive. Moving dependants back to Britain would cost more, requiring new facilities. The Prime Minister said it was too late to circulate an additional note but agreed CDS could give the meeting a 'full explanation of the First Sea Lord's position'.<sup>262</sup>

SofS told OD Committee current forward plans were unaffordable. The programme required reshaping, but some apparently attractive options cost far more than they saved, especially short and medium term. He described plans to reduce the BAOR from four divisions to three, cutting regular Army manpower by 9,000. The most far reaching RAF proposal was abandoning plans for Jaguar-replacement. For the first time since 1945 Britain was not developing a future combat aircraft. However, 'the main brunt of the cutback would fall on the Royal Navy'. He sought extra funding, 'politically essential', to counter accusations Trident necessitated too drastic reshaping of Defence. Nott wanted resource stability to drive the cost management of the future programme. Both proposed courses increased defence

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<sup>260</sup> Ibid.

<sup>261</sup> Ibid., folio 11, Whitmore (PPS/PM) to Norbury (PS/SofS), 'The Defence Programme', 8 June 1981. CNS underlined the size of BAOR's support structure and number of dependants.

<sup>262</sup> Ibid.

spending from 5 to 6% of GDP but this was no higher than in the 1960s, when the global situation was less dangerous. Nott wanted to maintain morale, curtail speculation and announce the Government's decisions by the end of June, rendering international consultation impossible; although he would inform allies, personally advising his counterparts in Washington DC and Bonn.<sup>263</sup>

The Chancellor insisted SofS's options involved such considerable increases they could not be reconciled with wider Government economic policies. Howe offered limited support to 1983-84, 'the most that the country could afford'.<sup>264</sup> CDS said the Chiefs accepted allocating resources to Defence was a political decision. They advised on military consequences. The Soviet Union was getting stronger. NATO was relatively worse off across the board. This was not the time to reduce Britain's contribution. CDS accepted the political judgement it was essential whilst reshaping the programme to prioritise the Central Front. Changes there had Alliance repercussions. SofS's proposals signalled a 'dramatic reduction in forward plans' – particularly in maritime capability where two-thirds of the overall savings were identified. CDS thought CNS's concerns were familiar to the Prime Minister and proposed changes would reduce flexibility. Lewin underlined the need for consultation with allies. Failure to consult would damage NATO.<sup>265</sup> The Committee gave general support for Defence and Nott's proposals. Howe was doing no more for Defence than the previous Government. The Committee endorsed the broad thrust of SofS's proposals and agreed 'the importance of devoting to defence the maximum of resources which the country could afford'. Mrs Thatcher would discuss Defence in Cabinet on 18 June, the day after it considered Economic Policy.<sup>266</sup>

CAS met SofS on 11 June to discuss the Air Force Programme. Early expenditure on an additional 20 Tornado ADV and Harpoon were mentioned by CAS. Nott's office assumed Sea Eagle would be bought ahead of Harpoon, the Vulcan force

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<sup>263</sup> TNA, CAB 148/197, OD(81) 11<sup>th</sup> Meeting, 8 June 1981. Nott also wanted to stop spending on projects earmarked for cancellation.

<sup>264</sup> *Ibid.*

<sup>265</sup> *Ibid.*

<sup>266</sup> *Ibid.* The Prime Minister was advised that if one or other of Nott's proposals for Defence was adopted, taxes would probably have to rise 'before the [General] Election'. It was 'clear that the Chancellor's public spending problems are frightening'. PREM 19/416, Lankester (PS/PM) to PM, 'Meeting with the Chancellor: 1430, Wednesday 10 June', 9 June 1981. One commentator noted 'no senior minister spoke up to save the Royal Navy from radical surgery'. However, somewhat prophetically, a 'black comedian on the naval side' commented, 'What we need now and quickly is a small colonial war requiring a lot of ships.' Peter Hennessy, 'New strategy could bring an end to morale-sapping disputes', *The Times*, 18 June 1981.

would not disband before March 1983 and the second Chinook squadron would be formed straightaway.<sup>267</sup> Removing the excess of the core Air Force Programme over the lower line targets in 1982-83 and 1983-84 was projected to cost £55m and £29m respectively. These were the sums the total RAF programme exceeded the postulated Target Headings allocations. If they had to be removed, first focus was placed on items added back to the costings following Nott's minute of 16 April. These involved Tornado ADV, Harpoon, VC10 tankers, extra Nimrods and reservists. The figures further increased if Sea Eagle was substituted for Harpoon and Vulcans retained into 1983. In 1982-83 the balance could only be found by further reductions to flying hours - putting activity levels well below the NATO minimum and reducing front-line squadrons to non-operational status. The AFB prioritised flying hours over addbacks. They had fallen in the fast jet force from 20 to 18 hours in 1980, to below 16 hours. The most important cut was the loss of air combat capability represented by AST 403. Since January 1980 the RAF had suffered the reduction of the equivalent of six squadrons, the loss of one-third of communications aircraft, the additional Lightning squadron as a frontline unit, the improved Sky Flash AAM and reduction in Mk 1 weapons, and the deferment of several important weapons projects.<sup>268</sup>

Potential addbacks were discussed by SofS, CDS and PUS and grouped under four headings for 1982-83 to 1985-86:

- Necessary,
- Highly Desirable,
- Desirable and Contingent Items and
- Measures which may be Funded from Central Reserves if Resources Permit. Sea Eagle, funding the RAF excess in 1982-83 and 1983-84 and Nimrod MR were necessary. A second Chinook squadron and maintaining Buccaneer numbers were desirable. Fast Jet Flying, Multi Jet Flying and running on Vulcans to 1983 were contingent.<sup>269</sup>

More immediate concerns also intruded into proceedings. An MoD cash and volume overspend of £582.6m was forecast for 1981-82. PUS highlighted the £110m 'fine' [the 1980-81 overspend, less than 1% of total spending], faster than anticipated

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<sup>267</sup> TNA, AIR 8/2807, folio 19(i), Omand (APS/SofS) to DUS(Air), 'The Air Force Programme', 11 June 1981.

<sup>268</sup> Ibid., folio 22(i), DUS(Air) to PS/SofS, 'RAF Programme', 12 June 1981.

<sup>269</sup> Ibid., folio 27(ii), Omand (APS/SofS) to PS/PUS, 'The Defence Programme: Modifications to the Basic Structure, 15 June 1981.

programme progress, continued cost growth including some large increases in pay and overhead rates, unfavourable exchange rates, the falling pound leading the MoD to consider buying foreign exchange forward and rising oil prices. The Air Systems overspend was the largest component of the systems areas in Defence Vote 2 (Equipment). Various measures were initiated, including reducing Tornado spending without affecting key programme dates. With uncommitted expenditure already limited and diminishing throughout the year, the scope for corrective action steadily reduced. Nott wanted to announce spending controls alongside his statement on the programme's future shape. He rejected further cuts to activity levels but favoured strict cash controls on payments to major contractors. PUS thought it crucial to reduce cash flow to industry, wanted a tight grip on new commitments and contemplated more cuts to activity, despite Nott and the Chiefs' opposition. Further works cuts were also mentioned. Although cash controls were difficult to introduce quickly or efficiently, the MoD had 'to restrain industry's spending' in 1981-82. All viable alternatives were unattractive and involved contracts renegotiations. Industry's reaction would be highly adverse but the overspend size meant their cooperation was essential.<sup>270</sup> SofS wanted the companies responsible for major cost increases to take the strain. He hesitated over buying foreign exchange forward, worrying about potential losses and accusations of speculation.<sup>271</sup>

Furthermore, a continued volume squeeze was forecast because of the inadequate cash limit increases in the Treasury's working assumptions, approved by the

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<sup>270</sup> Ibid., folio 21, 'Financial Planning and Management Group 1981/82 - Management of the Defence Programme', Note by the Permanent Under Secretary of State, 11 June 1981; folio 23, DASB brief for Chief of the Air Staff, Financial Planning and Management Group, 16 June 1981; folio 43(i), FPM(81) 4<sup>th</sup> Meeting, Financial Planning and Management Group, 16 June 1981; AIR 8/2807, folio 45, PUS to SofS, 'Defence Expenditure 1981/82', 18 June 1981.

<sup>271</sup> TNA, AIR 8/2807, folio 58, APS/SofS to PS/PUS, 'Defence Expenditure 1981/82, 25 June 1981. See also DEFE 13/2023 Part Two, folio 22/1, PUS to SofS, 'Overheads', 16 June 1981; DEFE 13/2023 Part One, folio 29, SofS to Joseph (SofS(DTI)), 17 June 1981. Nott advised that costs in the Defence industries were exceeding those allowed for by the existing cash limit. Nott highlighted wage increases at Rolls Royce and said the Defence programme, even with a proportion of fixed price contracts, could not stand these levels of increase within the cash limit. He was looking at ways of constraining cash payments to some major firms. When she saw this letter, the Prime Minister went 'through the roof', saying that no level of Defence cash limit could cater for such wage and therefore cost increases. She repeated her view that the MoD's contracting procedure was 'totally misconceived' and despite there being thousands of civil servants in the MoD, 'not one of them could draw up a proper contract!' DEFE 13/2023 Part One, folio 29/1, Norbury (PS/SofS) to SofS, 17 June 1981. Sir Keith Joseph agreed with Nott's broad sentiments concerning excessive wage settlements but disputed the facts surrounding the specific case of Rolls Royce. PREM 19/416, SofS(DTI) to SofS, 24 June 1981.

Cabinet for the PESC round. The Treasury assumed a 7% inflation uplift for 1981-82 to 1982-83 and a 6% uplift for 1982-83 to 1983-84. An MoD assessment, described as 'optimistic' in Air circles, thought the rates would be 11% and 10% respectively. This meant a £430m squeeze in 1982-83 and £870m in 1983-84. The likely positive Retail Price Effect (RPE) of 2%, which HMT wanted MoD to accept, increased the squeeze to £630m in 1982-83 and £1,270m in 1983-84 and SofS wanted realistic settlements from the Treasury. With an overspend of over £500m already forecast for 1981-82 and similar excesses likely in subsequent years arising from costs escalation, possible 'add-backs' were 'illusory'.<sup>272</sup>

### **Cabinet decisions, June 1981**

SofS explained Defence expenditure to ministerial colleagues on 15 June. He had undertaken a major programme reappraisal and received broad endorsement from OD Committee. Nott assessed: 'We are at present trying to do too much, with the certainty of not doing it well enough.' A radical readjustment was essential to put Defence on a stable and realistic long-term course. He emphasised the current financial imbalance:

I estimate that to sustain our existing programme, conventional and nuclear, we would require at least £300 million a year above current NATO aims for a 3 per cent increase in real terms up to 1987-88. Even then I could not guarantee that rising equipment costs will not cause continuing and mounting difficulty.<sup>273</sup>

Nott insisted hard political decisions were needed on Service and civilian employment to reach a realistic future operational capability. Failure would mean:

Repeated re-runs of the past year's chaos in which short-term cash squeezes on a programme with no proper headroom led to indiscriminate freezes on procurement, ships tied up in port, aircraft grounded, NATO exercise participation suddenly cancelled and stocks run down. This was our experience in 1980-81, and even with these expedients we overspent our cash limit, though we managed to

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<sup>272</sup> TNA, AIR 8/2807, folio 55(i), AUS(AS) to PS/DUS(Air), 'The Defence Budget in PES Years: Volume Squeeze', 24 June 1981. He noted wryly his hope that the central staff would 'aim to secure "provision for 1985/86 21% higher in real terms than actual expenditure in 1978/79"', as it will say in the White Paper'.

<sup>273</sup> TNA, CAB 129/213, C(81)31, The Defence Programme, Memorandum by the Secretary of State for Defence, 15 June 1981.

hold the amount to £110 million. Similar difficulties are already indicated for 1981-82...<sup>274</sup>

SofS wanted greater stability in long-term planning, more flexibility between financial years and a 'realistic assessment of defence cost movement against general inflation (the "relative price effect") when cash limits are set'. He planned to reduce overheads and support, particularly in R&D Establishments and in staffs but maintained the 'central problem' was tackling basic force structure.<sup>275</sup>

Nott explored the four Defence policy pillars. He stressed Britain's unique nuclear role in NATO Europe was 'outstandingly cost-effective' and justified Trident. The direct defence of the UK base required improvement as it constituted the crucial reinforcement base for NATO. British forces in Germany were of high military importance to the Alliance. A major cut was rejected as 'hugely disruptive politically'. Nott wanted Britain to maintain its Brussels Treaty commitments. However, it was essential to alter the balance of maritime contribution to NATO. Whilst enhancing the submarine and maritime air efforts, he aimed to 'reduce the size and sophistication of the surface fleet (and the dockyard structure which supports it)'.<sup>276</sup>

OD discussions centred on three models – two suggested by Nott and one submitted by Howe. The first option was a brisk and firm move to the new posture, encompassing 3% real annual growth to 1985-86 but thereafter only 1%. Special extra funding would be needed to meet Trident's early costs. SofS's second option proposed a slower transition to the new posture, although long-term goals remained unchanged. This option was suggested if Cabinet colleagues felt the review's consequences, 'posed intolerable political problems'. For this option, Nott needed 3% growth to 1987-88 and 1% thereafter. Howe's option was most stringent, involving 3% real growth in 1982-83 and 1983-84 but no growth thereafter. SofS lambasted Howe's proposal:

Politically it would be disastrous, at home and abroad; practically it would compel even sharper structural cuts and many particular measures even more painful in domestic terms than those already envisaged. It would give us politically the worst of both worlds – inescapably, no economic relief to public expenditure in the life of

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<sup>274</sup> Ibid.

<sup>275</sup> Ibid.

<sup>276</sup> Ibid. The memorandum mentioned out-of-area capabilities but noted in brackets 'this need not mean great extra expense'.

this Parliament, yet major Alliance, military, industrial and employment penalties rapidly apparent. I also judge that it would create intolerable strains in the Conservative Party.

Nott's preferred his second option, which had received OD endorsement. Even this slower pace of change contained numerous unpalatable measures – these overwhelmingly fell upon the Navy's surface fleet and to varying levels on the Army and MoD civilians.<sup>277</sup> Recruitment would be restricted in all three Services. Nott warned colleagues matters would soon get much worse with more budget difficulties anticipated. Initial forecasts projected a cash overspend up to £500m, mainly on equipment, the pound's fall against the dollar accentuated the problem. Nott proposed firm and prompt steps – including painful cash rationing on industry. He wanted a fair and realistic review of Defence cash limits for 1981-82 otherwise drastic steps would be required, undermining Defence. Nott thought it politically essential to include short term measures alongside his long-term programme in his Parliamentary statement and, before this, tell his American and West German counterparts and NATO's Secretary General.<sup>278</sup>

The Chancellor acknowledged SofS's proposals were 'unquestionably right to tackle the present massive over-commitment on the defence programme, and to develop more cost-effective force structures' but they entailed 'massive increases in planned defence expenditure'.<sup>279</sup> His proposals were a compromise to obtain stability in future Defence planning. He emphasised the sharp rise in Defence spending since 1979 and still maintained it was already at a post-war peak, with Nott's proposals leading to Defence's share of GDP reaching 5.9% - not seen since the early 1960s, an era of global deployments. Howe rejected plans for heavy increases in Defence spending up to or beyond the mid-1980s, which risked

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<sup>277</sup> Ibid. Nott noted Chatham and Gibraltar dockyards would close, Portsmouth would be very heavily reduced and numerous naval shore establishments would close. The surface fleet would be substantially reduced in the late 1980s. Older ships would be disposed of. The number of destroyers/frigates would fall from 59 to around 45 in 1986 and about 40 thereafter before rising again to about 45 by 1990. The precise number would depend on how quickly new cheaper ships were brought in. Only two of the new carriers would be operational, the third would be sold. Navy numbers were projected to fall from 68,000 to about 57,000 in 1986. The Army was to drop from 142,000 to 135,000 in 1986. There were to be 2,300 Royal Navy redundancies with a possible 1,700 later and 3,000 Army redundancies. MoD civilian numbers might fall by a further 20,000 over and above the near 50,000 reduction to which the Government was already committed and there would be many redundancies. Finally, job opportunities in industry were likely to fall by 20,000 or more, mainly in labour-intensive activities such as shipbuilding.

<sup>278</sup> Ibid.

<sup>279</sup> TNA, CAB 129/213, C(81)33, The Defence Programme, Memorandum by the Chancellor of the Exchequer, 16 June 1981.

repeating previous over-commitment. Nott's numbers would lead to another Defence Review before the mid-1980s.<sup>280</sup> The Chancellor suggested Nott adjust his core programme so it would not need increased resources in the mid-1980s. For the PES period to 1983-84 – Howe wanted the Government to reject Defence's exemption from reductions. He repeated NATO recognised national economic circumstances may mitigate against the 3% target. He added:

I question the political advantage in demonstrating to those as yet agnostic about Trident that – contrary to what we have so far said – its costs will not be contained within the planned (Cmnd 8175) defence programme but will be at the expense of other programmes.<sup>281</sup>

The Chancellor questioned Nott's assumption that Defence costs, would rise by 2% annually more than wider economic costs, the RPE. He claimed Defence procurement had risen slower than other public sector costs. On cash limits, Howe dismissed 'an increase commensurate with the £500m potential cash overspend' mentioned by SofS. Moreover, Defence was still to identify the full volume reductions required by the Cabinet's November 1980 decisions.<sup>282</sup>

Armstrong underlined OD recognised Nott's reshaping proposals in their slower variant 'ought to be saleable to the Government's supporters and Britain's allies'. However, there was no chance of selling Howe's more severe proposals and tougher financial basis, which probably threatened Trident. Although Armstrong broadly backed Nott's second resource option, he warned Mrs Thatcher a firm core programme did not guarantee the future level of defence expenditure beyond the Survey Period being reconsidered at a future date due to developing economic and political circumstances'.<sup>283</sup>

SofS sent a personal minute to Mrs Thatcher, copied to Howe, saying he wanted to avoid Cabinet disagreement. He offered a possible compromise on a 3% volume increase until 1985-86, rather than Howe's proposal of a volume increase until

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<sup>280</sup> Ibid.

<sup>281</sup> Ibid.

<sup>282</sup> Ibid. Howe later claimed Nott started to exhibit hostility towards tough public spending targets from summer 1981. He said Nott embraced the MoD's 'big-spending culture'. Howe, *Conflict of Loyalty*, p. 223. Nott's star waned. Douglas Hurd, 'Nott's landing', *The Guardian*, 30 March 2002. Hurd recalled, 'he dismayed Margaret Thatcher by failing to support the proposed Treasury cuts in the Cabinet crisis of July 1981. After that, he found that the Number 10 press machine often briefed against him.'

<sup>283</sup> TNA, PREM 19/416, folio 17, Armstrong (Cab Sec) to PM, 'The Defence Programme', 17 June 1981.

1983-84 and his proposed increase until 1987-88. Nott highlighted Party pressures and persuading the Americans the Navy cuts should not be 'vigorously opposed' or Trident placed in question. Nott worried about Conservative backbench anger - particularly those representing constituencies suffering redundancies, when 2.5 million were jobless nationwide. Nott insisted it was 'simply impossible' to achieve further savings over the next three to four years without bringing the forces to a halt. Nott aimed to cut the 'huge overhead costs of defence' but this involved short term additional pressures.<sup>284</sup> Nott hoped discussions on 1981-82's cash arrangements and forward cash projections could be discussed bilaterally with Howe. Although there was heavy over commitment initially, he had created the maximum room in the programme later in the decade. Nott had to get his package accepted by the Americans, the Party and Parliament. Crucial to this was acceptance of 3% real increases, at least up to 1985-86. Otherwise he forecast, 'nothing but escalating costs and insuperable political problems with the Party'.<sup>285</sup>

The Defence programme was discussed in Cabinet on 18 June.<sup>286</sup> SofS re-emphasised the grave expenditure situation. He mentioned possible cash rationing for procurement and advised armed forces pay increases could not be accommodated within current cash limits. However, the real problems were longer term. It was 'unrealistic' to think Defence expenditure could be increased by more than the 3% growth in real terms. Nott prioritised Trident, various weapons programmes and building up combat stocks, particularly in Germany. He wished to preserve high technology projects as far as possible, but many equipment programmes needed to be cut. Force structure required alteration with the BAOR reduced from four divisions to three but retaining the same number of front-line effectives, although overall the Army would be cut by 10,000 men.<sup>287</sup> More positively for the RAF, SofS emphasised UK defence had been neglected. Enhancements were necessary, including running on Phantoms and diverting Tornados to air defence. The brunt of cuts fell on the Navy's surface fleet and logistic support. Nott mentioned the difficulties involved getting allies and Government supporters to back his proposals, though he claimed they would

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<sup>284</sup> *Ibid.*, folio 18, SofS to PM, '17 June 1981.

<sup>285</sup> *Ibid.*

<sup>286</sup> Moore, *Margaret Thatcher: The Authorized Biography, Volume One*, p. 634. The meeting began with acrimonious exchanges over Cabinet leaks in the morning newspapers.

<sup>287</sup> TNA, CAB 128/71, CC(81)24<sup>th</sup> Conclusions, 18 June 1981. Nott argued it would be 'necessary to come out of the military aircraft business after the Tornado's completion and relinquish such important projects as the British heavyweight torpedo replacement programme'.

increase Britain's military effectiveness. Howe's changes would be unacceptable.<sup>288</sup> The Chancellor insisted proposed Defence spending was more than Britain could afford. For economic and political reasons, he thought it unrealistic to plan for 'continuing major increases' to or beyond the mid-1980s and predicted 'further radical reviews would undoubtedly arise'. Howe wanted 3% increases to end in 1983-84.<sup>289</sup>

Mrs Thatcher broadly backed Nott's proposals: 'the Cabinet agreed that the highest priority must be given to the defence programme', accepting this entailed a lower priority for other programmes. However, her Government had no business committing itself beyond 1985-86. Nott's figures and resources formed the basis for consultation with allies. His proposals were to be achieved as far as possible without redundancies in Service manpower. Mrs Thatcher insisted Defence, like all other spending programmes, should be measured in cash rather than volume terms with the cash figures for Defence being subject to review and final settlement and the conclusion of the current Public Expenditure Review. Disputes between SofS and Cabinet colleagues were to be resolved by OD Committee.<sup>290</sup> On 18 June, Nott circulated a draft White Paper to the Prime Minister, Carrington and Howe.<sup>291</sup> Howe wanted the move to cash planning and management in the Defence programme to be underlined, alongside the Government's commitment to reduce total public spending. Finally, Howe did not want to imply that resource assumptions were fully binding until 1985-86. No public expenditure decisions could meet this criteria, three or four years ahead.<sup>292</sup>

SofS met his American counterpart Caspar Weinberger in Washington on 20-21 June to explain his proposals. The Americans expressed concerns that forward plans were being reduced, especially the surface fleet. Despite being pressed over the fleet, Weinberger did not try to dissuade him from his preferred path. Nott mentioned putting older destroyers and frigates in the stand-by squadron rather than

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<sup>288</sup> Ibid.

<sup>289</sup> Ibid. If 3% increases did not cease, the Chancellor insisted other programmes would suffer.

<sup>290</sup> Ibid. Indicative of the prevailing climate of Cabinet leaks to the media, Mrs Thatcher concluded her summing up with a warning that the Cabinet's conclusions must not be publicly disclosed until Nott completed his consultations with allies and made his Commons statement.

<sup>291</sup> TNA, PREM 19/416, folio 18A, SofS to PM, 'Defence Programme: White Paper', 18 June 1981.

<sup>292</sup> Ibid., folio 20, CHX to PM, 'Defence Programme: White Paper', 19 June 1981; folio 21, Whitmore (PPS/PM) to Norbury (PS/SofS), 'Defence Programme: White Paper', 22 June 1981. Mrs Thatcher thought Howe's amendments were 'reasonable'. Nott accepted these amendments and incorporated them in the White Paper. See folio 22, Omand (APS/SofS) to Wiggins (HMT), 'Defence Programme: White Paper', 22 June 1981.

disposing of them.<sup>293</sup> The Americans highlighted the switch of the final 20 Tornado airframes to the AD variant being at the expense of the Central Front. SofS and Quinlan said total Tornado numbers remained unaltered. The running-on of Buccaneers in the maritime tasks role offset any displacement of Tornados from the GR role. Nott stressed the need to strengthen UK air defence and mentioned the US request to use RAF Fairford as a forward operating base for B52D bombers in wartime as an example. SofS also asked about deploying USAF fighters in wartime to give additional fighter cover to the UK. Weinberger said they would examine this.<sup>294</sup> Nott was pleased that meetings with Dr Luns, NATO Secretary-General, and Hans Apel, his West German counterpart, went quietly. The former stressed the decision taken to increase spending over the following four years was vital, although he had been heavily lobbied by Royal Navy supporters. Apel mentioned his own budgetary problems, particularly Tornado costs, 30% of new procurement, which he proposed slowing down.<sup>295</sup>

Concurrently, CAS provided uncomfortable presentational suggestions to SofS on the RAF core programme for his Parliamentary statement. CAS wanted reductions in equipment numbers and capability to be mentioned, highlighting declining aircraft numbers and the prolonged cutback in flying activity. This inevitably hampered the RAF's operational capability, as front-line aircraft fell from 649 in 1981 to 594 in 1983-84. The effect was particularly marked with front-line combat

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<sup>293</sup> Ibid., folio 20A, SofS to PM, 'Defence Programme - Consultations', 22 June 1981. Nott's visit to Washington before the Defence Review announcement was appreciated. The American military was relieved the reductions were not as deep as press speculation but wondered where further cuts would fall if Trident costs increased. The US Navy was said to be very concerned about the reduction in EASTLANT surface force levels. In response, the US services had accelerated their equipment programmes, concerned they would face similar difficulties about two years hence. DEFE 4/288, COS 20<sup>th</sup> Meeting/81, 28 July 1981, Confidential Annex, Item 1, Head of British Defence Staff Washington Haul Down Report.

<sup>294</sup> TNA, DEFE 13/2024, folios 39 and 40, Records of Conversations between the Secretary of State for Defence and the US Secretary of Defense, Washington DC, 20 and 21 June 1981.

<sup>295</sup> TNA, DEFE 13/2025, folio 3, SofS to Henderson (HMA, Washington DC), 29 June 1981; DEFE 13/1195, folio 41, Record of Discussions between the Secretary of State for Defence and NATO Secretary General, Brussels, 23 June 1981. Luns was pleased to hear at first hand the facts which lay behind the press speculation about Britain's future Defence programme: 'This lobbying had generated an entirely false impression of the future effort which the United Kingdom would be putting into defence... it was important that the record was put straight with the Alliance as soon as possible'. DEFE 13/1196, folio 10, Record of Discussions between the Secretary of State for Defence and FRG Defence Minister, Bonn, 24 June 1981. Nott said he too had looked at the possibility of slowing Tornado production but had been briefed on the difficulties and possible higher costs involved. He did mention the possibility of switching the final 20 Tornado IDS to the AD Variant, increasing the overall cost of the programme to the UK.

aircraft. Disbanding the Vulcan force and Canberra PR squadrons and Buccaneer draw down meant a reduction of 14% in combat aircraft numbers by 1983-84. Unless addbacks were possible, flying training, severely curtailed since September 1980 would remain restricted until 1985.<sup>296</sup>

## **A Summer of Strife**

SofS's Commons statement on 25 June was much criticised. Subsequent debates and media coverage<sup>297</sup> stressed the scrapping of warships, manpower cuts, the closure of Chatham and Gibraltar dockyards and the running down of Portsmouth. The Government had decided to replace Britain's nuclear deterrent and boost reserves in the face of the Soviet threat. Finding savings required a familiar strategic choice between a continental and maritime commitment:

the British contribution [on the European continent] is so important to the Alliance's military posture and its political cohesion that it must be maintained. The Central Region is the Alliance's heartland in Europe; the forward defence of the Federal Republic is the forward defence of Britain itself.<sup>298</sup>

It restated the roles of the BAOR and RAF Germany, despite the 'financial pressures on our defence effort'. Similar dispensation was not forthcoming for the Navy:

The Government believes that a shift in emphasis is inescapable for a country like Britain which simply cannot afford to maintain large numbers of every type of platform at the highest standards which the adversary's developing capability requires...We cannot at the same time sustain a surface fleet of the full, present size, with its heavy overheads, and continue to equip it with ships of the costly sophistication needed for protection in independent operations against the most modern Soviet air-launched and sea-launched missiles and submarines.<sup>299</sup>

Some 57% of planned expenditure cuts fell on the Navy. Its share of the Defence budget was to drop from 29% to 25% by 1989, inclusive of Trident. Naval cuts were

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<sup>296</sup> TNA, AIR 8/2807, folio 24, PS/CAS to APS/SofS, 'The Defence Programme: Parliamentary Statement', 16 June 1981.

<sup>297</sup> Henry Stanhope and Peter Hennessy, 'Nott axes warships, 19,500 men and Chatham dockyard', *The Times*, 26 June 1981.

<sup>298</sup> *The United Kingdom Defence Programme: The Way Forward*, p. 6.

<sup>299</sup> *Ibid.*, p. 8.

twice those of the Army and seven times greater than the RAF. Some 20,000 sailors faced redundancy. The Army suffered a 7,000-man cut, 2,000 from the BAOR. The RAF was reduced by 2,500. The cuts severely curtailed potential expeditionary capacity. One-fifth of the Navy's destroyers and frigates, one aircraft carrier and two amphibious ships were to be lost. The planned withdrawal of the ice patrol ship *HMS Endurance* from the Southern Atlantic soon assumed great significance.<sup>300</sup>

Three aspects of equipment costs were particularly worrying. First, the growing costs of conventional procurement, secondly, the £1bn bill for the Chevaline warhead improvements to Polaris,<sup>301</sup> and thirdly Trident programme costs, involving a whole-life bill of between £5bn and £8bn.<sup>302</sup> Many wanted the Trident decision re-opened and subjected to proper examination, saying Pym had announced the programme in July 1980 without proper debate.<sup>303</sup> In July 1981, SofS remarked Chevaline costs had 'gone bananas'.<sup>304</sup> The programme came under all-party Commons PAC scrutiny, leading to the MoD's censure.<sup>305</sup> Nott criticised the

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<sup>300</sup> 'UK air defence benefits from review', *Flight International*, 4 July 1981, pp. 3-4. As well as limiting the Navy to two anti-submarine aircraft carriers, the Review ended mid-life improvements to the Type-42 air defence destroyers, with no further orders for this type. Development of the cheaper, simplified Type 23 anti-submarine frigate was accelerated, and the ship was marketed overseas. The Type 23 target cost was less than the £70m required to refit an obsolete Leander-class frigate. No decision was taken on purchasing the Anglo-Italian EH-101 Sea King replacement helicopter.

<sup>301</sup> Parliamentary Staff, 'Successor to Polaris force might cost from £4,000m to £5,000m', *The Times*, 25 January 1980. Chevaline's cost had risen from about £240m in 1974 to over £1,000 by 1980, though the MoD argued this reflected inflation.

<sup>302</sup> Chevaline, beset by various technical setbacks and delays, was geared to maintaining the full effectiveness of Britain's strategic nuclear deterrent into the 1990s by ensuring the Navy's Polaris missiles would still be able to threaten Moscow despite its anti-missile shield. Peter Hennessy, '£1,000m nuclear deterrent suffers setback in trials', *The Times*, 30 June 1981; Peter Hennessy, 'Whitehall brief: £1,000m deterrent fails to get off ground', *The Times*, 30 June 1981; Editorial, '£1,000m and still not proven', *The Times*, 1 July 1981; Peter Hennessy, 'Short life for the Navy's £1,000m stand-in deterrent', *The Times*, 6 July 1981.

<sup>303</sup> Comment, 'Right cuts by the wrong lights', *Guardian*, 26 June 1981; Comment, 'A £6,000 million question', *Observer*, 28 June 1981.

<sup>304</sup> Philip Webster, 'Nott says cost of Chevaline "has gone bananas"', *The Times*, 9 July 1981; Staff Reporter, 'Ministry's Chevaline admission', *The Times*, 15 July 1981. Nott made this comment in an unguarded moment during the Warrington by-election campaign.

<sup>305</sup> Peter Hennessy, 'Secret battle looms over missile force', *The Times*, 9 December 1981; Peter Hennessy, 'Pitfalls of Chevaline accepted by Whitehall', *The Times*, 10 December 1981; Henry Stanhope, 'MPs expected to attack cost of Polaris refit', *The Times*, 16 January 1982; Anthony Bevins, 'Ministry is censured for Polaris update', *The Times*, 23 March 1982. The PAC criticised the failure to inform Parliament of the progress of the programme by adopting a blanket of security and secrecy, highlighted soaring costs from £175m in 1972 to a forecast £1,000m a decade later and believed that management changes to the project should have been introduced in 1974 rather than in 1976, when the price had risen to £390m.

return from R&D investment. He believed the Services should give up 'the last few per cent of performance' to avoid designing costly, over-elaborate weapons systems.<sup>306</sup> Moreover, despite the Review and criticism for cuts and closures, SofS maintained that for the time being the MoD was still over-committed, with an overspend likely in 1981-82 unless corrective action was taken to slow programmes and bills.<sup>307</sup>

In the RAF it was recognised the Defence programme and resources available had been on collision course for a while, noting the Way Ahead Study. The decision to fund Trident from the Defence budget placed further pressure on conventional forces, instanced by the DPWP mini-review in summer 1980 which had favoured the land/air contribution in the Central Region at the expense of naval forces in SACLANT. SofS had set out his strategy for the review in two major policy directives issued in March and April - dubbed the 'Nottgrams'. RAF briefing later noted they were 'surprisingly detailed' and reflected his determination to maximise operational capability and minimise training and support costs. SofS's complaints were recognised – the overheated budget, escalating equipment costs, tight Treasury cash limits and the impact of recession combined to create instability in defence planning. As a result, he had stressed the need for a 'core programme' set at a budgetary level much lower than assumed in LTC. DCDS(OR)'s Force Mix Study was the latest study to have pointed to over-investment in the Navy's surface fleet. SofS had provided the political guidance on strategic priorities which had underpinned the review. Alongside the priority placed on Trident, there was recognition that the defence of the UK Base, particularly against conventional air attack, required strengthening. The Soviet air threat and the RAF's arguments stressing the importance and flexibility of air power had been acknowledged by Nott – the RAF's share of the Defence budget was to rise from 29% in 1981 to 31% by 1990 and was projected to be 33% by 1995.<sup>308</sup>

Nott had directed that the non-PE element of Trident costs was to be accommodated within the Navy Target Heading and apportioned the cuts – 65% to the Navy, 22% to the Army and 7% to the RAF. This still removed £900m from the RAF's LTC but Nott's proposals to base all Tornados in the UK and cut RAF officers by 10% were successfully opposed, as were his suggestions to withdraw RAFG's Phantoms and close Wildenrath. However, in the short term, the accelerated phasing out of

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<sup>306</sup> Henry Stanhope, 'Specialize to survive, Nott tells Nato', *The Times*, 17 November 1981.

<sup>307</sup> David Fairhall, 'Defence budget still under pressure – Nott', *Guardian*, 27 June 1981.

<sup>308</sup> TNA, AIR 8/2807, Hine (ACAS(Pol)) to PS/CAS, 'CAS' Briefing of Cs-in-C - Point Brief', 24 June 1981.

older aircraft meant a decline in front-line numbers between 1981 and 1986 as Tornado build-up took place. The 590 aircraft of 1981 would dip to about 550 by 1984 before steadily recovering to slightly more than 600 by 1990. It was hoped to increase UK fighter defence to around 150 by retaining the Phantoms when the Tornado F2 entered service.<sup>309</sup> Nevertheless, CAS remained determined to persuade SofS to drop his proposal to convert the last 20 Tornado GR1s to F2s as this was costly and would mean one less GR1 front-line squadron. Moreover, retaining the Phantoms met the objective of retaining UK fighter numbers. On the personnel side, RAF numbers were to fall by 2,500 but there would be no redundancies and the 10% cut to officers was only to be applied to those in headquarters or support staffs. While a 5% training budget cut was to be found, it was hoped SofS's emphasis on flexibility for addbacks above the core programme level and this could be used to raise flying activity levels. Nevertheless, old problems remained unsolved. The RAF recognised that short-term budgetary pressures were bubbling up again – a £500m overspend was forecast, almost all from the equipment programme and over £300m attributable to air systems. With spares and repair contracts essential, the focus would fall on slowing down new equipment with a cash limit on payments to industry. Indeed, if the Defence industry did not cut its overheads, 'we will both slowly but surely go out of business'.<sup>310</sup>

Post-review, SofS wanted to talk about 3% real growth for the next four years and the increased GDP percentage this represented.<sup>311</sup> These messages were submerged by dockyard closures, surface fleet reductions and job losses<sup>312</sup> 'stoked up by plenty of naval lobbying'.<sup>313</sup> Moreover programme allocation and financial factors

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<sup>309</sup> Ibid. The Hawk top-up buy was deferred by four years.

<sup>310</sup> Ibid.

<sup>311</sup> Peter Hennessy and David Greenwood, 'Uncovering the real defence cuts', *The Times*, 7 July 1981. This observed: 'after five months of blood spilling inside the Ministry of Defence, the first general reaction was one of anti-climax. Instead of a savage cut in defence spending, the Cabinet had agreed that the defence budget would increase by 3 per cent a year in real terms for the next four years, despite the parlous condition of Britain's economy.'

<sup>312</sup> The numbers both joining and leaving the forces were considerably down in 1981. The control of recruitment arising from the reduction of 19,500 jobs because of the Defence Review contributed to recruitment between April and December 1981 being less than half of that during the same period in 1980. The numbers leaving also declined and the outflow of 7,221 between September 1981 and the end of 1981 was the lowest since the end of conscription. The manpower strength of the RAF stood at 91,850 on 31 December 1981. Henry Stanhope, 'Jobless get taste of adventure with the forces', *The Times*, 27 February 1982.

<sup>313</sup> TNA, DEFE 13/2025, folio 3, SofS to Henderson (HMA, Washington DC), 29 June 1981. Some studies, such as *Reshaping Britain's Defences*, produced by the Centre for Defence Studies, University of Aberdeen, were broadly positive saying Nott was attempting to get the Services to live within their

remained paramount. Nott's Review had not settled matters short-term. For the RAF, PUS's planning assumptions proposed running on some Vulcans until 30 June 1982. It was hoped SACEUR would appreciate this because of the nuclear angle. CAS was concerned about the future of Waddington and Scampton and wanted the Vulcan force's phasing out, signifying the end of the V bomber force, marked with due ceremony.<sup>314</sup> SofS was cautious: 'To take out all the Vulcans before Cruise deployment seems to me v. difficult and sensitive...In my view (which the RAF will not share) a slowing down of Tornado deliveries is more necessary than saving £17m by taking Vulcan out in 82 rather than 83'.<sup>315</sup> Discussion with SACEUR was to be in the strictest confidence and his reaction would be important for final decisions.<sup>316</sup>

In view of land/air improvements, SACEUR's reaction to the review was more positive than that of SACLANC. The RAF could be clearest about force development details. The Navy was least clear.<sup>317</sup> On 22 July, PUS detailed the main post-review decisions to be implemented, and major planning assumptions.<sup>318</sup> He believed the MoD was 'still significantly over-programmed and over-ambitious in the equipment field'. Even a moderate cash squeeze would be threatening. PUS called for firm direction and concluded: 'We must secure the savings necessary to sustain anything like our present programme. We have a long way to go.'<sup>319</sup> Some improvement on the Equipment Vote 2 was discernible by September. The forecast excess for 1981-82 fell from £550m to £300m. Air Systems remained the greatest concern, despite CA's consultations with business. His efforts to bring expenditure in 1982-83 and later years within planned provision unfortunately exerted upward pressure in 1981-82. There was also a drive to reduce cash flow without imposing programme cuts. Firms were told to cut costs and hold down levels of activity and billing during the rest of the financial year.<sup>320</sup>

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means and ensuring the provision of new, up-to-date weapons. It predicted Trident would cost £8bn rather than £5bn envisaged by the Government. Henry Stanhope, 'Navy cuts may prove a blessing', *The Times*, 14 September 1981.

<sup>314</sup> TNA, DEFE 13/2025, folio 31, CAS to SofS, 'Disbandment of the Vulcan Force', 31 July 1981.

<sup>315</sup> *Ibid.*, Minute by SofS, undated.

<sup>316</sup> *Ibid.*, folio 32, SofS to CAS, 'Disbandment of the Vulcan Force', 3 August 1981.

<sup>317</sup> *Ibid.*, folio 35, DUS(P) PS/SofS, 'UK Defence Programme: NATO Consultation', 10 August 1981.

<sup>318</sup> TNA, DEFE 13/1196, folio 30, PUS minute to DUS (N, Army, Air, Pol, PE), 'Defence Programme', 22 July 1981.

<sup>319</sup> TNA, DEFE 13/2025, PUS minute to DUS, 'Control of Defence Programme', 27 August 1981.

<sup>320</sup> TNA, DEFE 13/1196, Cardwell (CDP) to SofS, 'Defence Equipment Expenditure 1981/82', 11 September 1981. David Cardwell thought the scope for further savings was unlikely to be significant and programme cuts often increased rather than decreased overhead costs in the short term.

The Treasury also prepared for the Defence Cash Limits Review, to meet the November 1980 Cabinet decision to review it for 1981-82 to incorporate the current £75m 1980-81 overspend, pay increases beyond the 6% already provided and changes to Defence prices movements in relation to the 11% provided for. The final tranche of cuts, £42m from November 1980 also required settlement. The MoD pointed to higher Defence prices, sterling's fall, high sector pay settlements and sought an exemption from the last tranche of 1980 volume cuts. They wanted an additional £427m. The Treasury aimed to offset the 1980-81 overspend, said Defence prices had risen by 9.5% and excluded higher civilian pay, leading to a total reduction of £99m.<sup>321</sup> The MoD and Treasury disagreed on likely increased Defence prices in 1981-82 although the MoD's projected overspend had been reduced.<sup>322</sup> SofS and the Chief Secretary agreed to increase the cash limit by £82m for armed forces pay but cut it by £64m due to the 1980-81 overspend. The MoD had two remaining claims – £9.5m for Service pay and £300m due to actual and forecast exchange rate changes. Some £200m of the £300m overspend in Vote II originated in Air Systems, largely Tornado. With the £50m overspend in Vote I, mainly because of increased oil costs and the 1980-81 reduction, Nott asked for £414m (gross) or £350m (nett), insisted the MoD was determined to check cash flow but warned 1982-82 would be even worse. Treasury ministers did not budge. A further joint study work was requested from officials on assessing actual pay and price increases.<sup>323</sup>

Mrs Thatcher complained that for the third consecutive year Defence faced a significant overrun.<sup>324</sup> SofS repeated he had Cabinet endorsement for major programme adjustments and dismissed Treasury backtracking: 'We settled all of this in June and I am not making any extra "bids". The position of the defence programme cannot be reopened by the Treasury in this way without another major defence review, something which is quite clearly impossible in current circumstances.' The Chief Secretary offered £250m incorporating the services' pay rise, agreement to pay £64m for the 1980-81 overspend and £40m for the remaining programme cuts deferred in January. SofS said even if Defence got £300m, he

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<sup>321</sup> TNA, PREM 19/687, CHX to PM, 'Defence Cash Limits Review', 19 July 1981. Howe said decisions were needed immediately and any efforts by Nott to wait for more evidence on prices should be resisted. Howe also said the MoD exaggerated difficulties.

<sup>322</sup> Ibid., CHX to PM, 'Review of Defence Cash Limits', 5 August 1981.

<sup>323</sup> Ibid., Note of discussion between the Chancellor of the Exchequer, Chief Secretary and Defence Secretary about the review of the 1981-82 Defence Cash Limits, 15 September 1981.

<sup>324</sup> Ibid., Extract from meeting record between the Prime Minister and the Chancellor of the Exchequer, 16 September 1981. The Prime Minister hoped Arthur Andersen's report on MoD's accounting practices, would reduce the risk of future overspends.

would have to cut £100m spending, having already clawed back £200m from Tornado, shipbuilding and other programmes. Where SofS described a 3% volume increase, Mrs Thatcher wrote 'No'. He stressed the new cash planning system would fail if it did not start from a fair base from which to calculate the next year's figures. He demanded a realistic cash limit, reinforcing rather than undermining the new cash planning system.<sup>325</sup> SofS's projected cuts included cutting RAF flying activity by 10%, breaching NATO minimum levels and withdrawing from exercises, saving £20m. A further £65m saving was projected from cancellations and deferments to UK air defence radar improvements and the RAF works programme, while £10m savings accrued from reducing delivery of Nimrod maritime reconnaissance and AEW aircraft.<sup>326</sup>

Treasury Ministers denied attempting to overturn June's Cabinet decision. They insisted their planned provisions 'fully reflect 3% real growth enhanced by the general revaluation factors agreed by Cabinet'. Defence like every other programme, should be measured in cash rather than volume terms. The Treasury doubted Defence prices were rising faster than prices generally. Treasury economists dismissed MoD forecasting techniques as 'unsound', emphasising 'excessive wage increases in the defence industries'.<sup>327</sup> The Treasury questioned SofS's potential project cancellations and disagreed they represented obvious savings: 'The MoD have always tended to exaggerate the potential damage when the Defence Budget is threatened'. Nott's difficulties did 'not stem from miserly provision' but from the MoD's 'chronic tendency to over-programme'. The Treasury believed the MoD needed to find support savings. Various overheads and single Service costs were cited, with a recommendation support was shared to reduce administrative and training costs.<sup>328</sup>

At the Ministerial MISC 62 Group examining expenditure, a compromise of £275m to the cash limit was offered and slightly smaller sums over the following three years, with no RPE allowance. The harder SofS restrained spending in 1981-82, the bigger was the bow wave in front pushing items forward, adding to costs and

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<sup>325</sup> Ibid., folio 30, SofS to PM, 16 October 1981. Nott highlighted the commitment given to grow Defence spending by 8% in the Government's first three years in office and 3% annually thereafter.

<sup>326</sup> Ibid.

<sup>327</sup> Ibid., folio 31, CST to PM, 'Defence Expenditure', 19 October 1981 with attached note with Treasury comments on Mr Nott's minute of 16 October to the Prime Minister. Mrs Thatcher passed the question of Defence spending to the MISC 62 Group chaired by the Home Secretary and asked that the Foreign Secretary was invited to their meeting. See folio 33, Whitmore (PPS/PM) to Armstrong (Cab Sec), 'Defence Expenditure', 26 October 1981.

<sup>328</sup> Ibid., Kerr (PPS/CHX) to Scholar (PS/PM), 'Defence Programme', 2 November 1981.

compounding problems. The compromise would not avoid an overspend in 1981-82. Defence prices in 1982-83 meant an inevitable overspend even with an additional £250m. After highlighting contracts which would remain unsigned, Nott observed: 'I quite understand there is a yawning credibility gap; no-one believes the MoD – or is it me? I am convinced that only four months after the Defence Review we now face a very difficult political choice: either more cash or more cuts.'<sup>329</sup> The Chief Secretary insisted deep-seated problems could not be solved by more cash.<sup>330</sup> SofS accepted the 1981-82 compromise and the 'substantially overheated' programme argument. His Review addressed medium and long-term issues but 'grave short-term problems remained'. Nott accepted the Review said Defence would henceforth be managed in cash. However, using cash as a management tool meant setting realistic obtainable limits.<sup>331</sup>

June's Cabinet decision had been taken in volume terms, with the proviso there should be a realistic translation into cash. The issue was how the translation should be made. In 1982-83 the MoD and Treasury were £374m apart, the gap widened thereafter. Vote 2 was the main problem, especially Air and Sea Systems, 'Tornado, the greatest single difficulty'. Production was flowing according to pre-arranged tri-national plans fixed years before. Annual programme costs were over £1bn. Deferral pushed added costs into later years and after a certain point involved compensation payments, increasing costs in 1982-83. In November 1981, 80% of Vote 2 expenditure was already committed. Nott's Review sought a better balance between platforms and weapons spending. Running war stocks and combat capability down increased the next year's problems. The UK was sometimes below NATO's 'pathetically low' minimums.<sup>332</sup> Closing the £374m gap would undermine the programme – involving the cancellation of AV8B and Sea Eagle, halting conversion of three Nimrods to maritime role and Hawks for air defence. Nott highlighted thousands of lost job opportunities, potential damage to BAe and the risk to collaboration with the Americans on advanced short take-off and vertical landing aircraft (STOVL). It was impossible to steer such a package through the Commons.<sup>333</sup>

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<sup>329</sup> *Ibid.*, folio 35, SofS to Home Secretary, 'MISC 62: Defence Expenditure', 3 November 1981.

<sup>330</sup> *Ibid.*, CST to SofS, 'MISC 62: Defence Expenditure', 9 November 1981.

<sup>331</sup> *Ibid.*, folio 36, SofS to CST, 'MISC 62: Defence Expenditure', 12 November 1981.

<sup>332</sup> *Ibid.*, folio 38, SofS to PM, 'Public Expenditure', 18 November 1981.

<sup>333</sup> *Ibid.* For the sums involved it was 'madness' to try. Nott considered it would be irresponsible of him to offer £300-£400m of savings when he knew he could not deliver them.

The key phrase was 'realistic transition' to cash. Nott argued unless there was special provision for Defence equipment's relatively high cost he could not honour Government commitments to increase spending. Cabinet Office briefing hinted the case for rising Defence prices was unproven, claiming Nott's review was premised on faulty assumptions, with more cash needed to minimise subsequent disruption.<sup>334</sup> SofS met Mrs Thatcher and Treasury Ministers on 19 November. He emphasised the MoD was undergoing 'unprecedented radical change'. He demanded realistic cash provision to enable firm planning and tight control. Mrs Thatcher demanded an explanation and justification for higher prices of Defence equipment.<sup>335</sup>

The Cabinet Secretary thought there was common ground for some transitional funds for 1981-82 to 1984-85. The two key issues were the movement of prices in 1981-82 and the RPE in future years – the difference in the movement of prices for Defence goods compared to the prices of goods in general. He observed there was no conclusive evidence available to prove the MoD's view that above-average price increases were occurring or the Treasury's assertion that the existing cash limit of 11% for non-pay price rises was adequate.<sup>336</sup> The MoD asserted the 1981-82 cash limit was not providing 11% over the actual prices paid in 1980-81 but rather about 8%.<sup>337</sup> Armstrong proposed raising the Treasury offer to £350m in 1982-83, with later years around £250m. Mrs Thatcher agreed this could be put to the Treasury.<sup>338</sup>

SofS accepted £275m for 1981-82 and wanted £400m for 1982-83. Even this necessitated major cuts. For 1983-84 and 1984-85, sufficient cash was needed for the agreed 3% annual growth in real terms. Nott proposed a joint Treasury-MoD review into the methodology of movements in Defence prices, to produce arrangements so MoD could live within cash limits 'without tearing industry to pieces each year'. Nott did not request a further cash increase for the RPE for Defence goods in 1982-83 and later. If prices exceeded funds provided and more was needed for Services' pay, he would claim an increase in the cash limit in 1982-83 and adjustment to the planning figures for later years.<sup>339</sup> A £300m increase was agreed with Treasury Ministers for 1981-82 and additional £375m for 1982-83. These excluded adjustments to the 1981 Services' pay award, financing and

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<sup>334</sup> *Ibid.*, folio 39, Gregson (Cab Off) to PM, 'Public Expenditure: Defence', 19 November 1981.

<sup>335</sup> *Ibid.*, folio 40, Note of meeting held at 10 Downing Street to discuss public expenditure on Defence, 19 November 1981. The Cabinet Office, in consultation with the Treasury and MoD were detailed by the Prime Minister to investigate urgently the reasons for the higher prices of Defence equipment.

<sup>336</sup> *Ibid.*, folio 40A, Armstrong (Cab Sec) to PM, 'Defence Prices', 20 November 1981.

<sup>337</sup> *Ibid.*, Omand (APS/SofS) to Scholar (PS/PM), 'Defence Prices', 20 November 1981.

<sup>338</sup> *Ibid.*, folio 41, Armstrong (Cab Sec) to PM, 'Defence', 20 November 1981.

<sup>339</sup> *Ibid.*, folio 42, SofS to CHX, 'Defence Expenditure', 24 November 1981.

investment in Royal Ordnance Factories and Service pensions. An additional £325m was to be provided for 1983-84 and £250m for 1984-85.<sup>340</sup> Ministers underlined weapons systems enhancements to run on the two UK Phantom squadrons in the UK should not be included in any cuts package.<sup>341</sup>

SofS told the Chancellor the persistent real growth in equipment costs was ‘one of the root problems facing Defence’. The Harrier cost four times more in real terms than the Hunter it replaced. Old savings had gone. Previously, overseas commitments and foreign bases could be reduced or abandoned, combat stocks and spares cut, and Service activity lowered but no longer:

We cannot carry on as we are without now accepting a severe decline in our ability to meet the Soviet challenge or perhaps abandoning one of our four traditional NATO commitments (and we know the problems which this would create for an increasingly beleaguered Alliance).<sup>342</sup>

Procurement’s share of the Defence Budget had increased by one third – from 33% in 1975 to 44% in 1980. Some £5 billion annually was spent with British industry on procurement, half the aerospace industry’s output and critical for BAe, Rolls Royce and thousands of smaller firms. In cutting edge electronic technologies, the MoD was almost the only source of public money contributing to development. SofS increased incentive and fixed price contracts, though cautioned against entering the latter too early to avoid being ‘taken for a ride by our sole suppliers’. He wanted to ensure ‘goods are delivered by industry only when we have planned, and can afford, to receive them’, helping control industry’s cash demands on the Defence Budget.<sup>343</sup> Indeed, industry’s expectations of Defence had to be trimmed over the coming years: ‘We cannot, from a finite budget, continue to increase spending with British industry at the rate at which we have been doing without totally unacceptable degradation of our front line.’ Exporting more equipment was difficult. Political factors precluded selling arms to all-comers. Moving down market to sell more overseas could mean giving British forces unsuitable equipment

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<sup>340</sup> *Ibid.*, folio 43, Armstrong (Cab Sec) to SofS, ‘Defence Expenditure’, 2 December 1981.

<sup>341</sup> TNA, DEFE 13/1724, folio 13, DUS(Air) to Minister (DP), ‘Phantom Weapon System Enhancement’, 18 December 1981; folio 14, PS/Minister (DP), ‘Phantom Weapon System Enhancement’, 23 December 1981; folio 15, APS/SofS to DUS(Air), folio 15, ‘Phantom Weapon System Enhancement’, 4 January 1982.

<sup>342</sup> HM Treasury, Private Office, Chancellor, Sir Geoffrey Howe, 0172 Part A, SofS to CHX, 30 December 1981.

<sup>343</sup> *Ibid.*

to meet an increasingly sophisticated Soviet threat. The MoD needed more money or a difficult shift to a narrower industrial and R&D base.<sup>344</sup>

The Treasury detected SofS's opening shot for further Budget increases, highlighting industrial and employment arguments. Treasury officials predicted Defence would emphasise the pain of meeting the 1982-83 cash limits and demand larger Budgets in 1983-84 and 1984-85:

If Mr Nott succeeds in getting even more money MoD will duck yet again the changes which are necessary in the defence programme but which have been avoided in the past because successive Governments have provided extra money to protect the programme and its industrial base.<sup>345</sup>

The Treasury believed the nettle needed to be grasped. Defence industries had to adjust to economic realities.<sup>346</sup> The more money MoD was given, the less incentive there was to solve procurement problems.<sup>347</sup> Howe told Nott that allocating growing sums to Defence was a road to ruin, potentially overwhelming efforts elsewhere.<sup>348</sup> Similarly, the Chief Secretary advised the MoD to take a 'realistic view of future pay and price increases'.<sup>349</sup>

Nott circulated proposals to OD Committee for programme decisions reflecting figures agreed by Cabinet in November for Defence spending from 1982-83 to 1984-85. The MoD could not stay within 1982-83 expenditure figures without making cuts he deemed unacceptable for Parliamentary reasons. He wanted flexibility to budget for an overspend in 1982-83. The Chief Secretary objected that flexibility should not 'fudge' the basic issue of whether the MoD should budget to stay within its allocation. Nott reduced the excess for 1982-83 from £1,300m to £342m and listed two sets of cuts. The second set of cuts [£170m]<sup>350</sup> SofS wanted to avoid by underspending in 1983-84. The Chief Secretary preferred flexibility to

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<sup>344</sup> Ibid.

<sup>345</sup> HM Treasury, Private Office, Chancellor, Sir Geoffrey Howe, 0172 Part A, Minute by Hansford (HMT), 6 January 1982.

<sup>346</sup> Ibid. Nott's 'tactics have apparently now changed to emphasising the industrial tail that is to wag the defence dog'.

<sup>347</sup> Ibid..

<sup>348</sup> TNA, PREM 19/687, CHX to SofS, 11 January 1982.

<sup>349</sup> Ibid., CST to SofS, 'Defence Estimates 1982-83', 19 January 1982.

<sup>350</sup> Ibid., folio 47, Wade-Gery (Cab Off) to PM, 'The Defence Programme', 26 January 1982. The drastic cuts included reductions in fuel for the Royal Navy, to the RAF's front line, the cancellation of the AV8B and the disposal of recently acquired Chinook helicopters.

cater for accidental underspends. Nott's 1982-83 overspend was 'an open evasion of the agreed terms of the "peace treaty" they had concluded in November. Mrs Thatcher could either tell Nott to live within this cash limit or disguise a deliberate overspend as flexibility.<sup>351</sup> Meanwhile, No. 10 officials mentioned re-examining the Government's commitment to armed forces pay comparability to finance equipment and reflect reduced public sector pay generally.<sup>352</sup> SofS instead told OD Committee his Review had encountered two unique difficulties arising from recession and rapid transition to cash planning. He talked of £500m of equipment work paid out in 1982-83 above that expected in summer 1981 and insufficient allowance for actual Defence price increases. The Prime Minister doubted appropriate arrangements had been made.<sup>353</sup>

Nott was angry the Public Expenditure White Paper was based on the planning assumption of 2.3% Defence real growth in the later PESC years – undermining his Review and the 3% factor allowing Conservative MPs to accept it. Additions of £100m and £214m were needed in 1983-84 and 1984-85 respectively.<sup>354</sup> The Chief Secretary claimed the figures reflected November's agreement.<sup>355</sup> Despite Nott's Review and recession, in the short run Defence spending rose. The £5bn of spending announced in December's economic statement included £480m for Defence. It was already 23% higher than expected in the first half of 1981-82, greater than the cash limits upward revision.<sup>356</sup> Defence swallowed up cash, even under Nott:

In the summer Mr Nott was claiming to have made the corridors of the Ministry of Defence red with blood as he carried through what was billed as a draconian cuts exercise. Yet five months later, defence

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<sup>351</sup> Ibid.

<sup>352</sup> Ibid., Vereker (Cab Off) to Whitmore (PPS/PM), 'OD: Defence estimates and Service pay', 26 January 1982.

<sup>353</sup> Ibid., OD(82)2, 'The Defence Estimates 1982/83.

<sup>354</sup> Ibid., SofS to PM, 'Public Expenditure White Paper: Defence', 9 February 1982.

<sup>355</sup> Ibid., CHX to SofS, 11 February 1982. Agreement had been secured in November 1981 for an additional £1,250m for the Defence budget comprised of £300m for 1981-82, £375m for 1982-83, £325m for 1983-84 and £250m for 1984-85. The figures for 1983-84 and 1984-85 were lower than the disproportionately large increase for 1982-83, arising from 'understandable transitional difficulties' encountered reshaping the Defence programme. Depressingly, with 'snail-like pace of growth' not until 1987 would Britain produce as much as in 1979. Julian Haviland, Anthony Bevins and David Blake, 'Howe fails to satisfy Tories who want stimulus to the economy', *The Times*, 3 December 1981; Editorial, 'A New Pragmatism?' *The Times*, 3 December 1981. It was forecast the economy would grow by only 1% in 1982, the first time it would expand under the Thatcher Government.

<sup>356</sup> Melvyn Westlake, 'Arms spending 23pc above target', *The Times*, 5 December 1981. This was the figure for the first half of the 1981-82 financial year according to the winter supplementary estimates submitted to Parliament.

spending is rising faster than planned, as it did last year and the year before that. There ought to be a full and searching inquiry into why we get less and less in the defence field for more and more money.<sup>357</sup>

The commitment to UK air defence, came under renewed scrutiny. Aircraft were getting older, there remained a fighter pilot shortfall and economies reduced Tornado delivery rate. Moreover, the Government's preference for the larger, more expensive Trident-2 variant because of US compatibility further challenged spending on conventional forces. SofS maintained the fighter pilot shortage was improving. In May 1979 the RAF was about 200 fighter pilots short. It remained short but it took two and a half years to recruit and train a fighter pilot.<sup>358</sup>

### **Tornado Cuts and Nott's Reservations**

Following the Navy cuts, the savings focus shifted to the other Services. The Tornado programme, the biggest item, faced renewed review. The West German government had also had problems with the programme's cost. Accounting for half of the RAF's annual equipment costs of £2bn, the bill for 385 aircraft reached £11.25bn.<sup>359</sup> Procurement was prolonged. A reduced delivery rate of 44 aircraft annually, met NATO commitments, avoided major redundancies and continued until 1989-90. In 1982-83, over £1bn of the equipment budget involved Tornado development, production and in-service support. Britain established and ran the Tornado Tri-National Training Establishment at RAF Cottesmore from January 1981 and a year later the Tornado Weapons Conversion Unit was formally opened at Honington. In January 1982, SofS stressed improvements to UK air defences would proceed, running on the two Phantom squadrons into the 1990s, arming 72 Hawks and modernising the airborne and ground early warning system.<sup>360</sup> Despite

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<sup>357</sup> Editorial, 'A New Pragmatism?' *The Times*, 3 December 1981. The financial effects of the Defence Review were not likely to be felt until 1983.

<sup>358</sup> Parliamentary Staff, 'Tory measures to improve air defences', *The Times*, 24 February 1982.

<sup>359</sup> The 385 aircraft were comprised of 220 of the Strike Tornado and 165 of the £3 million more expensive Air Defence Variant (ADV) Tornado. A proposal to bring forward the ADV programme by nine months was dropped on financial grounds. The total tri-national order was 809 aircraft.

<sup>360</sup> TNA, DEFE 13/1772, folio 8, Ministry of Defence News Release 1/82, 'Delivery Rates of Tornado to be Levelled Out', 21 January 1982. In late 1978 because production was running behind schedule, the planned annual rate of deliveries to meet UK needs had increased from 46 aircraft to around 60; David Fairhall, 'Tornado weapon centre opened as redundancies threaten lifts', *Guardian*, 9 January 1982.

existing aircraft due for replacement being either withdrawn or run on, depleting the front line, the Government denied any significant weakening of UK air defence.<sup>361</sup>

SofS was suspicious of Tornado costs and wary of collaborative projects. When advised of long lead time items for Tornado production batches, requiring tri-national approval, he wrote, 'This whole thing is a scandal'.<sup>362</sup> The fifth batch comprised 171 aircraft – 72 for the RAF – the final 20 GR1 and 52 F2. Maximum funding liability to the UK was £950m - £890m for production and procurement and £60m for 36 reserve engines. Nott was dismayed at expenditure levels and asked about RAF savings, 'How can we sign a contract when we haven't got the money [?]. The RAF is over the top.'<sup>363</sup> Tornado programme constraints offered little manoeuvre following reduced delivery rates. PUS queried spreading expenditure over the coming years for the fifth batch The Air Force Programme was 'much the most difficult', with considerable excesses anticipated for the next few years.<sup>364</sup> The Procurement Minister, Lord Trenchard, would not authorise the fifth batch until fellow Ministers considered recent LTC bids and agreed Air Force proposals to absorb the excess over LTC targets. He also mentioned cancelling the final batch of 20 GR1s or further slowing the programme.<sup>365</sup>

A reduction to 44 Tornado annually was as far as the MoD could go before additional costs and penalties outweighed short-term savings. Cancelling the final batch of GR1s offered £75m savings from 1983-84 but reduced the RAF's front line by one squadron and involved 1,000 redundancies. Unless Germany made a similar reduction, compensation payments to national partners would considerably reduce any savings. Converting the final 20 GR1s to F2s increased costs by £50m in the

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<sup>361</sup> Henry Stanhope, 'Tornado project faces delays to save money', *The Times*, 7 December 1981; Parliamentary Staff, 'Rephrasing of Tornado aircraft', *The Times*, 9 December 1981; Henry Stanhope, 'Tornado has its wings clipped', *The Times*, 22 January 1982. Similarly, the West German authorities, also faced financial belt-tightening as the cost per aircraft soared from £3.2m to around £15m. Fearing that the Tornado programme would account for 25-30% of its Defence budget by 1984, Bonn reduced its annual order to 42 aircraft. Patricia Clough, 'Tornado wrecks Bonn defence plan – Huge cost increases jeopardize other projects', *The Times*, 4 March 1981; Henry Stanhope, 'Building a new image for the Bundeswehr', *The Times*, 10 September 1981. West Germany ordered 322 Tornados.

<sup>362</sup> TNA, DEFE 13/1772, folio 9, CA to APS/SofS, 'Tornado', 26 January 1982.

<sup>363</sup> *Ibid.*, folio 22, CA to Min(DP), 'Tornado: Fifth Batch Production Authorisation', 26 February 1982.

<sup>364</sup> *Ibid.*, folio 21, PS/PUS to PS/Min(DP), 'Tornado: Fifth Batch Production Authorisation', 4 March 1982.

<sup>365</sup> *Ibid.*, folio 23, Minute by Trenchard (Min(DP)), 'Tornado: Fifth Batch Production Authorisation', 16 March 1982. Trenchard viewed the fifth batch production programme as accentuating the existing imbalance between spending on aircraft and spending on associated weapons systems and equipment. He eventually agreed to the fifth production batch as recommended by CA.

early years. The aircraft would then likely be delivered before their associated equipment.<sup>366</sup> Moreover, without Tornado there would be no advance European aircraft industry, possibly excepting France. Tornado lessons would help 'to tackle successfully an advanced European combat aircraft programme'.<sup>367</sup> While Nott accepted the planned programme in principle with a final decision pending until the LTC's shape had become clear, partners obtained approval, putting pressure on the UK to decide. The sole hold up to completing LTC 82 concerned the mechanism for increasing the cash bid.<sup>368</sup> Ministers authorised agreement confidentially but wanted the announcement to wait until the Defence debate in July.<sup>369</sup>

Cost was SofS's major reservations with Tornado. Britain lacked the money to build enough aircraft. Although doubtful about all-encompassing multi-national programmes, he acknowledged advantages and savings from collaborative R&D early in major programmes. However, Tornado was a 'completely binding project', with various export obstacles. Nott queried the IDS's performance and likely longevity. However, the RAF anticipated a very low attrition rate. Nott commissioned independent research which largely 'came out the RAF's way'. He remained suspicious, 'I think the Tornado decision was a very good one for NATO but our part in it is the wrong one.' He did not think it Britain's natural NATO role to have NATO's most effective strike-attack aircraft'. It was 'topsy-turvy' that Britain, with its Atlantic responsibilities, placed its Tornados in the strike-attack role in the Central Front while West Germany deployed their Tornados to the maritime role in the Baltic. He also worried they would not be equipped with requisite weapons. It would be a 'catastrophe' if Tornado costs prevented the deployment of sufficient resources into necessary weapons systems. The development of an airfield destruction weapon, JP 233, was delayed because of shortage of funds. Nott stated:

Unless you have an airfield denial weapon that is really effective then what the hell's the point of using Tornado at all. So its [it has] got (a) [to] be able to get through the air defences, which means defence suppression systems, and, when it gets there its [it has] got to be able to do some damage.<sup>370</sup>

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<sup>366</sup> Ibid., folio 28, Min(DP) to SofS, 'Tornado: 5<sup>th</sup> Batch Production Authorisation', 31 March 1982.

<sup>367</sup> Ibid., folio 30, APS/Min(DP) to APS/SofS, 'Tornado Cost Control', 19 April 1982.

<sup>368</sup> Ibid., folio 37, CA to Min(DP), 'Tornado: 5<sup>th</sup> Batch Production Authorisation', 4 June 1982.

<sup>369</sup> Ibid., folio 40, APS/Min(DP) to PS/CA, 'Tornado: 5<sup>th</sup> Batch Production Authorisation', 11 June 1982.

<sup>370</sup> Churchill Archives Centre, Churchill College, Cambridge, The Papers of Sir John Nott, Literary, NOTT 4, 6 (6) Transcript of interview on cuts to the RAF in Germany. Nott later remarked, 'It would be the RAF who would say that, on reflecting, they'd had the best deal of the three and I think that's right

Nott later claimed his Review really surrounded the issue of Tornado'. Nott wanted £60m for the maritime side to reopen the Nimrod programme but because of Tornado, the money wasn't there. He argued the Nimrod's airborne early warning and maritime patrol capabilities offered export possibilities. Selling Tornado strike aircraft to Middle Eastern states was much riskier.<sup>371</sup> There was a 'window of vulnerability' for the RAF as 56 Vulcans, 24 Canberra photo-reconnaissance aircraft, 24 Buccaneers and six Shackleton AEW aircraft were phased out over 1982-83. This air gap (excepting Shackleton) was to be filled by the Tornado. The financial go-slow led to the gap not being plugged in advance.<sup>372</sup>

SofS was heckled over American bases, punched at Portsmouth naval dockyard and a letter bomb was sent to his office.<sup>373</sup> He was harried by the Treasury and Conservative hawks. Mrs Thatcher was unimpressed: 'Two months before the Falklands invasion, the Prime Minister's office was putting it about that Nott would soon be on the way out.' His relationship with the backbench Conservative Defence Committee was in tatters. They accused him of having 'a cash register defence policy' [Keith Speed] and said he was 'gravely adrift' [Winston Churchill]. This arose from ditching the Vulcan force, the delays and deferments with Tornado, the closure of Chatham, the scrapping of surface ships and the proposed sale of the *Invincible*. The additional costs arising from the dearer Trident D5 option only placed more pressure on the conventional defence budget.<sup>374</sup> In March 1982, shortly before the Argentine invasion of the Falklands, Nott spared the 12,000-ton amphibious assault ships, *Intrepid* and *Fearless*, respectively 15 and 17 years old. There were no plans to replace them. Their reprieve was tied in with negotiations

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and I think the RAF, on the whole, will be infinitely stronger.' On Nott finding it 'anomalous' for West Germany to deploy its first batch of Tornados in a maritime role see TNA, DEFE 13/1796, APS/SofS to DUS(P), 'FRG Tornado Aircraft', 17 November 1982.

<sup>371</sup> Churchill Archives Centre, Churchill College, Cambridge, The Papers of Sir John Nott, Literary, NOTT 4, 6 (6) Transcript of interview on cuts to the RAF in Germany.

<sup>372</sup> Henry Stanhope, 'Can the RAF shut that open window?', *The Times*, 29 March 1982.

<sup>373</sup> 'Dockers pelt Nott', *Guardian*, 10 September 1981; George Clark, 'Letter bomb sent to Nott's office', *The Times*, 18 March 1982.

<sup>374</sup> Young, *One of Us*, pp. 269-270. This account added, 'He [Nott] was too flashy, too febrile, definitely unsuited to the long slow grind of taking on the Ministry of Defence and forcing in a managerial regime that would succeed in reconciling its commitments with its resources.' See also Adam Raphael, 'Mrs T sees her promises on defence turn sour', *Observer*, 21 February 1982; 'Profile: The man to call the shots?', *Observer*, 2 May 1982.

over Trident II purchase. The Americans, strengthening their own navy, were concerned at Royal Navy reductions.<sup>375</sup>

### South Atlantic Conflict

The CDS was abroad when Argentina invaded the Falkland Islands. CNS was authorised to assemble a Task Force to recapture the islands on 31 March 1982, anticipating the Argentine landings the following day. During the first weekend after the invasion, CAS chaired COS meetings.<sup>376</sup> The official historian observed: 'The most significant feature of the Falklands War was that it was fought well out of the NATO area and with the Royal Navy the lead service. It was precisely the war for which Britain was planning least.'<sup>377</sup> Mrs Thatcher attempted to shield Nott, claiming naval spending, excluding Trident, had increased by £500m since 1979.<sup>378</sup> However, SofS 'did not have a good Falklands'.<sup>379</sup> Initially, he offered to resign.<sup>380</sup> The Prime Minister rejected this offer as the MoD was 'not the department responsible for policy towards the Falkland Islands'. The FCO had this role and Lord Carrington resigned.<sup>381</sup>

SofS even wanted to publish the *Defence Estimates* on 28 April. Conservative members of the all-party Select Committee on Defence and the Conservative backbench Defence Committee eventually secured a postponement. Talking about reducing Navy manpower and cutting surface ships was thought insensitive at this

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<sup>375</sup> Thatcher, *The Downing Street Years*, p. 248. However, the Navy's preference was to retain the aircraft carrier *Invincible*, which was earmarked for a £175m sale to Australia.

<sup>376</sup> On the RAF's role in the Falklands conflict see TNA, AIR 41/95, *RAF Operations During the Falklands Conflict 1982* (Air Historical Branch (RAF), 1988).

<sup>377</sup> Lawrence Freedman, *The Politics of British Defence 1979-1998* (London: Macmillan Press, 1999), p. 83.

<sup>378</sup> Thatcher, *The Downing Street Years*, p. 185. Mrs Thatcher argued Nott's Review had ensured the Royal Navy's aircraft carrier strength was continuously maintained.

<sup>379</sup> Nott mentioned stepping down to Mrs Thatcher in late 1981 and leaving politics altogether. She subsequently dissuaded him. 'The Times portrait: Will John Nott be the last casualty? *The Times*, 17 June 1982. There was much talk at this point about Nott leaving Defence and various names were mooted, including Peter Walker. Nott said he had no intention of resigning but claimed there was a conspiracy against him involving Admirals, naval correspondents and disaffected Parliamentary colleagues. Alan Clark, *Diaries: Into Politics 1972-1982* (London, Phoenix Paperback, 2001), pp. 333-336, 16, 17 June 1982. Walker's name was mentioned as early as late May 1982. TNA, DEFE 13/1691, 'Walker tipped to get Nott job', *Mail on Sunday*, 30 May 1982.

<sup>380</sup> Editorial, 'We are all Falklanders Now', *The Times*, 5 April 1982; Julian Haviland, 'Nott offer to quit rejected by Mrs Thatcher', *The Times*, 6 April 1982. The Foreign Secretary, Lord Carrington, did resign at this point. Editorial, 'Lord Carrington's Honour', *The Times*, 6 April 1982.

<sup>381</sup> Parliamentary Staff, 'Falklands-bound task force stocked and armed for war', *The Times*, 3 April 1982; Anthony Bevin, 'Nott to retire at election and seek new career', *The Times*, 2 September 1982.

juncture.<sup>382</sup> The deployment of the Task Force re-ignited the surface fleet debate. Nott argued the Government would proceed with the Review, emphasising the overriding Soviet threat.<sup>383</sup> All he promised after the crisis was ‘to see whether there are any adjustments within the policy already announced’.<sup>384</sup>



South Atlantic-bound. Groundcrew remove the rotor blades from ZA718/BN, a Chinook HC.1 of No. 18 Squadron after the helicopter's arrival on the 'Atlantic Conveyor', 25 April 1982. ZA718 was one of five Chinooks to embark on the ship on this date for the voyage south to participate in Operation CORPORATE. Photograph: AHB (RAF).

Operation CORPORATE presented a lifeline for the Vulcan. Although squadrons were not 'rerieved', SofS agreed with CAS that Vulcan support was required until the operation ended. Some 10 Vulcans were converted to carry conventional rather

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<sup>382</sup> Political Editor, 'Defence review to be delayed', *The Times*, 22 April 1982. Nott initially resisted requests for a delay, arguing it was too late to stop publication.

<sup>383</sup> Parliamentary Staff, 'Nott: Three crucial lessons', *The Times*, 28 April 1982. Nott maintained the *Invincible's* sale would go ahead when it returned from the South Atlantic.

<sup>384</sup> David Watt, 'Nott is still right about the Navy', *The Times*, 30 April 1982.

than nuclear bombs and the runway at Port Stanley was attacked following an unprecedented in-flight refuelling operation.<sup>385</sup> Despite CDS's reservations, Nott agreed to CAS's proposal to retain a conventional attack squadron [No. 44] until the end of 1982 to help defend the Falklands by their long-range deterrent capability.<sup>386</sup>



A Vulcan bomber on approach to land at Wideawake airfield, Ascension Island during Operation CORPORATE. Photograph: AHB (RAF).

### **Re-balancing Defence?**

Post-Falklands, Nott maintained the strategic environment had not altered. The Soviet Union was the real foe, not Argentina. He was successful in outflanking the Treasury and ensuring the costs of the war fell on the wider Government Central

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<sup>385</sup> TNA, DEFE 13/1724, Omand (APS/SofS) to PS/CAS, 'Operation Corporate – Vulcans', 20 April 1982; Henry Stanhope, 'RAF prepares bombers for possible action', *The Times*, 19 April 1982. On 1 May 1982, Stanley airfield suffered its first raid by an RAF Vulcan, which dropped 21 1,000 lb bombs, cratering the runway. The raid was followed up the same day by Sea Harrier operations. A second Vulcan attack took place on 4 May, with other attacks later in the campaign.

<sup>386</sup> TNA, DEFE 13/1724, CAS to SofS, 'Vulcan Run-on', 12 July 1982; CDS to SofS, 'Vulcan Run-on', 16 July 1982; Omand (APS/SofS) to PS/CAS, 'Vulcan Run-on', 20 July 1982; APS/SofS to PSO/CAS, 'Vulcan Run-on', 23 August 1982. No. 44 squadron was retained until the end of 1982 and was available for 'on call' nuclear tasking for SACEUR until that date. No. 101 squadron was disbanded in August.

Contingency Fund and not the Defence Vote, meaning other big-spending departments shared the burden.<sup>387</sup> In September, he announced he would retire at the next General Election,<sup>388</sup> although remained SofS pending the Falklands White Paper's publication.<sup>389</sup> There was a renewed push to rebalance policy and re-open the Review – not to the RAF's benefit. Leading this lobbying were Navy supporters.<sup>390</sup> They emphasised the importance of surface ships in protecting vital sea lanes against a growing Soviet naval threat.<sup>391</sup> The opinion pages of *The Times*, edited by the maritimist Charles Douglas-Home, provided one platform.<sup>392</sup> Victory in the South Atlantic boosted national morale. Mrs Thatcher extolled 'the new mood of the nation' and 'a new-found confidence, born in the economic battles at home

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<sup>387</sup> 'Times portrait: John Nott'. Critics dubbed this view, 'the dying thrusts of a beaten bull'; David Fairhall, Ian Aitken and Ian Black, 'Nott triumphs in battle to split war costs', *Guardian*, 23 June 1982.

<sup>388</sup> Anthony Bevens, 'Nott to retire at the election and seek new career', *The Times*, 2 September 1982; Andrew Wilson, 'Navy cheers change', *Observer*, 5 September 1982.

<sup>389</sup> Henry Stanhope, 'Counting the cost of keeping the Falklands', *The Times*, 5 June 1982. Stanhope observed as the Falklands crisis drew to a close and questions were asked about ensuring the islands future security: 'Last year's decision to make the Royal Navy's surface fleet a sacrificial lamb on the altar of Whitehall economy was questionable at the time and is now more so. But to rebuild the fleet around the need to remain in the South Atlantic would be still more dubious.'

<sup>390</sup> These included pressure groups such as the British Maritime League, set up on the eve of the Falklands conflict, with a membership drawn from maritime interests including the Royal Navy, merchant navy, fishing fleets and shipbuilding.

<sup>391</sup> Nott, *Here Today, Gone Tomorrow*, p. 205. Nott argued, 'The principal dispute between the Royal Navy and myself concerned the number of surface ships in the fleet. But the money saved on ships was not going elsewhere – it was devoted to upgrading the Navy's weapons systems and its submarine fleet.' Michael Chichester, 'British role in Nato defence', *The Times*, 12 July 1982. The Navy lobby claimed by 1986 the BAOR would probably be larger than the Royal Navy.

<sup>392</sup> Charles Douglas-Home was the nephew of the former Prime Minister, Sir Alec Douglas-Home. He was editor of *The Times* from May 1982, doubling the paper's circulation to 500,000, until his death from cancer at 48 in October 1985. Alan Clark, *Diaries: In Power 1983-1992* (London: Phoenix, 1994), pp. 84-86, 6 June 1984. Nott observed Douglas-Home 'had some Victorian nostalgia for our great naval past' and criticised *The Times*' 'pretensions'. Craig Seton, 'No nostalgia for Nott as he turns his back on Parliament and the press', *The Times*, 16 May 1983. The following leading articles appeared in the editorial pages of *The Times*: 'Strategy in a Silver Sea', 21 June 1982; 'Too Much on the Rhine', 1 July 1982; 'Thin Front Line', 15 September 1982; 'Slide Rules All At Sea', 18 September 1982; 'Too Many Chiefs', 13 October 1982; 'No End of a Lesson', 2 November 1982; 'No end of a lesson: II The Building Blocks of a Strategy', 3 November 1982; 'No end of a lesson: III How the Centre can Hold', 4 November 1982; 'No End of a Lesson: IV', 5 November 1982; 'Arms and the Men', 15 December 1982; 'A New Voice At Defence', 20 December 1982. 'Too Much on the Rhine', made the charge: 'Certainly the army and RAF chiefs seem to have sat back – like shadows "yawning at the mass" – and watching, indeed connived at, the axe falling on the navy, with no apparent concern for the unbalanced way it was done.' See also Alan Clark, 'The special respect Nato owes Britain', *The Times*, 10 July 1982; Keith Speed, 'Why Nott is wrong about the Navy', *The Times*, 31 July 1982; Henry Stanhope, 'Whitehall plays down attack by First Sea Lord', *The Times*, 4 September 1982.

and tested and found true 8,000 miles away.<sup>393</sup> Others cautioned against a neo-imperial mood.<sup>394</sup> Cooper warned against lobbying, unauthorised briefings, speeches and entertaining MPs, to influence them against Government Defence policies and added, 'if internal policy debates become a matter for external lobbying' performance suffered.<sup>395</sup>

The Government, SofS and the RAF rejected knee-jerk policy changes.<sup>396</sup> The *Estimates*, published on 22 June, stated the main threat to UK security remained the Warsaw Pact. The best defence remained NATO membership and continued contributions to NATO's nuclear and conventional forces, to sustain collective forward defence and flexible response strategies.<sup>397</sup> Ministers agreed to cover Falklands campaign costs, replacement of lost equipment and the future garrison.

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<sup>393</sup> Young, *One of Us*, pp. 280-281. Mrs Thatcher's speech at Conservative Party rally, Cheltenham, 3 July 1982.

<sup>394</sup> Correlli Barnett, 'Dangers in British neo-imperial mood', *The Times*, 29 June 1982. Barnett's letter posed the question to Douglas-Home, 'Have you, Sir, pondered the impact on less resolute members of Nato of a withdrawal of a major portion of the BAOR back to the United Kingdom and the follow-on consequences for the cohesion and effectiveness of the whole Alliance?'

<sup>395</sup> TNA, DEFE 68/418, enclosure 9/1, Minute from PUS to Chiefs of Staff, 13 July 1982. Cooper had also been concerned that at UK/US Working Group meetings on the Defence Programme there was 'an obvious temptation to some of our own people to encourage American officials to support parts of the British programme which appear to be under threat.' He noted the 'maritime preoccupations' of the talks. Nott was warned 'The Navy Dept will need watching to ensure they do not use the US as a lever against the Defence Review'. DEFE 13/2025, Minute by Omand (APS/SofS) on AUS(NS) to DUS(P), 'Anglo-US Discussions on the Defence Programme', 28 August 1981. Nott agreed with Cooper's analysis that these talks had 'gone off the rails' and promised to raise this with his US counterpart Caspar Weinberger. DEFE 13/1950, folio 21, PUS to SofS, 'US/UK Working Group on the Defence Programme', 12 October 1981; folio 23, Omand to PS/PUS, 14 October 1981.

<sup>396</sup> Defence experts observed that Nott was likely to have RAF support as he tried to resist fundamental changes to his Defence Review decisions: 'To some extent he will have the support of the Army and particularly the RAF, who after emerging relatively lightly from the defence review are anxious not to lose ground to the Navy in any reallocation of funds.' Henry Stanhope, 'Britain likely to cancel sale of the Invincible', *The Times*, 21 June 1982.

<sup>397</sup> TNA, DEFE 68/418, enclosure 7, FCO Guidance Telegram 135, 'Statement on the Defence Estimates 1982', 21 June 1982; HM Government, *Statement on the Defence Estimates 1982 1*, Cmnd. 8529-I (London: Her Majesty's Stationery Office, June 1982); HM Government, *Statement on the Defence Estimates 1982 2 Defence Statistics*, Cmnd. 8529-II (London: Her Majesty's Stationery Office, June 1982); Henry Stanhope, 'Now Nott has to take on the task force', *The Times*, 22 June 1982. The Defence Estimates had been on the stocks for more than two months and were published with a short addendum. The cost of replacing equipment lost in the South Atlantic, campaign costs and the future Falklands garrison involved dipping into the Contingency Reserve. DEFE 68/418, enclosure 9, Minute by Beaumont (Head, DS12), 'Additional Guidance to UKDEL NATO', 24 June 1982; PREM 19/688, Scholar (PS/PM) to Omand (APS/SofS), 'The Defence Programme', 22 June 1982; SofS to PM, 'The Defence Programme', 16 June 1982.

*The Times* post-Falklands campaign condemned the ‘strategically ill-founded’ proposals to cut the Navy, which were ‘politically unsound’ since the Falklands.<sup>398</sup> Existing Brussels treaty commitments relating to BAOR and 2TAF strength on the central front required revision to reduce Britain’s contribution:

The army and air force budgets should...be cut to save the navy budget. At the end of the day our continental allies must bear the lion’s share of the defence of their territory, while Britain keeps open the sea lanes which make the American commitment to fight in Europe’s defence more credible than any nuclear guarantee can be.<sup>399</sup>

One editorial attacked the Army and RAF’s “‘short war’” enthusiasts...dedicated to the territorial trip wires of NATO military planning’.<sup>400</sup> Nott had inflicted ‘savagely naval cuts’ but in Germany wives, children and employing locals cost £650m. Most would be saved if much of the Army and RAF were stationed in Britain and maintained rapid deployment capacity.<sup>401</sup> They had colluded with Nott: ‘Certainly the army and the RAF chiefs seem to have sat back...and watched, indeed connived at, the axe falling on the navy, with no apparent concern for the unbalanced way it was done.’<sup>402</sup>

### **Countering the Navy Lobby**

Facing pressure to reconfigure policy away from his blueprint,<sup>403</sup> SofS countered: ‘We cannot rob the other services to pay for a larger Royal Navy.’<sup>404</sup> He highlighted maritime/air capability and air power’s increasing role in Atlantic defence. He cited the Nimrod Mark 2 AEW aircraft, Sea Eagle missiles on the *Buccaneer*, the Sea Harrier and possibly the Tornado GR1, anticipating a joint Royal Navy and RAF

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<sup>398</sup> Editorial, ‘Strategy in a Silver Sea’, *The Times*, 21 June 1982. It was alleged Defence policy had for too long ‘remained the preserve of cost accountants and operational analysts’ who never encountered hard reality.

<sup>399</sup> *Ibid.*

<sup>400</sup> Editorial, ‘Too Much on the Rhine’, *The Times*, 1 July 1982.

<sup>401</sup> *Ibid.* Beetham, a former Commander of RAF Germany, acknowledged there were problems with the ‘tail’ in Germany but argued the presence of families was essential for regular forces and there was a need to ‘make service attractive’. AHB, Interview by Hd/AHB with MRAF Sir Michael Beetham 1987/88, p. 15.

<sup>402</sup> Editorial, ‘Too Much on the Rhine’, *The Times*, 1 July 1982.

<sup>403</sup> *Ibid.* The sale of the aircraft carrier *Invincible* to Australia was rendered politically impossible following its central role in the Task Force. The editorial stressed: ‘That is not preparing forces to fight the last war (in this case, the Falklands); it is preparing, as best we can, for the unforeseen.’

<sup>404</sup> John Nott, ‘After the Falklands, let’s not go overboard on Navy spending’, *The Times*, 27 July 1982.

role.<sup>405</sup> SofS doubted applying South Atlantic lessons when contending with the Warsaw Pact. He believed the men had counted in the Falklands rather than the equipment.<sup>406</sup> The three most recent surviving Chiefs of the Air Staff supported Nott. On 1 July, MRAF Sir Denis Spotswood warned against 'selective judgments...to promote quite unwarranted changes in our defence policy'. Sufficient earlier investment in air power on the Falklands could have deterred invasion. After mentioning the vulnerability of surface ships, he observed:

Though national credibility and pride were at stake in the Falklands, our very survival is dependent on being able to deter and if necessary defeat aggression in Europe. Let us hope that common sense prevails and that the Government is not deflected from the sensible priorities that emerged from last year's defence review.<sup>407</sup>

On 8 July, MRAF Sir Neil Cameron praised Nott for tackling Defence 'head on'. Maintaining a strong UK land and air capability in Germany displayed 'sound military and financial (as well as political) logic'. Cameron underlined air power's significance and surface fleet vulnerability; supporting greater investment in submarines and aircraft to maintain control in specific areas of sea.<sup>408</sup> A week later Beetham highlighted air power's paramount importance and its potency against surface ships.<sup>409</sup> He praised the Navy and the Task Force but remarked: 'The Falklands conflict also pointed up the very real difficulties of operating a Task

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<sup>405</sup> Ibid.

<sup>406</sup> Philip Webster, 'Nott walks out of TV interview', *The Times*, 6 October 1982.

<sup>407</sup> MRAF Sir Denis Spotswood, 'Lessons from the Falklands conflict', *The Times*, 1 July 1982. That same day in the Defence Estimates debate, the Conservative MP, Julian Critchley, told the Commons the 'Falklands expedition was a one-off' and should not lead to the restating or rethinking the fundamentals of Defence attitudes and policy, which he thought before the Falklands were on the right lines. Parliamentary Staff, 'Ships, aircraft and artillery among new equipment', *The Times*, 2 July 1982.

<sup>408</sup> MRAF Sir Neil Cameron, 'Keeping the balance in defence forces', *The Times*, 8 July 1982. Cameron was critical of *The Times* for 'poor briefing and imbalance'. On the cost of the local air defence of the surface fleet see Nott, *Here Today, Gone Tomorrow*, p. 223. See also Alan Clark, 'The special respect Nato owes Britain', *The Times*, 10 July 1982. Clark insisted the 'revisionists' wanted to reduce the size and scale of the BAOR, not withdraw it to Britain. He downplayed Soviet strength and said there 'was not the slightest suggestion of Soviet pressure in Europe' when Britain's attention had diverted to the South Atlantic. Clark alluded to Rapier batteries and Harriers sent to the Falklands but otherwise said nothing specific about RAF Germany. He argued Britain's air defence 'hardly exists' and was below the level of 1938, saying its perceived weakness then had led Neville Chamberlain to fly to Munich.

<sup>409</sup> ACM Sir Michael Beetham, 'Air Power and the Royal Air Force: Today and the Future', *RUSI Journal*, December 1982, pp.21-25. RUSI lecture on 14 July 1982, Beetham remarked: 'In land/air warfare we quickly learnt that free movement of land forces could only be achieved once mastery of the air had been attained.'

Group within range of hostile land-based air power.’ Four warships had been sunk and ‘a further ten were damaged by bombs which fortunately did not explode’.<sup>410</sup> Beetham emphasised the continental dimension. Alongside the quantitative strength of conventional Soviet forces there was a ‘dramatic improvement in quality of Warsaw Pact equipment’. Over 40% of Soviet defence spending went on air power and the threat was more immediate and more direct in Europe. The RAF’s improvements would enable it to meet its various roles ‘more flexibly, with ‘improved capabilities at all levels’.<sup>411</sup>

Nevertheless, Navy partisans remained fixated on reassessing ‘Britain’s static defence deployment in Central Europe’. There were US air bases in Britain and RAF bases in Germany. They claimed the Americans could swap places with the RAF, seemingly maintaining fire power and security savings.<sup>412</sup> NATO allies, particularly the US and General Bernard Rodgers, SACEUR, asserted reducing British land and air forces would damage long established strategy and overall deterrent. The force specialisation argument to justify any British maritime concentration was considered ‘specious’ in NATO.<sup>413</sup>

### **A Brighter Horizon?**

Under ACM Sir Keith Williamson, CAS from October 1982, the RAF ensured the deterrent against aggression in the South Atlantic was prohibitively high.<sup>414</sup>

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<sup>410</sup> Ibid., p.22. The four Royal Navy ships sunk were *Ardent*, *Antelope*, *Coventry* and *Sheffield*. Beetham remarked: ‘This attrition was exacted mainly by ageing A4s operating at extreme range with iron bombs and no ECM.’ Nott commented on similar lines, *Here Today, Gone Tomorrow*, p. 205. Nott argued Soviet missiles and launch platforms were far more sophisticated than the Argentine armoury. He observed: ‘The Falklands showed the severe vulnerability of the surface fleet against a sophisticated and determined enemy – and even before that event, it was clear that something had to be done about it.’

<sup>411</sup> Beetham, ‘Air Power’, p. 25. Even Lewin, the outgoing CDS, grew exasperated at *The Times* tone. He described the Falklands operation as ‘demonstrably a tri-Service action’ and added, ‘To state that the Army and Air Force in their change to operational status “needed a bigger jump in imagination” than the Royal Navy simply is not true.’ Terence Lewin, ‘Tri-Service action in Falklands’, *The Times*, 25 September 1982; Editorial, ‘Slide Rules all at Sea’, *The Times*, 18 September 1982.

<sup>412</sup> Editorial, ‘No end of a lesson: III How the Centre can Hold’, *The Times*, 4 November 1982. The incremental costs comprised ‘stationing service men and their families in West Germany, and employing an additional 30,000 local people’.

<sup>413</sup> Frederick Bonnart, ‘Nato: Britain’s Commitment: 1’, *The Times*, 13 December 1982; Frederick Bonnart, ‘Nato: Britain’s Commitment: 2’, *The Times*, 14 December 1982; Nott, *Here Today, Gone Tomorrow*, p. 225.

<sup>414</sup> AHB, Chief of the Air Staff’s briefing for Retired Air Officers, RAF College Bracknell, 12 November 1982, opening address by CAS. Williamson told senior retired RAF officers the ‘scenario for the [Falklands] campaign was almost a model for a Staff College exercise designed to emphasise the difficulties

Williamson insisted on a significant Phantom presence<sup>415</sup> in the Falklands, new runway facilities, ultimately at Mount Pleasant, and the installation of modern ground radar to deter another invasion.<sup>416</sup> Air underpinned Falklands defence. The RAF faced the tough task of shouldering the main burden 'for a long time to come'. Elsewhere, Williamson firmly intended to avoid needless change.<sup>417</sup> He asserted Tornado represented 'a quantum jump in our operational potential'.<sup>418</sup> He stressed the Services' enhanced standing, buoyant recruitment, high quality entrants and better budgetary situation. Restrictions on activity were removed, training proceeded untrammelled and front-line enhancements could be considered. Even the financial front was 'relatively calm'.<sup>419</sup> The post-Falklands White Paper resulted in the purchase of 15 ex-US Navy Phantom F-4J aircraft. The total cost, incorporating refurbishment and a support package was £125m - much greater than envisaged, with VAT and contingency costs factored in. The life of the aircraft was expected to be five years, but CAS hoped they would be in service for longer.<sup>420</sup>

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of applying land-based Air Power at very long ranges, and there was an element almost of unreality in it.

<sup>415</sup> HM Government, *Statement on the Defence Estimates 1983 I* Cmnd. 8952-I (London: Her Majesty's Stationery Office, 1983), p. 16. This stated that RAF equipment in the Falklands comprised of Phantoms, Harriers and Hercules aircraft, Chinook and Sea King helicopters and Rapier Air Defence Systems.

<sup>416</sup> Probert, *High Commanders*, p. 93; 'Williamson obituary', *The Times*, 23 May 1982; 'Former Chief of the Air Staff dies', *Royal Air Force News*, 18 May 1982. AHB, MRAF Sir Keith Williamson, Interview transcript, p. 16. Williamson blamed the VCDS, General Sir Maurice Johnston and the Army for supporting the Stanley option and getting Nott's support. This had delayed the new airfield by at least a year. The RAF had recognised the need for an efficient air bridge as soon as possible and 'Stanley on its own was an accident waiting to happen!'

<sup>417</sup> AHB, MRAF Sir Keith Williamson, Interview transcript, p. 15; Probert, *High Commanders*, p. 92. Like Beetham, Williamson was cautious about concessions. He believed in the early 1970s the RAF had undertaken unilateral and painful savings, which did nothing to protect it from later cuts imposed on all three Services.

<sup>418</sup> AHB, Chief of the Air Staff's briefing for Retired Air Officers, RAF College Bracknell, 12 November 1982, opening address by CAS; Parliamentary Staff, 'Big air defence programme', *The Times*, 23 July 1982.

<sup>419</sup> *Ibid.* Williamson expressed 'a spirit of considerable optimism'.

<sup>420</sup> TNA, DEFE 13/1796, folio E63, CA to Min(DP), 'Purchase of ex-US Navy Phantom aircraft for the RAF', 17 March 1983. In July 1982, Cooper had expressed his doubts about funding the Phantom purchase on the Falklands ticket. DEFE 13/1724, AUS(P&B) to PS/SofS, 'Vulcan Run-on', 20 July 1982. CA hoped for savings by reducing the support package or rejecting aircraft requiring excessive refurbishment. DEFE 13/1796, folio 64(I), APS/Min(DP) to PS/CAS, PS/CA, 'Phantoms etc', 21 March 1983. Although the aircraft lifespan was anticipated to be five years, CAS hoped for longer service.

Six Tristars were also to be bought from British Airways to serve as supply tankers for the Falklands.<sup>421</sup>

In his farewell call on the Prime Minister on 12 October 1982, Lewin stressed Britain was still trying to do too much with its defence policy. He recommended 'we should concentrate on what we are good at'. CDS's naval background reflected his suggested order of priorities: '(a) the strategic deterrent; (b) doing more to reflect the UK base; (c) the Atlantic bridge; (d) concentrating on the sort of combined operations and the projection of power at which we had demonstrated our qualities in the Falklands operation; (e) doing what was necessary on the central front.' Lewin remarked that Nott's review had covered the allocation of money but had not fundamentally examined strategy.<sup>422</sup>

Nevertheless, the Falklands did not trigger a reorientation of Defence policy. The commitment to forward defence in West Germany remained central despite more spending being directed to the South Atlantic. There was a shift from retrenchment to new spending.<sup>423</sup> In the Autumn Statement, the Chancellor announced an extra £622m arising from the Falklands, including replacing lost ships, aircraft and other equipment.<sup>424</sup> The cost of maintaining a revamped, reinforced garrison was around £400m, from a projected Defence budget of £15.9bn in 1983-84. Some £1bn of orders (£585m for new ships), favoured the Navy.<sup>425</sup> Bolstering the Falklands defences was militarily and politically essential. SofS launched the White Paper *The Falklands Campaign: The Lessons* on 14 December.<sup>426</sup> Nott underlined 'the

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<sup>421</sup> TNA, DEFE 13/1724, folio 62, SofS to PM, 'Falklands White Paper: Strategic Tanker/Freighters', 9 December 1982.

<sup>422</sup> TNA, PREM 19/4060, Butler (PPS/PM), 'Note for the Record', 13 October 1982.

<sup>423</sup> Adam Raphael and Ian Mather, 'Nott drops plan for big Navy cuts', *Observer*, 12 December 1982; Julian Haviland, 'Nott leaves a safer seat', *The Times*, 20 December 1982. Defence spending was growing faster than any other programme, excepting social security. Spending was projected to rise by 19% from May 1979 to March 1984. Britain was spending more on Defence than any European NATO member. Rodney Cowton, 'Defence White Paper – Arms spending rises 19% under Tories', *The Times*, 7 July 1983; Rodney Cowton, 'Heseltine endorses Nott's defence policy', *The Times*, 7 July 1983; Jock Bruce Gardyne, 'Marking the spot for the axe', *The Times*, 17 August 1983.

<sup>424</sup> Rodney Cowton, 'Defence: Falklands costs', *The Times*, 9 November 1982.

<sup>425</sup> Julian Haviland, 'Nott's farewell present to Services cheers Tories', *The Times*, 15 December 1982. If the Falklands White Paper was not to their taste and most destroyers and frigates withdrawn from the active fleet were put on the disposal list, a Parliamentary revolt by backbench Conservatives had been forecast. Rodney Cowton, 'Tories may revolt over Navy cuts', *The Times*, 13 November 1982.

<sup>426</sup> HM Government, *The Falklands Campaign: The Lessons* Cmnd 8758 (London: Her Majesty's Stationery Office, December 1982); TNA, CAB 148/206, OD(82)72, 'The Falklands Campaign: The Lessons', Note by the Secretary of State for Defence, 1 December 1982; CAB 148/205, OD(82)20<sup>th</sup> Meeting, 7 December 1982. The White Paper was produced by the cross-party Franks Committee, chaired by the

professionalism, courage and character of our Servicemen'. The White Paper did not recommend an overhaul of Nott's Review.<sup>427</sup> NATO retained first call on resources:

In many respects the Falklands conflict was unique. We must be cautious therefore in deciding which lessons of the campaign are relevant to the United Kingdom's four main roles within Nato. Those roles remain our priority, and the modernization of our forces devoted to them must still have the first call on our resources.<sup>428</sup>

In the Commons debate on 21 December, SofS re-emphasised: 'Nothing could be more damaging to Britain's national interests than a move by her to reduce her commitment on the continent of Europe. The Falklands experience offered no lessons on this score.'<sup>429</sup> Williamson believed the other two Services had insufficient comprehension of air power, a view sharpened by his experiences during the Falklands campaign.<sup>430</sup> The RAF's support for the Task Force was directed by AM Sir John Curtiss, commander of No. 18 Group, Coastal Command's successor. Williamson and his Strike Command staff provided back-up and planning advice.<sup>431</sup> Williamson recalled: 'The major lesson from the Falklands war was the same as the lesson from the Korean War: that air power was decisive.'<sup>432</sup>

The basic tenets of Nott's review survived the Falklands. There were concessions to the Navy before and after it. Secondly, as Beetham observed, forceful Navy lobbying irritated the politicians. Beetham concentrated on the industrial lobby. Thirdly, the Navy case remained emotional rather than logical<sup>433</sup>. RAF Germany

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retired Whitehall mandarin, Lord Franks. It stated that the Argentine invasion could not have been predicted and therefore it was not the Government's fault.

<sup>427</sup> TNA, CAB 148/206, OD(82)72, 'The Falklands Campaign: The Lessons', Note by the Secretary of State for Defence, 1 December 1982.

<sup>428</sup> Rodney Cowton, '£1,000m to be spent on making good Falklands losses', *The Times*, 15 December 1982.

<sup>429</sup> Parliamentary Staff, 'Defence begin on doorstep – Nott', *The Times*, 3 January 1983.

<sup>430</sup> Probert, *High Commanders*, p. 93.

<sup>431</sup> Ibid; 'Air Marshal Sir John Curtiss Obituary', *The Times*, 19 September 2013; Williamson interview, p. 15. There was no air commander in theatre.

<sup>432</sup> 'Williamson Obituary', *The Times*, 23 May 2018. Williamson interview, p. 15. Williamson believed the RAF did not get the credit it deserved for its part in the Falklands operation and remarked: 'Belief was that we should concentrate on doing job rather than talking it; actions would speak for themselves. In the event, this proved naïve and they did not.'

<sup>433</sup> Even after the publication of the *Defence Estimates* in July 1983, Navy supporters, including the retired CNS Sir Henry Leach and Captain John Moore, Editor of *Jane's Fighting Ships*, still attacked the 1981 Defence Review as 'ill-conceived'. Despite post-Falklands 'recantations' they highlighted shortages across ships and support perhaps rendered it impossible for the Navy to meet its NATO commitments. Rodney Cowton, 'Defence cuts "have left Navy weak"', *The Times*, 23 August 1983; Rodney

remained in Germany and despite the RAF's significant new tasks in the South Atlantic, priorities for the rest of the decade remained fixed on NATO and collective security.<sup>434</sup> Perhaps, more damaging to the RAF's independence were the centralising tendencies of Michael Heseltine, Nott's replacement as Defence Secretary from January 1983. Heseltine, briefly a national service Welsh Guards officer in 1959, had little experience of military matters. He was not a 'true believer' but had a reputation as Environment Secretary for forcefulness, liking statistics and cutting numbers. The press speculated that the Chiefs did not want him and had lobbied to block his appointment. They would have to work with him for three years.<sup>435</sup>

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Cowton, 'Falklands-type operation would be impossible in 1990s, Nott admits', *The Times*, 24 August 1983; 'Former Sea Lord attacks Nott's Navy cuts', *The Times*, 31 August 1983.

<sup>434</sup> AHB, Interview by Hd/AHB with MRAF Sir Michael Beetham 1987/88, p. 19. The *Defence Estimates* published in July 1983 put it succinctly: 'We cannot afford policies based on emotion rather than logic, nor theatrical gestures which would achieve nothing save to weaken our own security. The key to our continued peace and freedom remains, as it has done for over three decades, our membership of the North Atlantic Alliance and the collective determination of the Allies to prevent war in Europe, by a policy of deterrence.' HM Government, *Statement on the Defence Estimates 1983 I Cmnd. 8952-1* (London: Her Majesty's Stationery Office, 1983), p. 1. At the press conference launching the *Defence Estimates*, Heseltine indicated he would have probably taken very similar decisions to his predecessor and endorsed the general conclusions of Nott's review. He did not believe there had been a fundamental change of heart about the balance between the surface and submarine fleets and the overall balance of the Navy within the armed forces. Rodney Cowton, 'Heseltine endorses Nott's defence policy', *The Times*, 7 July 1983.

<sup>435</sup> Heseltine had resigned his commission to fight the Gower by-election in 1959. Adam Raphael, "'True believer" to follow Nott', *Observer*, 5 September 1982; Adam Raphael, 'Defence staff bid to keep Heseltine out', *Observer*, 19 December 1982.

## Chapter 3

### Defence in the 1980s: January 1983-April 1988

This study's final chapter does not incorporate a Defence Review. Subsequently, it adopts a broader brush approach, with less forensic examination of archival material. However, major developments impacted on the RAF during the mid-1980s. Both Tornado variants reached the frontline in reasonable numbers. Agreement was reached for a European Fighter Aircraft (EFA). Less positively, in 1986 the Nimrod Airborne Early Warning (AEW) programme was cancelled, while the Westland affair, earlier that year, led to two Cabinet resignations, including the Defence Secretary. Concurrently, significant aircraft and support services were sold to Saudi Arabia in the huge Al Yamanah (The Dove) arms deals, affecting the RAF programme considerably.

Globally, it was an era of President Reagan's Strategic Defence Initiative (SDI), an American anti-missile defence system in outer space, crudely dubbed 'Star Wars' by the press, and the deployment of American cruise missiles in Britain and western Europe. The threat posed by portable Soviet SS20 intercontinental ballistic missiles met a determined Western response. This led to CND's revival and the Greenham Common protests. Justifying Trident and American nuclear weapons in the UK vexed Ministerial and official minds.<sup>1</sup> Nevertheless, the tense Cold War atmosphere prevalent in 1983 gradually gave way to a promising, albeit more unpredictable, climate later in the decade. East-West engagement occurred alongside Soviet *Glasnost* and *Perestroika* and American willingness to compromise, particularly on

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<sup>1</sup> Despite Mrs Thatcher's reservations about Michael Heseltine's character, her authorised biographer noted, 'he had performed well for her politically at Defence, notably by his vigorous prosecution of the campaign against CND over the installation of US cruise missiles in Britain'. Charles Moore, *Margaret Thatcher The Authorized Biography: Volume Two* (London: Penguin Books, 2016), p. 449. The Government's problems getting its message across were noted at the time, for instance in the minutes of the Cabinet's Nuclear Defence Policy Committee MISC 7, TNA, CAB 130/1224 and minutes by the Foreign Secretary, other Ministers and senior advisers. See PREM 19/1690, Pym (Foreign Secretary) to PM, 'Nuclear Weapons and Public Opinion', 7 January 1983 and 13 January 1983; Heseltine (SofS) to PM, 'Nuclear Weapons and Public Opinion', 12 January 1983; Parsons (PM's Foreign Policy Adviser) to Coles (PS/PM), 'Nuclear Weapons and Public Opinion', 13 January 1983; Coles to PM, 'Nuclear Weapons and British Public Opinion', 14 January 1983; Coles to Bone (FCO), 'Nuclear Weapons and Public Opinion', 17 January 1983.

nuclear weapons, which alarmed Britain. Mrs Thatcher scorned Reagan's 'unrealistic dream of a nuclear-free world...neither attainable or even desirable'.<sup>2</sup>

Defence spending began to fall in real terms before the end of the Cold War. Until 1985-86, the Defence budget increased annually in real terms. After 1986, in real terms, it decreased. Familiar problems impaired the programme. Cash limits grew but did not cover all planned spending. Two reasons explained this. The Treasury still imposed over-optimistic inflation predictions in spending plans and Defence costs still increased faster than prices in general.<sup>3</sup> The gap between resources allocated and required expanded during the decade. Michael Heseltine tried to bridge it by administrative reforms and MoD reorganisation. George Younger highlighted 'difficult decisions' but avoided making them.<sup>4</sup> The major issue surrounded whether to increase spending by 3% annually in real terms after 1985-86.<sup>5</sup> The RAF's future appeared bright in late 1982 and 1983. CAS, ACM Sir Keith Williamson, was upbeat:

Tornado, the Airborne Early Warning Nimrod and the improved UK Air Defence Ground Environment all mean that our operational capability is as high as I have known it, and this has coincided with an improvement in the morale of the people in the Service.<sup>6</sup>

It did not last. Williamson told retired senior officers in March 1984, 'the sea is very much choppier than when I took over as CAS about eighteen months ago'. Although Williamson said by the decade's end the RAF would be better equipped to meet its tasks than ever before in peacetime, it faced significant under-manning because of ministerial direction to hold numbers at an arbitrary, artificial level. He doubted

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<sup>2</sup> Margaret Thatcher, *The Downing Street Years* (London: HarperCollinsPublishers, 1993), pp. 463, 466. As one commentator concluded, 'Reagan, far from being an atomic warmonger, loathed nuclear weapons and dreamt of getting rid of them'. Dominic Sandbrook, 'When leadership counted', *Sunday Times Culture*, 22 March 2020.

<sup>3</sup> David Greenwood, 'Expenditure and Management', in Peter Byrd ed., *British Defence Policy: Thatcher and Beyond* (London: Philip Allan, 1991), pp. 36-66.

<sup>4</sup> *Ibid.*, p. 38. Although Younger is viewed as less dynamic than Heseltine he could deliver difficult political messages, such as in December 1989 when he told the increasingly unpopular Mrs Thatcher, following Sir Anthony Meyer's unsuccessful 'Stalking Horse' leadership challenge, that she should drop her unpopular advisers Charles Powell and Bernard Ingham. Mrs Thatcher rejected this suggestion. Mark Garnett and Ian Aitken, *Splendid! Splendid! The Authorized Biography of Willie Whitelaw* (London: Pimlico, 2003), p. 331.

<sup>5</sup> TNA, CAB 129/217, C(83)23, 'Objectives for Public Expenditure – the Longer Term and the 1983 Survey', Memorandum by the Chief Secretary, Treasury, 18 July 1983. To comply with NATO's real growth target, extended to 1990, was costly – some £600m was forecast for 1986-87 in summer 1983.

<sup>6</sup> Rodney Cowton, 'The Royal Air Force', *The Times*, 9 September 1983.

Government's doctrine that there was fat in every large organisation and the RAF 'must be made as a consequence to consume its own smoke'.<sup>7</sup>

Procurement posed problems. The RAF wanted effective equipment. They wanted the proven American HARM Defence Suppression Weapon for Tornado but eventually got the British ALARM because it was in the national interest to retain this technology. The RAF wanted AWACS in 1977 but NATO delays and all-Party support for Nimrod AEW culminated in costly cancellation, ultimately reverting to AWACS in December 1986. Finally, the RAF wanted the BAe PC9 basic trainer but got the Shorts Tucano, an adequate although less impressive aircraft. It was cheaper, championed the Government's competitive procurement process and safeguarded jobs in Belfast.



ACM (later MRAF) Sir Keith Williamson, CAS, 1982-85. Photograph: AHB (RAF)

## **Defence and the 1983 General Election**

Michael Heseltine soon highlighted the Government's Defence achievements. He underlined the 'unswerving support' to NATO, backing conventional forces with the deterrent and maintaining Britain's independent nuclear capability. Alongside the

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<sup>7</sup> AHB, CAS Briefing for Retired Air Officers, 1984, CAS's Opening Address at the Bracknell Briefing for Retired Air Officers, 23 March 1984. Williamson also reflected on 'the difficulties and pressure that we are under from our current political masters'. Heseltine was Williamson's *bete noire*. The feeling was probably mutual. Heseltine mentioned several high-ranking officers in his memoirs although not Williamson.

commitment to NATO's 3% target, 'We have ensured that our Services are properly paid' enjoying living standards 'fully comparable with their civilian counterparts'. The Armed Forces' professionalism and quality equipment was exemplified by the 'brilliant military achievement' of recapturing the Falklands in 74 days. Heseltine argued Labour would remove the deterrent and shut US bases in Britain, leading to NATO's break-up. He insisted: 'We will negotiate for peace, but we will not gamble with our defence.'<sup>8</sup>

Plans to publish the *Defence Estimates* on 25 May were overtaken by the Election. The largely unchanged document was published on 6 July 1983.<sup>9</sup> SofS promoted continuity. The *Estimates* were the fifth major defence statement in barely two years. He wanted to consolidate and review policy rather than launch new initiatives.<sup>10</sup> Financial sparring soon commenced. Although the Government subscribed to the 3% target, it viewed NATO's guidance as framed in terms of inputs rather than outputs. Mrs Thatcher observed Defence expenditure by 1985-86 might be 20% higher than in 1978-79, nearly 6% of GDP, possibly exceeding health and education. She worried about an adverse reaction, particularly against Trident.<sup>11</sup> Heseltine told the Chief Secretary, Leon Brittan, the Treasury's baseline for Defence funding implied minimal real growth in 1984-85 and 1985-86 and a real reduction in 1986-87. He advised Mrs Thatcher the issue for 1986-87 concerned extending 3% growth:

I do not regard it as right in principle that I should be placed in the position of demandeur in order to secure the funds needed to carry out the Government's existing commitments. If it is our intention to

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<sup>8</sup> Churchill Archives Centre (CAC), Thatcher MSS, THCR 1/11/7, SofS to Howe (CHX), 6 April 1983. Geoffrey Howe, no champion of Defence spending, observed Defence cuts involved reducing business for suppliers, potentially involving job losses in the MoD and the Services. He stressed it was 'entirely legitimate' to warn that communities, businesses and people were at risk from Labour's Defence proposals and planned cuts. TNA, PREM 19/1187, CHX to SofS, 19 May 1983; Heseltine, *Life in the Jungle*, pp. 250-251. Heseltine argued a failure by the Soviets to negotiate a fair and sensible reduction of the over 1,000 warheads on the SS20 intermediate ranges facing Europe, would result in the Western Allies proceeding to deploy cruise missiles in Europe by the end of 1983.

<sup>9</sup> TNA, PREM 19/1187, SofS to PM, 'Statement on the Defence Estimates 1983', 21 June 1983.

<sup>10</sup> TNA, CAB 128/76, CC(83) 15th Conclusions, 5 May 1983; CAB 129/216, C(83)11, 'Statement on the Defence Estimates 1983', Note by the Secretary of State for Defence, 29 April 1983; PREM 19/977, Goodall (Cab Off) to PM, 'Statement on the Defence Estimates 1983', 14 April 1983. In Cabinet, Heseltine observed while the possibility of small increases to the UK's capability to operate outside the NATO area were being considered, any public announcement was premature. Mrs Thatcher cautioned against new commitments.

<sup>11</sup> TNA, PREM 19/984, Scholar (PS/PM) to Mottram (PS/SofS), 'Long-Term Public Expenditure: Defence', 1 February 1983.

consider reductions in the planned defence programme – to which I would be opposed – we should do openly and not by stealth.<sup>12</sup>

SofS reluctantly accepted the baseline proposals if a subsequent bid for additional provision was not disputed. He argued for 3% for 1986-87 and rejected cuts below the baseline.<sup>13</sup> The Chief Secretary to the Treasury insisted Defence followed Public Expenditure Survey (PES) guidelines.<sup>14</sup> SofS cited collectively agreed, publicly stated Government policy to increase spending by 3% annually in real terms, with Falklands costs in addition.<sup>15</sup> In respect of additional funds needed to meet Defence commitments being treated differently from other bids: 'This special treatment, as you term it, derives directly from, and is justified by, our decision to accept a volume commitment in Defence – and not in any other programme'.<sup>16</sup> Heseltine expected 'the funds needed to fulfil our existing defence policy'.<sup>17</sup>

The Chief Secretary, Peter Rees, ridiculed the 'simplistic and inaccurate 3% "real" growth calculation', viewed in the Treasury as 'unreliable' and 'very vulnerable to distortion'. Defence's budget could not increase indefinitely.<sup>18</sup> SofS agreed the 3% measured inputs rather than outputs, but no satisfactory form of measurement had yet been identified. SACEUR wanted to aim higher. Heseltine rejected the Chief Secretary's claims that few states took the 3% aim 'conscientiously'.<sup>19</sup> Heseltine would not be 'side tracked by the peripheral issues of NATO "league tables"'.<sup>20</sup> He emphasised the Government was 'prepared to face the truth of the Warsaw Pact

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<sup>12</sup> Ibid., SofS to CST, 'Public Expenditure Survey 1983', 6 April 1983.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid., CST to SofS, 'Public Expenditure Survey', 11 April 1983.

<sup>15</sup> Ibid., SofS to CST, 'Public Expenditure Survey', 14 April 1983. Heseltine did 'not regard it as helpful or sensible to take as the basic assumption for the Survey that the funds to be allocated to Defence will be insufficient to enable the policy to be fulfilled'. Brittan responded: 'As you will have gathered from my earlier letter we do not see eye to eye but I think it is better to leave the matter until our discussions of the issues later in the year.' CST to SofS, 'Public Expenditure Survey', 20 April 1983.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid., CST to PM, 'Long Term Public Expenditure', 12 April 1983. Brittan underlined that once more Defence was the second largest programme.

<sup>19</sup> Ibid., SofS to PM 'Long Term Public Expenditure', 25 April 1983. Heseltine underlined the 3% aim's value was premised on the 1978 assessment that for NATO to counter the deteriorating balance of forces between East and West, real spending increases of at least 3% annually over a sustained period, was required. Nothing since had discounted this assessment. He also claimed during 1979-81 Britain's three major European allies and the US performed better against the aim.

<sup>20</sup> Ibid.

threat'. Defence spending was nearly 20% higher in real terms than in 1978-79.<sup>21</sup> The cost of regaining the Falklands, replacing lost equipment and garrisoning the islands until April 1986 was estimated at £3bn; £424m to be expended in 1983-84. The commitment diverted forces away from NATO roles. For the RAF maintaining fortress Falklands involved intensive refuelling operations and maintaining Harriers, Phantoms and numerous helicopters, together with anti-aircraft Rapier missile batteries.<sup>22</sup>

The re-elected Government re-emphasised controlling public spending. The Treasury and Number 10's Policy Unit identified MoD as the prime candidate for cuts. The new Chancellor, Nigel Lawson, asserted in July 1983 that public spending was considerably ahead of February's agreed figures, with £600m of extra expenditure anticipated, half from Defence Votes.<sup>23</sup> Between 1979 and 1983 the Government planned to cut total public spending by 4%; it had risen by 6%.<sup>24</sup> The Treasury sought £2.5bn of spending cuts for 1984-85. Defence was vulnerable.

### **Buying British: HARM/ALARM, 1983**

Difficult procurement decisions involving either buying British or prioritising value for money also emerged.<sup>25</sup> The RAF's new Tornado Suppression Weapon exemplified this. An air-launched anti-radiation homing missile was needed to suppress new more sophisticated Soviet radar-controlled defence systems, enabling Tornados, with the JP233 airfield attack weapon, to destroy Warsaw Pact airfields. Some 750 missiles were required initially. The choice embraced the existing, proven US Texas Instruments HARM (High Speed Anti-Radiation Missile) and the lighter

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<sup>21</sup> CAC, Thatcher MSS, THCR 2/7/3/58, Conservative Party News Service, Heseltine statement at Press Conference, 25 May 1983. The Conservative manifesto avoided Trident, with inaccurate rumours that Heseltine had placed the programme under review. Editorial, 'Conscription', *The Times*, 23 May 1983.

<sup>22</sup> Rodney Cowton, 'The Royal Air Force', *The Times*, 9 September 1983; Arthur Reed, 'Tornado follows the terrain', *The Times*, 9 September 1983; Rodney Cowton, 'Defending the Falklands: 2 – Airport adds to cost of fortress', *The Times*, 13 September 1983; Rodney Cowton, 'Defending the Falklands: 3 – Counter-offensive by the Treasury', *The Times*, 14 September 1983. It was noted in the previous chapter that to compensate for withdrawal of Phantoms from Europe, the RAF bought 15 former US Navy Phantoms.

<sup>23</sup> TNA, CAB 129/217, C(83)21, 'Public Expenditure in 1983-84', Memorandum by the Chancellor of the Exchequer, 5 July 1983; Rodney Cowton, 'Defending the Falklands: 3 – Counter-offensive by the Treasury', *The Times*, 14 September 1983.

<sup>24</sup> Garnett and Aitken, '*Splendid! Splendid!*' p. 269.

<sup>25</sup> As well as HARM/ALARM a decision was required on surface to surface guided weapons for ships of the Royal Navy, with four different missiles, from the UK, US and Europe, initially under consideration. TNA, PREM 19/974, SoFS to PM, 'Surface to Surface Guided Weapons for the Royal Navy', 15 July 1983; SoFS to PM, 'Surface to Surface Guided Weapons for the Royal Navy', 22 September 1983. The US Harpoon system was selected.

British Aerospace ALARM (Air Launched Anti-Radar Missile), then at the design stage.<sup>26</sup> The Cabinet evaluated costs, employment, delivery times and export potential. SofS prioritised UK missile technology. Marconi was the only British company with a major capability in this area. British industrial involvement in HARM would barely meet British requirements. Heseltine recommended ALARM, to 'retain our indigenous homing and guidance expertise'. Sustaining technology justified extra costs.<sup>27</sup>

The RAF's preference for HARM, which existed and was a known quantity, was relayed to Mrs Thatcher. It was 70% cheaper than ALARM and could enter service in 1986. ALARM might enter service in 1987 or slip another year. Operational characteristics suggested HARM flew faster to the target, reducing the delivering Tornado's vulnerability.<sup>28</sup> Heseltine said both had 'operational deficiencies'. He admitted the Air Staff regarded ALARM's deficiencies as 'serious and requiring correction', an allowance being included in the costs.<sup>29</sup> The Chief Secretary underlined the cost differential would fall on Defence, potentially starving the RAF of funds for other projects, 'It makes a nonsense of our massive investment in Tornado and associated weapons systems such as JP233 if they are not to be given a DS [Defence Suppression] weapon as soon as possible.'<sup>30</sup> The Treasury and Foreign Secretary [and Washington Embassy] highlighted possible repercussions on defence sales to the Americans if British equipment was purchased which was

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<sup>26</sup> TNA, CAB 128/76, CC(83) 25<sup>th</sup> Conclusions, 26 July 1983. HARM was to be produced by Texas Instruments in partnership with Lucas Aerospace. ALARM was to be developed by British Aerospace alongside Marconi Space and Defence Systems.

<sup>27</sup> Ibid.; PREM 19/974, SofS to CST, 'A Defence Suppression Weapon for the RAF', 10 May 1983; Michael Colvin MP to PM, 'HARM v ALARM', 29 March 1983; Neale (MoD) to Rickett (PS/PM), 14 April 1983; PM to Colvin, 15 April 1983; Baker (Minister of State, DTI) to Brittan (CST), 'A Defence Suppression Weapon for the RAF', 12 May 1983. The Department for Trade and Industry (DTI) and House of Commons Aviation Committee agreed with Heseltine's preference.

<sup>28</sup> TNA, PREM 19/974, Coles (PS/PM) to PM, 'HARM and ALARM', 11 May 1983; Jackling (No. 10) to Coles, 'A Defence Suppression Weapon for the RAF', 11 May 1983. Jackling concluded, 'I am bound to say, however, that 70% seems a very large premium to pay for buying a British system which suffers from other important disadvantages.' He added, 'The purchase of HARM would not, therefore, bring import penetration in this field to disturbing levels.'

<sup>29</sup> Ibid., 'A Defence Suppression Weapon for the RAF', Note by the Secretary of State for Defence, undated [probably early May 1983].

<sup>30</sup> Ibid., CST to SofS, 'A Defence Suppression Weapon for the RAF', 11 May 1983. John Peyton, the Conservative MP, leadership challenger in 1975 and Chairman of Texas Instruments British subsidiary, warned Heseltine, 'I must make it clear to you my view that a decision to choose a missile, which does not yet exist and reject one, which does and is proven, would involve an unacceptable risk in an area for which you have great and personal responsibility.' Peyton to SofS, 11 May 1983.

substantially more expensive than its US competitor.<sup>31</sup> Following a meeting hosted by the Prime Minister on 17 May, Ministers shelved a decision until after the Election.<sup>32</sup>

Following the Election, SofS still backed ALARM, prioritising, ‘the importance of maintaining our indigenous seeker head and guidance capability’ over ‘the urgency of the RAF’s operational requirement’.<sup>33</sup> The No. 10 Policy Unit disagreed - selecting ALARM would hinder the export of better British products, including Harrier and Hawk, to the US and show British industry the MoD was a ‘soft touch’.<sup>34</sup> The Government’s Chief Scientist reprised familiar arguments on skilled manpower implications arising from ALARM. Skilled scientists and engineers were ‘needed for the teams working on micro-computers, educational software, consumer electronics and new Advanced Information Technology products’. ALARM would not produce significant spin-offs in these areas.<sup>35</sup> It was also £134m more expensive than HARM.<sup>36</sup>

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<sup>31</sup> Ibid., Foreign Secretary to SofS, ‘A Defence Suppression Weapon for the RAF’, 16 May 1983.

<sup>32</sup> Ibid., Note of Meeting at 10 Downing Street to discuss the choice of a Defence Suppression Weapon for the Royal Air Force, 17 May 1983.

<sup>33</sup> Ibid., SofS to PM, ‘A Defence Suppression Weapon for the RAF’, 15 June 1983.

<sup>34</sup> Ibid., ‘HARM/ALARM’, 24 June 1983. On 16 June, OD Committee tasked Heseltine to give a presentation on ALARM while Sir Geoffrey Howe, the new Foreign Secretary, was to obtain advice on getting better terms for buying HARM: Goodall (Cab Off) to PM, ‘OD: A Defence Suppression Weapon for the Royal Air Force’, 29 June 1983. See PREM 19/1187, Mount (No. 10 Policy Unit) to PM, ‘Defence and Public Expenditure’, 29 June 1983. It was noted the HARM/ALARM decision could have saved £150m and provided a proven product which was ‘evidently cheaper and superior’.

<sup>35</sup> TNA, PREM 19/974, Dr Robin B Nicholson (Chief Scientist) to PM, ‘Defence Suppression Weapon’, 8 July 1983. He also rejected the argument of ‘maintaining indigenous technology in defence’, saying domestic defence procurement was attractive to industry as it offered a captive market and certain profit. It did not encourage industry to focus its efforts and resources into areas which offered the greatest prospects for economic growth.

<sup>36</sup> TNA, CAB 129/217, C(83)22, ‘A Defence Suppression Weapon for the Royal Air Force’, Note by the Secretary of the Cabinet, 13 July 1983; C(83)22, ‘A Defence Suppression Weapon for the Royal Air Force’, Note by the Secretary of the Cabinet, 21 July 1983. Over 90% of Defence procurement was placed in the UK and Armstrong’s note made clear the decision had to be made on four key factors – operational capability, cost and budgetary aspects, importance of indigenous technological capability and the international dimension (the impact of buying ALARM on prospective sales of British Defence equipment to the US). Meanwhile, the Cabinet Secretary, seeking a decision, co-ordinated an overarching note for Cabinet discussion and obtained MoD, Treasury, FCO and DTI agreement in this regard. PREM 19/974, Armstrong (Cabinet Secretary) to PM, ‘Defence Suppression Weapon’, 11 July 1983. The note was subsequently circulated to the Cabinet. CAB 129/217, C(83)22, ‘A Defence Suppression Weapon for the Royal Air Force’, Note by the Secretary of the Cabinet, 13 July 1983.

Ministers worried about slippage and Defence risks with ALARM, leaving the Tornado without this vital weapon for two or three years longer than if HARM was chosen.<sup>37</sup> Nevertheless, the Cabinet eventually opted for ALARM. Ministers were to receive regular programme progress reports. Mrs Thatcher said this reflected Government confidence in British industry and maintaining national capability in a vital area of advanced technology.<sup>38</sup> Heseltine told the Commons on 28 July.<sup>39</sup> Meanwhile, the Prime Minister queried rising procurement costs and requested an MoD paper outlining the problem.<sup>40</sup> The Cabinet also charged the MoD with producing a report on Defence technology areas where British capability should be maintained, with a Policy Unit official participating at Mrs Thatcher's suggestion.<sup>41</sup>

### **Squeezing Spending, 1983**

Opting for ALARM added an uncovenanted £100m to the Air Force Target Heading (AFTH) in the first three years. There was no money for the Future Aircraft Project in the programme. Despite welcome relief arising from the advent of end-year flexibility and carrying forward underspends, the programme remained under pressure. The Controller Defence Procurement's cut to LTC 83 diverted badly needed funds away from the AFTH. Alongside the ALARM decision, the squeeze arising from underfunding the Falklands-related programme accentuated budgetary problems.<sup>42</sup>

Defence was still predicted to become the second largest spending programme after social security.<sup>43</sup> Unfortunately, the Treasury rained on Heseltine's parade, announcing £240m of Defence cuts the day after the 1983 *Estimates*' publication. This reduction comprised savings in forecast pay and administration costs where civilian numbers were already decining sharply but two-thirds came from reducing proposed

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<sup>37</sup> TNA, CAB 128/76, CC(83) 26<sup>th</sup> Conclusions, 28 July 1983. It was said to be possible to buy more ALARM missiles later as the production line would remain open until 1990.

<sup>38</sup> *Ibid.*

<sup>39</sup> TNA, PREM 19/974, Kentish (MoD Parliamentary Clerk) to Rickett (PS/PM), 28 July 1983; Rodney Cowton, 'Cabinet to order British missile', *The Times*, 29 July 1983.

<sup>40</sup> TNA, PREM 19/974, Coles (PS/PM) to Mottram (PS/SofS), 'Defence Procurement', 25 July 1983.

<sup>41</sup> TNA, PREM 19/974, Rickett (PS/PM) to Mottram (PS/SofS), 29 July 1983; Evans (PS/SofS) to Butler (PPS/PM), 22 August 1983.

<sup>42</sup> TNA, AIR 6/257, AFB Conclusions 3(83), 16 November 1983; AIR 6/232, AFB (83)6, 'Estimates 1984/5 and Long Term Costing 84', Note by DUS(Air), 11 November 1983. RAF personnel numbers were also lower than forecast. Although projected to fall by 2,500 by 1986 following Nott's review, by June 1983 numbers had dropped by 3,665. 'Forces numbers cut by 13,000', *The Times*, 15 June 1983.

<sup>43</sup> HM Government, *Statement on the Defence Estimates 1983 Volume 1* Cmnd 8951-1 (London: Her Majesty's Stationery Office, July 1983), p. 26; Rodney Cowton, 'Arms spending rises 19% under Tories', *The Times*, 7 July 1983.

capital spending programmes. Although privately furious, Heseltine maintained spending had increased by 17.1%, inclusive of Falklands campaign costs, or by 12.5% excluding this.<sup>44</sup> The Treasury's emphasis on restraint again collided with the 3% NATO aim. Heseltine supported NATO's call to extend the 3% annual target to 1985-90.<sup>45</sup> The new Chief Secretary, Peter Rees, agreed provision for extra Falklands spending but substantially below Heseltine's bid of £623m, reflecting a gradually declining trend.<sup>46</sup>

The Cabinet agreed a 'Star Chamber' procedure to address the outstanding £1bn overshoot in public spending for 1984-85.<sup>47</sup> This involved Cabinet Committee MISC 99, chaired by the Lord President, Willie Whitelaw. Concurrently, the Policy Unit produced a major study 'Public Expenditure: Defence' for the Prime Minister in October 1983. It backed the Treasury. It rejected extending 3% real growth beyond 1985-86. To concede MoD real growth above 3% arising from adjusting the cash baseline to reinstate the July 1983 cut [£240m] to 1983-84 was 'completely unacceptable'. Defence expenditure outstripped economic growth. Despite GDP falling on average 0.4% annually between 1979 and 1982, Defence spending had grown by 2.9% on average including Falklands costs or 1.9% on average excluding it. The UK's NATO contribution was second to the US in absolute terms, per capita and as GDP percentage.<sup>48</sup> Savings in the equipment budget might be found through greater NATO specialisation and standardisation, more open and competitive procurement and administrative economies. The Policy Unit underlined economic necessity had to prevail over military aspirations.<sup>49</sup>

The Treasury cited increased Defence spending every year since 1979. Defence was accused of struggling to spend all the money provided. Treasury officials thought

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<sup>44</sup> Rodney Cowton, 'Defence budget £230m less than White Paper forecast', *The Times*, 8 July 1983; Philip Webster, 'Lawson heads for cash struggle with Heseltine', *The Times*, 15 August 1983.

<sup>45</sup> TNA, PREM 19/987, SofS to PM, 'NATO Ministerial Guidance, 30 May 1983.

<sup>46</sup> TNA, PREM 19/986, Rees (CST) to SofS, 'Public Expenditure Survey 1983', 8 September 1983; Frances Williams, 'Treasury starts battle to find £2,500m savings', *The Times*, 6 September 1983. Rees also tackled Heseltine on civilian manpower. The Royal Ordnance Factories' (ROF) changed status, involving around 20,000 employees, was not a new saving. Without the ROFs, the MoD's baseline was 178,500. Heseltine had mentioned a proposed requirement of 181,858 on 1 April 1987. Rees recommended a reduction to 170,000 at 1 April 1988, with greater savings identifiable when MINIS became fully operational. Heseltine later accepted this target.

<sup>47</sup> Anthony Bevins, "'Star chamber' will decide the cuts', *The Times*, 21 October 1983.

<sup>48</sup> TNA, PREM 19/1187, Turnbull (PS/PM) to Galloway (Chancellor of the Duchy of Lancaster's Office), 'Public Expenditure Survey: Defence', 20 October 1983, covering David Pascall (No. 10 Policy Unit) to PM, 'Public Expenditure: Defence', 20 October 1983.

<sup>49</sup> *Ibid.*

the £240m cut was swallowed without difficulty by the MoD, as was reducing provision for Services' and Civil Service pay by £100m. They discounted MoD claims that zero growth in 1986-87 would have 'dire operational and industrial consequences'. The Treasury demanded greater efficiency and value-for-money. The MoD had 'cried wolf' earlier in the decade. Its costings were 'notoriously inaccurate'. The Treasury argued for economies in training, social and welfare expenditure and reducing stock levels at major depots, then valued at £7bn.<sup>50</sup> SofS agreed proposed spending figures for 1984-85 and 1985-86 subject to a formulation agreed with Rees that to fulfil commitments up to and including 1985-86, 'the cash provision will be reconciled year by year in the light of the volume requirement and of the most up to date forecasts of inflation and appropriate adjustments made'.<sup>51</sup> The Prime Minister met Lawson, Rees and Heseltine on 4 November 1983. SofS made various financial concessions 'provided that a form of words was agreed which would cover the defence programme against the risk that inflation was different to that projected'. The timing and frequency of cash limits reviews under the inflation formula would involve bilateral discussion between SofS and the Chief Secretary. A cash figure of £18,650m was agreed for 1986-87 which was not to be qualified in any way.<sup>52</sup>

The Policy Unit said the MoD's paper on real cost growth in equipment procurement offered no new thinking and pointed to greater Warsaw Pact standardisation than in NATO. Although collaboration might be cheaper than a national project, foreign purchase could be cheaper still.<sup>53</sup> The inter-departmental group of officials identified only five areas of defence technology where it was militarily essential to maintain indigenous capability. Mrs Thatcher got the Cabinet Office to produce a paper on collaboration with France and West Germany. Political direction was needed to devise a collaborative programme for a Future European Fighter Aircraft (FEFA),

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<sup>50</sup> TNA, PREM 19/987, 'Defence (Note by Treasury Officials)', 3 November 1983.

<sup>51</sup> Ibid., SofS to Whitelaw (Lord President), 'Ministerial Group on Public Expenditure (MISC 99): Defence Programme', 4 November 1983. The Treasury rejected Heseltine's wish that this formulation, an inflation compensation formula or a 'defence guarantee' should be published, as this had never been discussed in the Committee or in discussions with the Prime Minister; CST to SofS, 9 November 1983.

<sup>52</sup> Ibid., Turnbull (No. 10) to Lewis-Jones (Lord President's Office), 'Public Expenditure Survey 1983: Defence', 7 November 1983. Heseltine insisted he was committed to imposing value in the MoD but forecast tensions would remain. PREM 19/1187, SofS to PM, 'Economy and Value in the MoD', 12 January 1984. Heseltine promised to keep Mrs Thatcher fully aware of proposals before any significant decisions were made.

<sup>53</sup> TNA, PREM 19/974, Pascall (No. 10 Policy Unit) to Coles (PS/PM), 'The Rising Cost of Defence Procurement', 24 October 1983.

vital to maintaining an effective European aerospace industry. Collaborative projects amounted to 20% by value of the procurement programme. FEFA development was the 'acid test' of whether British and French industrial interests could be reconciled. Long-term considerations favoured collaborative projects, particularly with France and Germany, if economically attractive.<sup>54</sup> The only agreement over FEFA was a common in-service date of 1995. Work was proceeding on the operational requirement, particularly on an air-to-air capability.<sup>55</sup>

The Treasury praised the 1984 *Defence Estimates*, as a 'very positive document'. The PES figure for 1986-87 was settled in cash. Any real growth depended on lower inflation. The Treasury suggested MoD's own work refuted the notion that increased technical sophistication led to 'real' cost increases for Defence equipment.<sup>56</sup> The *Estimates* did not commit to roll forward 3% annual increases to the end of the public expenditure planning period.<sup>57</sup> The Policy Unit recommended more savings from contracting-out support functions. The MoD's genuine civilian manpower reductions were 'modest'. There was great scope for improved purchasing and competitive tendering. Only 20% of contracts awarded in 1982-83 followed competitive tender.<sup>58</sup>

In December 1983, the AFBSC agreed to maintain the existing STOVL front-line, halt the Harrier Phase 7 programme and buy 41 Harrier GR5s on top of 60 already ordered to re-equip RAF Germany squadrons. A third Jaguar squadron would run on through the 1990s, ultimately to be replaced by FEFA. To replace the Victor tankers, five Tristar-500 aircraft would be purchased and converted. Five more VC10 would also be fully converted and five others would be converted to 2-point tankers. Despite the AFB's savings measures and Controller Aircraft's 'Star Chamber' review, significant excesses of main programme bids compared with existing targets remained throughout the costing period, requiring more painful choices.<sup>59</sup>

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<sup>54</sup> TNA, PREM 19/1187, Goodall (Cab Off) to Coles (PS/PM), 'Equipment Collaboration with France and the FRG', 27 January 1984. It was stressed trilateralism was not to alienate Italy, a partner in the Tornado, EH101 helicopter and FH70 and SP70 artillery systems. The importance on value for money required pragmatism in the UK's approach to collaboration, alongside a continued openness to co-operation with the US, either alone or with European partners.

<sup>55</sup> *Ibid.*, Record of the Trilateral Meeting of Defence Ministers, Paris, 21 September 1983.

<sup>56</sup> *Ibid.*, CST to SofS, 'Statement on the Defence Estimates 1984', 3 April 1984.

<sup>57</sup> *Ibid.*, Goodall (Cab Off) to PM, 'Statement on the Defence Estimates 1984', 4 April 1984.

<sup>58</sup> *Ibid.*, Redwood (No. 10 Policy Unit) to PM, 'Defence Estimates 1984', 4 April 1984.

<sup>59</sup> TNA, AIR 6/262, AFB(84)1, 'Long Term Costing 1984', Note by DUS (Air), 7 February 1984. The original intention when the Harrier GR5 purchase was limited to 60 was to re-equip only the two squadrons in RAF Germany. The revised intention was to buy 100 aircraft to re-equip the entire fleet but in

For the RAF, LTC 84 proved 'awkward but manageable'. Some difficult decisions were taken arising from CDP's 1983 realism cut, the growth in Falklands expenditure,<sup>60</sup> unbudgeted extra costs of ALARM and removing funds for the Programme Regulator. The latter was created in 1983 from so-called uncommitted expenditure. Three major issues concerned DUS(Air). Firstly, manpower was limited to 93,300 despite a calculated requirement of 98,000 and no adequate provision for contracting work. Secondly, works programme provision was insufficient. Thirdly, unlike the two other Service departments, the AFD made no provision for improved conditions of service. Items not on the main programme included the FEFA, the New Basic Trainer, a Tornado attrition buy and the Tristars purchase.<sup>61</sup> Geoffrey Pattie, Minister (Defence Procurement) supported all four. With the political commitment to FEFA approaching, it was the prime candidate for transfer from the Programme Regulator. Similarly, the Tristars offered increased capabilities in air-to-air refuelling, trooping and freighting roles. Nevertheless, in the short term the costings had to be accepted, with Falklands-related spending accommodated in the main programme although this 'squeezed out other items' in the early years.<sup>62</sup>

In the context of PES 1984 – MISC 106, the Ministerial Group on Public Expenditure, chaired by Whitelaw – agreed with SofS that provision for 1985-86 was increased by £105m to meet the 3% commitment. In later years, the baseline figures were to remain unchanged, with an additional £300m for Falklands expenditure in 1987-88. Heseltine predicted a decline in the real value of Defence, excluding the Falklands, of 0.5% in 1986-87 and 0.7% in 1987-88.<sup>63</sup>

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July 1985 Ministerial agreement to buy the 40 extra aircraft was still not forthcoming. AIR 6/268, AF-BSC (85)14(X), 'Harrier GR5 Development Planning', note by ACAS, 17 July 1985.

<sup>60</sup> In respect of the Falkland Islands, the RAF contribution to the garrison in early 1984 was put at: '8 Phantoms, 6 Chinooks, 3 Sea Kings, 2 Hercules tankers/MR, 4 Harrier GR3s, 1 Rapier squadron, a sizeable ADGE and sufficient weapons stocks for 30 days sustained operations. Additional reserve aircraft are required to support these establishments. Victor and Hercules tankers are stationed at Ascension Island to support the airbridge.' TNA, AIR 6/262, AFB (84)1 Annex A, 'Long Term Costing 1984', Note by DUS(Air), 7 February 1984.

<sup>61</sup> TNA, AIR 6/263, AFB, 1(84), Conclusions, 15 February 1984, see also AIR 6/260, AFBSC 1(84), Conclusions, 9 February 1984; AIR 6/262, AFB(84)1, 'Long Term Costings 1984', Note by DUS(Air), 7 February 1984. The attrition buy was to support the Tornado fleet into the 21<sup>st</sup> century.

<sup>62</sup> *Ibid.*

<sup>63</sup> TNA, CAB 129/218, C(84)32, 'Public Expenditure Survey 1984', Memorandum by the Lord President of the Council, 5 November 1984.

## Heseltine's reforms

Michael Heseltine was determined to improve Defence management. He commenced a programme to make the most cost-effective use of financial and human resources, with better management and accountability, reduced overheads, maximised resources for front-line capability and competition in Services' procurement and support functions.<sup>64</sup> Twenty years after the three Service departments merged into the MoD, Heseltine argued the three objectives – better control of Defence policy, improved allocation of resources and rationalisation of service administration – had not been fully achieved.<sup>65</sup> The federal structure to some extent remained.<sup>66</sup> It failed to get full value for Defence. His reforms covered four main areas. The CDS's role was to be enhanced, with full authority over the Service Chiefs and Chiefs of Staff Committee and responsibility for channelling advice to Ministers. Secondly, a single, unified Defence Staff would be created under the Vice Chief of the Defence Staff (VCDS), merging single service staffs and the CDS's staff and incorporating senior officials from the PUS's organisational area. This was to produce an agreed view on policy and operational issues. Heseltine envisaged the CDS and PUS as his two main advisers. The third major reform involved centralising financial control in a single Office of Management and Budget (OMB) headed by a new 2<sup>nd</sup> PUS to oversee the LTCs, general financial management and some areas of military personnel and logistics and civilians management. Finally, individual services personnel and logistics aspects were to combine into one organisation.<sup>67</sup>

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<sup>64</sup> Ibid., C(84)14, 'Statement on the Defence Estimates 1984', Statement by the Secretary of State for Defence, 9 April 1984. See also PREM 19/974, SofS to Stanley (Minister (AF)), 'Competition in Defence Procurement', 23 November 1983 when he called for 'competition [to be] applied wherever it is practicable and sensible to do so'.

<sup>65</sup> The MoD's Ministerial structure had been reformed already. In 1981 following the Navy Minister Keith Speed's public criticism of proposed naval cuts the structure of junior ministers of Under-Secretary for the three services and a Minister of State was abolished. It was replaced by two Ministers of State – for the Armed Forces and Defence Procurement – and two Under Secretaries of State.

<sup>66</sup> TNA, CAB 128/78, CC(84) 9<sup>th</sup> Conclusions, Limited Circulation Annex, Minute 1, 8 March 1984. Heseltine announced his intentions to reorganise the MoD in a House of Commons statement on 12 March 1984. He detected 'a tendency for the old separate service structures to survive within the unified MOD framework'. See <http://hansard.millbanksystems.com/commons/1984/mar/12/ministry-of-defence-organisation>

<sup>67</sup> TNA, CAB 128/78, CC(84) 9<sup>th</sup> Conclusions, Limited Circulation Annex, Minute 1, 8 March 1984; HM Government, The Central Organization of Defence Cmnd 9315, pp. 7-8. See also Tom Dodd, *Frontline First: The Defence Costs Study* (House of Commons Library Study, Research Paper 94/101, 14 October 1994), p. 5.

SofS insisted these did not undermine the services' separate identities, deemed central to morale and effectiveness, nor change the Defence Council and Service boards' legal position. However, the Service Chiefs told SofS their positions would be so weakened that the quality of advice they could offer Government in a crisis would be diminished. Heseltine maintained the new organisation would not distance them from crucial decisions affecting their Services. Heseltine claimed there were no real concerns over command and control arrangements in war. He only wanted to extend arrangements, centred on the CDS, which served well in the Falklands campaign.<sup>68</sup> The Chiefs queried proposals to place within the Defence Staff all professional military staff concerned with Service programmes, involving resource allocation and equipment requirements. They preferred the status quo. Heseltine argued this fragmented system was inadequate. If defence solutions were to be achieved, rather than solutions which suited individual Services, there could be no concessions.<sup>69</sup>

The CDS, Field Marshal Bramall, told Mrs Thatcher he would work loyally towards implementing the proposed reorganisation, but the Service Chiefs were 'very disturbed'. She assured them their role in policy formulation would continue, retaining staff sufficient to discharge this function. The Central Defence Staff was to be built around the blocks provided by the single service elements of the existing Defence Staff. Procurement decisions would only be taken with full reference to individual service concerned. The CDS and Service chiefs would keep their central roles in such decisions and retain direct Prime Ministerial access, being promised an annual discussion with the Prime Minister.<sup>70</sup> The Cabinet supported the reorganisation and implementation. Heseltine proceeded with the White Paper detailing the MoD's proposed reorganisation.<sup>71</sup>

CAS was unimpressed. Williamson believed compromise between the Chiefs was not necessarily harmful. Heseltine's creation of an OMB, largely civilian-manned and reporting directly to him through a newly appointed Second PUS, weakened the service chiefs and their supporting departments, bolstered the Defence Secretary's control over the programme and strengthened the CDS and PUS. One post abolished at the end of 1984 was DUS(Air). The 2<sup>nd</sup> PUS assumed much of this role.

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<sup>68</sup> TNA, CAB 128/79, CC(84) 25<sup>th</sup> Conclusions, Limited Circulation Annex, Minute 2, 5 July 1984.

<sup>69</sup> Ibid.

<sup>70</sup> TNA, PREM 19/4060, Powell (PS/PM) to PM, 'Chiefs of Staff', 26 February 1985. Subsequent annual discussions were characterised by the Chiefs pointing to declining budgets in real terms and Mrs Thatcher, primed by Charles Powell, highlighting wasteful and overrunning procurement programmes.

<sup>71</sup> TNA, CAB 128/79, CC(84) 25<sup>th</sup> Conclusions, Limited Circulation Annex, Minute 2, 5 July 1984. It was stressed there was no question of unifying the three Services as Canada had done.

Responsibility for planning single Service programmes passed to the OMB and Defence Staff. Williamson thought the OMB would make Defence programming and weapons procurement processes more complex and weakened the COS Committee as a strategic advisory body. It ‘elevated financial management over professional military thought’.<sup>72</sup> Heseltine’s reorganisation was thrown at the Services ‘deviously without consultation’. Williamson added: ‘These proposals were not made in consultation with any one of the Chiefs of Staff and the Secretary of State claims for himself sole rights of authorship’. He later claimed, ‘the real motive was to enhance Heseltine’s race to No. 10...It had little to do with defence. It had much more to do with Mr Michael Heseltine’s personal career, and I found that deeply offensive – and I still do.’<sup>73</sup> Another key post was lost with the abolition of the role of VCAS in 1985. The penultimate VCAS, and a future CAS and CDS, thought that its abolition left ACAS ‘grossly overloaded’, this post also incorporating the responsibilities previously tasked to ACAS (Policy) and ACAS (Operations). VCAS had provided CAS with management information and staff support, played a key role in international contacts and carried out studies and evaluations before CAS was presented with the options.<sup>74</sup>

Heseltine also brought MINIS (Management Information System for Ministers) with him to MoD from the Department of the Environment. Key to its MoD implementation were the new PUS, Clive Whitmore, and John Mayne, Director General of Management Audit. The first task involved identifying the MoD equivalent of Environment’s 66 heads of directorates. The fighting ‘teeth’ were not included. Mayne identified 150 individuals, largely under-secretaries and two-star officers, covering some 250,000 civilians and military personnel in the administrative ‘tail’. They were engaged in an experimental MINIS to be completed

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<sup>72</sup> AHB, MRAF Sir Keith Williamson interview; Sir Richard Johns, *Bolts From the Blue* (London: Grub Street, 2018), p. 156; TNA, AIR 6/259, AFBSC(84)19(X), ‘Reorganisation – The Air Staff’, Note by VCAS, 2 August 1984. Williamson had expected to become CDS after Bramall, until the Prime Minister decided to break with ‘Buggins’ Turn’ where the three Services held the post in rotation.

<sup>73</sup> AHB, Williamson interview; Obituary, ‘Marshal of the RAF Sir Keith Williamson’, *The Times*, 23 May 2018; AHB, CAS Briefing for Retired Air Officers, 1984, CAS’s Opening Address at the Bracknell Briefing for Retired Air Officers, 23 March 1984. Williamson recalled similar proposals mooted by Lewin: ‘But this time we should be under no illusion about the political determination to force the proposals through’.

<sup>74</sup> AHB, Interview with MRAF Sir David Craig, pp. 10-11. However, he did acknowledge, ‘That said, we have gone for three years without one – I cannot show we have done badly when we previously did well. The central staff chaps do feel in part within the AFD – so there is a way of influencing their inputs. There are still strong dotted lines. There has been value from the greater openness between the Services.’

by July 1983, concluding with a ministerial interview concentrating on manpower, budgets and priorities.<sup>75</sup>

Prior to MINIS' scrutiny of Strike Command and RAF Germany from late 1984, the AFBSC discussed the process. It followed straightforward management consultancy principles. The MINIS unit had 'no deep knowledge of the Services and little appreciation of command or leadership requirements'. Scrutiny was 'broad, superficial and brief'. It was stressed the RAF had a good record of rationalising organisation and Heseltine should be reminded of that. Williamson's disdain was evident:

CAS said that SofS usually finished the MINIS scrutiny by asking whether the participants found it a useful exercise. A diplomatic response might be to say that any detailed examination of this nature may reveal new aspects of the way we do business while forcefully reminding SofS of the rationale for our current Command organisation and the continued search for efficiency.<sup>76</sup>

### **RAF funding challenges**

As the AFB examined the Estimates for 1985-86 and LTC 85, significant excesses were discerned for the Estimates year and in the following two years of £451m, £463m and £310m, despite LTC 85 re-costing the same programme as LTC 84. The only new item was the New Basic Trainer (AST 412), included in the core programme on SofS's instruction. No extra money was allocated in the earlier years for its procurement. There was still no provision for FEFA development and production.<sup>77</sup> The programme followed Cmnd 8288 [Nott's Review], supplemented by additional post-Falklands measures. The significant excesses in the first three years of the LTC 85 costings period arose partly from the pound's fall against the dollar, insufficient allowance for aerospace inflation by the Treasury, inadequate compensation for Vote 1 pay awards, the recent imposition of VAT on works programmes and net costs of putting work out to civilian contract to save Service

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<sup>75</sup> The process involved huge organisation charts. The RAF chart was so big, Mayne placed it on the floor and knelt on it while explaining its intricacies. Peter Hennessy, 'Viceroy Heseltine charts the bounds of his empire', *The Times*, 8 March 1983.

<sup>76</sup> TNA, AIR 6/260, AFBSC Informal Meeting, 29 November 1984.

<sup>77</sup> TNA, AIR 6/263, AFB, 4(86) Conclusions, 14 November 1984.

manpower. Successive savings tranches of increasing severity were identified. These removed excesses but harmed capabilities.<sup>78</sup>



The RAF in Germany. Tornado GR.1s of the Bruggen Wing (Nos 9, 14, 17 and 31 Squadrons). Photograph: AHB (RAF).

The AFTH was not getting the allocation promised in Nott's 1981 'Bermudagram' because of a mismatch between programme and funding. The Defence budget

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<sup>78</sup> TNA, AIR 6/262, AFB(84)5, 'Estimates 1985-86 and LTC 85', Note by DUS (Air), 9 November 1984.

apportionment envisaged the AFTH rising from 29% in 1980-81 to 31% by 1990-91 and 33% post-Trident. In contrast the LTC 85 allocations showed the AFD's share of the defence budget upper line falling from 29.9% in 1985-86 to 24.4% by 1994-95. In constant price terms the AFTH declined from £5,169m in 1985-86 to £4,172m in 1994-95, a cumulative 'loss' of £5bn of resources. DUS(Air) summarised: 'The AFTH is having to support a programme originally conceived as one of expansion with a heavy and progressive reduction in funding extending right across the costing period.'<sup>79</sup>

The AFTH's decline was partially attributable to the advent of a new Programme Regulator mechanism, largely carved out from the AFTH share of the programme, for which all three Service Departments could bid on equal terms up to a maximum of 60%. Even if AFD secured 60% of the Regulator, the AFTH share of the programme upper line would drop from 29.9% at the start of the LTC period to 26.8% at the end – a cumulative 'loss' of £3,350m.<sup>80</sup> It would be tough to sustain a viable RAF programme with this funding mismatch. Meeting the lower targets sacrificed much needed capability enhancements, the early retirement of older aircraft, including Shackleton AEW and a Jaguar squadron, reducing activity levels, stock holdings and uncommitted support spending and deep cuts to Works. Without attrition purchases, the Tornado GR1 and F2 frontline would decline from the early and mid-1990s, respectively. There would be no Puma/Wessex replacement, the Support Helicopter force would decline numerically from about 1991 and Nimrod would become increasingly less effective as an ASW platform. Deferring new weapons systems reduced front-line effectiveness. The Regulator fund was too small to accommodate even the AFD's essential bids:

The identification of additional measures to meet the new reduced levels of funding consequent on the recent PES outcome will intensify the disruption to activity levels, aircraft numbers and major weapons systems to a degree which will require to be addressed on a defence wide rather than a single Service basis, and undertaken in the context of an examination of the whole of the defence programme against funding and of the attribution of funds to specific projects.<sup>81</sup>

The 1984 *Defence Estimates* reflected on a 15% increase to front line strength, with re-equipment peaking in 1984-85, meaning that by 1989 over half of RAF aircraft

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<sup>79</sup> TNA, AIR 6/262, AFB(84)6, 'Long Term Costing 1985', Note by DUS(Air), 7 December 1984.

<sup>80</sup> Ibid.

<sup>81</sup> Ibid.

would have been replaced recently. Priority was allocated to UK air defence, the tanker force and weapons holdings. To achieve this but remain within manpower ceilings meant shifting resources from support to the RAF's fighting elements. However, as seen above, AFTH funding was insufficient to deliver the RAF's authorised programme. Across the nine major RAF roles<sup>82</sup> problems arose from savings due to LTC 85 funding. The VCAS, Air Marshal (AM) Sir Peter Harding, concluded, 'because of the cash squeeze, the dollar exchange rate, industrial inflation and performance, and the problem of accurately estimating the cost of projects at the arrowhead of technology, it is evident that major reductions will be needed if the RAF programme is to remain within the funding allocated to the AFTH for LTC 85.'<sup>83</sup> The biggest blow was a £124m cut in the Block Adjustment for Air Systems. Various cuts packages were contemplated, alongside selling Tornado overseas. Sales to Saudi Arabia would divert deliveries away from the RAF creating new challenges. However, resultant savings would ease the budgetary problem.<sup>84</sup>

In December 1984, DUS(Air) reckoned on a cumulative 'loss' to the AFD main programme allocation of £5,000m over 10 years if funding remained at a constant level. The Navy and Army Departments 'lost' about £1,000m and £500m, respectively. Resources were insufficient to maintain the approved programme. Priorities set in 1981 could be overturned. As observed, the Programme Regulator was part of the problem. Further complications arose from PES 84 which set even lower targets; SofS's unwillingness to adopt savings measures in later years; the possibilities of transfers from the Navy and Army Target Headings and dollar/sterling exchange rate fluctuations. No amount of good housekeeping could accommodate numerous important AFTH projects then in the Regulator.<sup>85</sup>

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<sup>82</sup> The nine major RAF roles were set out in LTC 84: 'The Royal Air Force will continue to provide comprehensive air defences for the United Kingdom. The RAF will also maintain a substantial presence in the Federal Republic of Germany, which will include strike/attack, offensive support, air defence (including SAM), tactical reconnaissance and support helicopter squadrons. In addition, aircraft would be redeployed from the UK for operations throughout ACE in war. In the maritime role, RAF aircraft make a substantial contribution to ASW operations and provide strike/attack and air defence squadrons in support of SACLAN and CINCHAN and the Fleet. RAF strike/attack aircraft based in the UK would be available for conventional operations and national sub strategic nuclear operations while the UK based AEW squadron will contribute significantly to the NATO AEW task. Forces, including tactical transport and tanker aircraft, will also be provided in support of national commitments beyond the NATO areas.' TNA, AIR 6/262, AFB (84)1, 'Long Term Costing 1984', Note by DUS(Air), 7 February 1984, ANNEX A LTC 84 - AFTH - Main Deployment and Programme Assumptions - Principal Roles, p. A-1.

<sup>83</sup> TNA, AIR 6/262, AFB(84)2, 'Air Force Equipment Programme', Note by VCAS, 6 December 1984.

<sup>84</sup> Ibid.

<sup>85</sup> TNA, AIR 6/263, AFB, 5(84), Conclusions, 13 December 1984.

The PES 84 settlement ended real growth after 1985-86, signalling real reductions in 1986-87 and 1987-88. With no assurance the budget would be fully protected from inflation, general or Defence specific, if it exceeded Treasury cash factors, the MoD built some contingency margin in the early years to cope with further cash squeeze. Even after savings, excesses remained.<sup>86</sup> The Second PUS acknowledged it further reduced RAF capability below that planned in Nott's Review and would dismay NATO:

Nevertheless, together with the other measures in the rest of the defence programme they represent a careful and considered assessment by the OMB and the Defence Staff of the best way of aligning the programme with available resources. Moreover, even after all these savings measures the major re-equipment programme for the Royal Air Force will still proceed, albeit in some cases at a slower pace. Nevertheless, the necessary long-term adjustment of the defence programme which will be addressed in LTC 86 will need to take account of a number of major potential RAF projects for which currently there is no provision.<sup>87</sup>

The concurrent FPMG report underplayed savings already made and proposed by the AFB. The programme was unbalanced, with no aircraft replacements in the core programme after Harrier GR5. Weapons systems to equip existing assets were deleted or deferred. Cuts in spares support risked sustainability. The Second PUS observed the Programme Regulator's detrimental impact on the RAF programme but insisted all three Services faced difficulties maintaining their approved core programme within available resources.<sup>88</sup>

The Budget chapter in the 1985 *Defence Estimates* involved 'protracted negotiation' between Treasury and MoD officials. Annual real growth in 1985-86 was 'in the region of 3 per cent'.<sup>89</sup> The Treasury did not want to imply the 1985-86 level of Defence spending would continue, with real decline predicted thereafter, with or without Falklands spending.<sup>90</sup> Competition also required amplification. The volume

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<sup>86</sup> TNA, AIR 6/266, AFBSC, 1(85), Conclusions, 13 February 1985. No provision was made for Skynet 4C.

<sup>87</sup> TNA, AIR 6/267, AFBSC (85)1, 'LTC 85 FPMG Report', Note by 2<sup>nd</sup> PUS, February 1985.

<sup>88</sup> TNA, AIR 6/266, AFBSC, 1(85), Conclusions, 13 February 1985. The report was presented by the VCDS and 2<sup>nd</sup> PUS to the FPMG on 26 February 1985.

<sup>89</sup> TNA, PREM 19/1845, Cartledge (Dep Sec of the Cabinet) to PM, 'Statement on the Defence Estimates 1985: (OD(85)5 and OD(85)6)', 15 March 1985.

<sup>90</sup> TNA, PREM 19/1845, Broadbent (PS/CST) to Mottram (PS/SofS), 'Statement on the Defence Estimates 1985', 18 March 1985.

of contracts placed by competition was static. Heseltine needed a target. The rhetoric on collaboration was judged too upbeat. Questions were raised about the rationale for the proposed EFA: 'Nothing should be said...to suggest that a new aircraft is a foregone conclusion.'<sup>91</sup> Similarly, Charles Powell, Mrs Thatcher's Private Secretary for Defence and Foreign Policy, advised, 'The view is getting about in some quarters – including the press – that the Defence Secretary is so keen on collaboration that we may end up losing out badly on it.'<sup>92</sup> SofS stressed Britain's attempts to strengthen NATO's European pillar.<sup>93</sup>

In October 1985 CAS stressed, 'the very considerable difficulties posed in constructing a balanced longer-term RAF programme as a result of the currently projected steep decline in the RAF's share of the Defence Budget', largely arising from the Programme Regulator's creation. To accommodate the RAF programme in existing allocated resources, further front-line cuts were unavoidable.<sup>94</sup> Concerns were also expressed about shorter-term cuts to support. The teeth/tail distinction was 'somewhat arbitrary' as 'the teeth, tail and backbone were, after all, parts of the same animal'.<sup>95</sup> Although previous plans envisaged a 15% front line increase, this was against a baseline depressed by Vulcan withdrawal and Tornado GR1's late arrival. The planned frontline increase could not be afforded from the RAF's falling budget share, nor be fully manned given manpower limitations. A balanced front line within available resources involved further cuts. Although the manpower forecasts had improved over the previous year, early retirement jumped 20% in the year to 31 August 1985. Some 425 officers and 1,600 NCOs and airmen had left – meaning over £100m of training investment had been wasted. At this his final AFBSC meeting, Williamson recommended an overview of the AFD and its relationship

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<sup>91</sup> Ibid., Owen (No. 10 Policy Unit) to PM, 'Statement on the Defence Estimates, 1985', 19 March 1985. The Policy Unit feared the Government was losing the argument on Trident, considered excessive for minimum deterrent and expensive.

<sup>92</sup> Ibid., Powell (PS/PM) to PM, 'OD: 20 March', 19 March 1985. The 1985 *Defence Estimates* showed that 15% of spending on equipment went to collaborative projects with other NATO states - £1.3bn annually. Rodney Cowton, '15% of defence bill for Nato projects', *The Times*, 3 May 1985.

<sup>93</sup> TNA, CAB 128/81, CC(85)12<sup>th</sup> Conclusions, 28 March 1985; CAB 129/219, C(85)8, 'Statement on the Defence Estimates 1985', Note by the Secretary of State for Defence, 25 March 1985. The Cabinet only requested the insertion of a reference to the success of British firms in building the new Falkland Islands airport.

<sup>94</sup> TNA, AIR 6/267, CAS to Minister(AF), 'Royal Air Force Programme Review', 11 October 1985. The RAF's Programme Review called for the need for activity level cuts to be viewed from a Defence-wide perspective with a consistent Services-wide approach.

<sup>95</sup> TNA, AIR 6/266, AFBSC 2(85), Conclusions, 10 October 1985.

with RAF Commands, together with an understanding of the force structure, emphasising the RAF's main roles.<sup>96</sup> His successor as CAS, ACM Sir David Craig, told his fellow Chiefs the 150 all-weather AD fighters stemming from the expansion authorised by Nott's review addressed the threat of the 1980s. CAS argued an expanding Warsaw Pact threat incorporating cruise missiles, increased stand-off missile ranges and escort numbers, meant 150 was no longer an adequate number.<sup>97</sup>

The Defence Staff and OMB identified further savings measures in three baskets of increasing order of pain. Most RAF savings came from equipment. The aim was to preserve RAF front line capability. The partial relief of RAF activity cuts was welcomed. These had tri-service, NATO and retention rate implications, as aircrew joined the RAF to fly. Concern remained over the RAF's ability to operate in peace and its sustainability in war because of proposed support area savings.<sup>98</sup>

Across the MoD, MINIS scrutiny remained fixed on continued economy, rationalisation and privatisation. The MoD reorganisation was followed by an examination of the relationship between the Central and Single Service Staffs. The Air Staff had to prove it was not duplicating work and show how more cuts or sharing staff with the Centre hampered RAF operational tasks. An interface between the Central Staffs and Single Service departments had formed. Consultation with Single Service specialists was essential in the Commitments area. The Centre recognised that generally, information on RAF programmes and activities must come from AFD manag-

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<sup>96</sup> Ibid; AIR 6/267, AFBSC (85)3, 'RAF Manpower', Note by ACAS, 20 September 1985. The AFBSC recommended that Ministers were informed of this worrying trend with early retirements. As the RAF was committed to the continued expansion of the front line over the decade to 1991, the uniformed manpower requirement was forecast to exceed the ceiling of 93,357 by over 5,000 in 1986 and by at least 4,000 in the remaining LTC years. The adverse impact of manpower shortfalls was discernible across Commands. Prolonged under manning was deemed likely to lower personnel retention rates. Contractorisation measures would reduce the manpower deficit but would also result in reducing the resources allocated to another part of the programme. Indeed, budgetary pressures were such that any contractorisation plans were to be given an order of priority and manpower studies were directed to reducing the support manpower requirement without attracting significant extra spending. AIR 6/268, AFBSC, (85)11(X), 'RAF Manpower', Note by AMP and ACAS, 7 June 1985.

<sup>97</sup> AHB, CAS 2/1/1 Part 4, COS 17th Meeting/85, 22 October 1985, 'Item 3 Concept for the Air Defence of the United Kingdom Base'.

<sup>98</sup> TNA, AIR 6/266, AFBSC 3(85), Conclusions, 20 November 1985; AIR 6/267, AFBSC (85)4, 'Estimates 1986/7', Note by 2<sup>nd</sup> PUS, 15 November 1985.

ers. The new organisation imposed rigid and bureaucratic scrutiny systems for urgent or minor equipment needs but AFD's relationships with the OMB and Defence Staffs had 'developed well'.<sup>99</sup>

Although the Chiefs were apparently reconciled with the end of 3% annual growth in real terms from 1985-86, No. 10 was told they were concerned, 'thereafter there could be a squeeze leading to a substantial decline in real terms'. The 1984 PES settlement assumed a small decline in 1986-87 and 1987-88 based on Government assessments concerning inflation but the cash factor for 1988-89 was deemed 'unrealistic' even on the Government's own forecasts, with the pay factor below Service awards arising from the AFPRB. Indeed, the Chiefs were committed to maintaining a competitive and attractive remuneration package covering pay and non-pay benefits although the planned assisted house purchase scheme had been watered down and the MoD and HMT were discussing improvements to conditions of service.<sup>100</sup>

Later in 1985, the PES made difficult reading for Defence. Whitelaw as Lord President chaired MISC 120 – the Ministerial Group on Public Expenditure. SofS accepted ending the 3% real growth commitment precluded further programme increase. After real increases in provision for military equipment, Government priorities tilted towards health, housing and social security. A case was made for reducing Defence below baseline to shift spending. However, they acknowledged Heseltine's likely difficulties if they reduced it in cash terms below published figures. The programme should remain at baseline for the first two years. For 1988-89 it was agreed the then unpublished Survey baseline figure should be maintained, inclusive of Falklands costs.<sup>101</sup>

MoD running costs, particularly R&D expenditure, were scrutinised. A Cabinet Committee, the Official Group on Defence Research and Development (MISC 110), reported to Mrs Thatcher in July 1985. Reducing Defence R&D resources over the next decade was central. The Committee also considered whether procurement policies used R&D as economically as possible. Finally, there was a renewed emphasis on wider economic interests being incorporated throughout decision-making in MoD research and selecting development projects. More efficient,

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<sup>99</sup> TNA, AIR 6/266, AFBSIC Informal Meeting, 14 November 1985. There was a 'mutual desire' to make the arrangements work.

<sup>100</sup> TNA, PREM 19/4060, Mottram (PS/SofS) to Powell (PS/PM), 'Meeting with the Chiefs of Staff', 5 July 1985.

<sup>101</sup> TNA, CAB 129/219, C(85) 26, 'Public Expenditure Survey 1985', Memorandum by the Lord President of the Council, 6 November 1985.

competitive procurement and European collaboration made it less 'R&D intensive'. The UK could not retain a capability covering practically all aspects of every major weapons system.<sup>102</sup> Defence absorbed over half of Government-funded R&D spending; more than most other industrial states. Defence firms remained too focussed on Defence sales, hindering diversification opportunities. Finally, Defence R&D's hold over skilled manpower in information technology and electronics impaired the private sector.<sup>103</sup>

Cutting Defence R&D would not in itself galvanise the wider civil economy. Nevertheless, the Group recommended its reduction and structuring remaining spending to greater address civil economic needs, managing and deploying R&D resources so they contributed more to economic development and wealth creation.<sup>104</sup> The Policy Unit also highlighted costs of MoD specifications. Some 90% of equipment was British. Some £1 of R&D was needed to purchase £3 of defence equipment production. Britain designed too much of its equipment. Major savings could only be achieved by collaborative purchasing or off-the-shelf. The latter saved money and provided reliable equipment earlier: 'Our air defences would not be exposed now, and for some years hence, if – as the Air Force wanted – we had ordered AWACS instead of Nimrod AEW.'<sup>105</sup> Mrs Thatcher was urged to encourage Peter Levene, the new Chief of the Procurement Executive, to get better value for money,<sup>106</sup> as, 'Few, if any, civil servants can save (or lose) so much'. The Policy Unit also emphasised:

The Efficiency Unit's recent study on Capital Expenditure Contracts revealed that all the five defence contracts in their sample over-ran on cost by around 50% in real terms (Tigerfish Torpedo, Seabed Operations Vessel, SP70 Howitzer, Foxhunter Radar, Nimrod AEW). They are also late and expose our defences. Our air defence is scarcely

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<sup>102</sup> TNA, PREM 19/1804, Unwin (Cab Off) to PM, 'Report of the Official Group on Defence Research and Development (MISC 110)', 26 July 1985. The MoD was hesitant in providing important material on longer term plans and policies and adopted a reserved position on the Committee's findings.

<sup>103</sup> TNA, PREM 19/1805, Unwin (Cab Off) to Channon (SofS(DTI)), 'Defence Research and Development Expenditure (E (RD) (86) 8)', 26 September 1986.

<sup>104</sup> *Ibid.* It was acknowledged if Government support for the 'defence industry' was cut, the resources released would be dissipated or lost abroad, resulting in greater dependence on imported equipment, not helping the UK economy.

<sup>105</sup> TNA, PREM 19/1804, Owen (No. 10 Policy Unit) to PM, 'MISC 110 Report on Defence R&D', 26 July 1985. The Prime Minister was advised to get Heseltine to progressively reduce R&D in real terms, as well as telling Heseltine and Norman Tebbit, (SofS(DTI)), to collaborate more and buy more foreign equipment.

<sup>106</sup> TNA, PREM 19/1691, Powell (PS/PM) to PM, 29 July 1985.

credible. The Tornado F2s (introduced in November last year) have been flying with concrete ballast to compensate for the absence of their Foxhunter Radars.<sup>107</sup>

Heseltine and Levene wanted industry to undertake more R&D and approach the MoD with original and cheaper products.<sup>108</sup> Cabinet Office briefing described the £2bn or so spend on Defence R&D, as the ‘sore thumb’ in Government R&D, ‘wholly disproportionate for a country of the UK’s resources’.<sup>109</sup> The Prime Minister recognised ‘general agreement that a searching review of R&D Priorities across Government - defence as well as civil - was required’. A small group of senior Ministers were to take the work forward, under Whitelaw. The Group, MISC 119, considered the Official Group on Defence R&D’s conclusion it was in the UK’s interests to reduce gradually and progressively over the next decade, resources devoted by the Government to defence R&D.<sup>110</sup>

### **New training aircraft**

The afore-mentioned purchase of an RAF basic trainer was a major procurement decision in 1985. Eventually, the competition to replace the existing Jet Provost fleet involved the Pilatus PC9 proposed by British Aerospace in conjunction with the Swiss and the Embraer Tucano proposed by Short Brothers in conjunction with the Brazilians.<sup>111</sup> Both aircraft were satisfactory in technical and performance terms. The RAF preferred the PC9 on handling and performance grounds for training tasks. The Tucano carried programme and technical risks. The proposed engine variant was not yet in service. Despite the tight timescale for introduction into service this risk was deemed acceptable. It was also 10% cheaper than the PC9<sup>112</sup> and marginally cheaper to run. Heseltine told Ministerial colleagues the RAF acknowledged that Tucano met the specifications but had not yet flown it with the more powerful [US] Garrett engine. It would enable them to train pilots of required standard. Greater

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<sup>107</sup> Ibid., Owen (Policy Unit) to PM, ‘Meeting with Peter Levene’, 29 July 1985.

<sup>108</sup> Ibid. However, it was alleged MoD backed projects it had originated.

<sup>109</sup> TNA, PREM 19/1804, Unwin (Cab Off) to PM, ‘E(A) (85) 18<sup>th</sup> Meeting at 4pm on 31 July: Papers on Government Research and Development (R&D)’, 30 July 1985.

<sup>110</sup> Ibid., PM to Lord President, ‘R&D Priorities Across Government’, 13 September 1985; Lord President to PM, ‘R&D Priorities Across Government’, 21 September 1985. Mrs Thatcher hoped Heseltine and Leon Brittan, Tebbit’s successor as SoFS(DTI), would play a ‘very active role’ in the Group’s work.

<sup>111</sup> There were two other contenders – the Westlands A20 and the Hastings Firecracker. Both aircraft met minimum specifications on paper but carried technical risks as the A20 had not yet flown and the Firecracker was being offered in a vastly different version to that currently flying. The option of Jet Provost refurbishment was also rejected on economic grounds.

<sup>112</sup> BAe reduced their bid after the competition closed but it remained 5% higher than the Tucano.

weight was attached to non-operational factors; the strongest emphasis was on competition. Heseltine stressed Short's efforts marketing simple, straightforward aircraft.<sup>113</sup>

Experienced RAF pilots unanimously concluded the PC9 was the better machine, marginally superior at speed particularly at high altitudes and in rate of climb. The Tucano, with somewhat greater fuel capacity, would provide more flexibility in the pattern of training sorties. However, the PC9's performance and handling characteristics more closely resembled frontline aircraft and provided a greater challenge to students. The RAF believed the PC9 would develop training skills quicker and identify students suitable for combat aircraft. The Tucano offered acceptable but less exacting training. Although the Garrett engine would enhance Tucano performance, the RAF was the launch customer. The technical risk was thought manageable by the MoD.<sup>114</sup> The MoD's original estimate for 130 aircraft was over £190m, but the lowest tender under the same specification was just over £120m. Heseltine acknowledged the RAF preferred the better performing PC9, but accepted Tucano performance met it. The Government committed to better value for money by greater competition for Defence contracts and recommended Tucano. The Cabinet endorsed Heseltine's recommendation on competition and cost grounds.<sup>115</sup>

### **Reach for the Stars: the SDI**

Michael Heseltine was telephoned by his US opposite number Caspar Weinberger on 23 March 1983 and advised President Reagan would shortly announce the development of the Strategic Defense Initiative (SDI).<sup>116</sup> The Americans had not engaged in early consultation with close allies. SoFS feared escalating superpower tension despite the agreed Anti-Ballistic Missile (ABM) Treaty and other arms-control negotiations and although this was not a new concept, Europeans were alarmed rather than reassured by this announcement.<sup>117</sup> The possibility arose of altered US

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<sup>113</sup> TNA, CAB 129/219, C(85) 7, 'A New Basic Trainer for the Royal Air Force', Memorandum by the Secretary of State for Defence, 19 March 1985.

<sup>114</sup> *Ibid.*, Annex – Competitive Assessment of Contenders.

<sup>115</sup> TNA, CAB 128/81, CC(85) 11<sup>th</sup> Conclusions, 21 March 1985.

<sup>116</sup> This was President Reagan's 'Star Wars' speech of 23 March 1983.

<sup>117</sup> Christopher Lee, *Carrington: An Honourable Man* (London: Viking, 2018), p. 467.

behaviour towards the Soviets and greater risk of European war if the US was defended by impenetrable weapons. Others believed the Soviets would develop a similar system, invalidating the British and French deterrents.<sup>118</sup>

In December 1984, Mrs Thatcher's Washington visit resulted in a four-point agreement – the Camp David Accord. This underlined the need for a proper balance between SDI research and arms-control negotiations.<sup>119</sup> By February 1985, the US committed \$30bn to the SDI's advance research programme. Mrs Thatcher wanted Britain to get its share of SDI contracts. SofS worried SDI signalled a 'technology transfer' to US high-tech businesses and provided a unique 'competitive advantage in the next generation of both civil and military products'.<sup>120</sup>

The Cabinet Office's Defence Scientific Adviser thought UK broad objectives in the 'Star Wars/SDI/Strategic Arms Talks' context were threefold. The major objective was to advise, assist and urge the US [and Soviet Union] to consolidate existing arms control agreements and achieve substantial, verifiable cuts in offensive weapons while maintaining a similar degree of deterrent stability. Second, the UK's prioritised its own security and maintaining the independent nuclear deterrent's effectiveness until arms control or disarmament agreements rendered it superfluous. British scientists had to grasp the latest weaponry developments. A third factor was the need to remain technically aware of the SDI research programme and 'Star Wars' concepts. This could mean contributing to it, if it did not contradict the ABM Treaty and 'Star Wars' concepts and SDI research did not prevent real progress towards a strategic disarmament agreement.<sup>121</sup>

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<sup>118</sup> AHB, CAS 10/7 Part 1, CSA to PS/SofS, 'Strategic Defence Initiative', 15 January 1985. Mrs Thatcher had enquired about the relative capabilities of the USA and USSR in the field of Ballistic Missile Defence (BMD).

<sup>119</sup> The four-point statement was drafted by the British diplomat John Kerr, who was also PPS at HM Treasury, 1979-1984. It read: 'First, the United States and Western aim is not to achieve superiority but to maintain balance, taking account of Soviet developments. Second, SDI-related deployment will, in view of Treaty obligations, have to be a matter for negotiation. Third, the overall aim is to enforce and not to undermine deterrence. And fourth, East-West negotiation should aim to achieve security, with reduced levels of offensive systems on both sides.' Howe, *Conflict of Loyalty*, pp. 390-391; Thatcher, *The Downing Street Years*, pp. 466-469.

<sup>120</sup> Heseltine, *Life in the Jungle*, p. 256. Sir Oliver Wright, HMA Washington DC, wanted the UK and UK firms to be more closely associated with US work on the SDI. See AHB, CAS 10/7 Part 1, Wright to Foreign Secretary, 'Strategic Defence Initiative', 29 January 1985. Sir Geoffrey Howe, the Foreign Secretary, spoke to RUSI about SDI on 15 March 1985 but his assessment was criticised by SDI supporters in Washington.

<sup>121</sup> TNA, PREM 19/1445, Dr Panton (Consultant, MoD) to Armstrong (Cab Sec), 'SDI Research Programme', 3 April 1985.

Mrs Thatcher repeated her support to Reagan in February 1985 and hoped British scientists would contribute. Nevertheless, the UK's broad objectives, implied a 'sceptical mistrust of the "Star Wars" concepts, and, at very best, a grave doubt about the real chance of achieving most of the objectives of the SDI research programme'. Moreover, Soviet condemnation of 'Star Wars' conveyed how seriously they took it and was a 'powerful bargaining tool' for the US. Whilst scientific advice suggested the UK distance itself from the development of 'Star Wars' concepts, it should contribute to and support the SDI research programme. Despite Heseltine preferring a joint European programme and response to the US, it was agreed the UK could make a significant contribution to SDI research bilaterally – through MoD establishments, existing channels and via industry co-ordinated by the MoD.<sup>122</sup> The US preferred bilateral co-operation, particularly with the UK, on the lines of the 1958 Mutual Defence agreement.<sup>123</sup> Heseltine stated in May that work had started 'to review the scientific and industrial aspects of participation'. Powell observed, 'very little has been done in two months'. Mrs Thatcher added, 'The Germans have got further than we. This won't do.'<sup>124</sup>

The Cabinet Secretary highlighted Britain's interest in the SDI programme, particularly aspects affecting the credibility of the British deterrent. It would be 'a pity' if by appearing slow this prejudiced British companies' ability to win contracts.<sup>125</sup>

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<sup>122</sup> Ibid. Mrs Thatcher claimed she kept a tight control over British decisions and reactions relating to SDI. She was 'passionately interested in the technical developments and strategic implications'. She said her grasp of the scientific concepts enabled her to make the right policy decisions and she added 'laid back generalists from the Foreign Office – let alone the ministerial; muddlers in charge of them – could not be relied upon. By contrast, I was in my element.' Thatcher, *The Downing Street Years*, p. 463.

<sup>123</sup> TNA, PREM 19/1445, Dr Panton (Consultant, MoD) to Cab Sec, 'SDI Research Programme', 30 April 1985. Mikhail Gorbachev was 'gravely concerned' about SDI when he first visited the UK in December 1984. Howe, *Conflict of Loyalty*, pp. 358-360.

<sup>124</sup> TNA, PREM 19/1445, SofS to PM, 'British Participation in Strategic Defence Initiative (SDI) Research', 28 May 1985. Mrs Thatcher claimed neither the FCO nor the MoD took SDI sufficiently seriously. She added, 'In fact, the only time I found much enthusiasm was when there appeared to be possibilities – which, by contrast, the MoD significantly exaggerated – for British firms to win large contracts for the research.' Thatcher, *The Downing Street Years*, p. 464. See AHB, CAS 10/7 Part 1, Turnbull (PS/PM) to Mottram (PS/SofS), 'British Participation in Strategic Defence Initiative Research', 30 May 1985. This noted the Prime Minister was 'concerned at the pace of progress on this matter'.

<sup>125</sup> TNA, PREM 19/1445, Cab Sec to PM, 'Strategic Defence Initiative (SDI)', 5 June 1985. Armstrong highlighted the impact of the concurrent French EUREKA proposals on the UK's finite supply of scientists and research facilities. Armstrong viewed this as another reason for the Government to play a role in UK participation in SDI research. The EUREKA proposals for European co-operation in high technology research covered some of the same fields as SDI research although the benefits of UK participation were 'unlikely to be as certain or as great as in the case of SDI research'.

Participation in SDI research placed heavy demands on scientific manpower where UK resources were already squeezed, including computing and communications. There was a 'real resource cost to the UK but we really have no choice'. The CSA supported SofS's proposal for a Participation Office but wanted DTI representatives on board. The UK should 'ruthlessly' exploit its unique position as the only country with a respected and trusted position on defence science and technology with both the US and Europe.<sup>126</sup> The Policy Unit added, 'Our participation is worth a high price and the Americans expect to pay one... and we should look for a political premium on top of that.' It was a 'potentially profitable business opportunity, which could reduce, rather than swell the defence budget'. Skilled people required transfer from other work. The MoD would not be able to design so much of its own equipment anyway. Off-the-shelf purchases would cut MoD costs and its cornering of UK's electronic engineers.<sup>127</sup>

Businesses backed a British Participation Office and an umbrella agreement on procedures. SofS placed a figure for US-funded SDI work for Britain, either through the SDI Participation Office or through company to company deals of \$1.5bn out of the \$26bn US planned spend for 1985-1989. He told Weinberger the UK wanted to play a 'full and constructive' part in SDI-related research but feared the US would gather all the information whilst the UK and Europe would be marginalised. The package had to offer something for Britain. Weinberger claimed strategic defence would benefit the whole world and pledged not to drain off talent which would deter potential participants. His main concern was Heseltine's bid. He envisaged 'considerable political, legal and procedural difficulties'. Other states would seek similar deals.<sup>128</sup> Powell observed: 'The Defence Secretary slapped in a high bid for "5% of

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<sup>126</sup> *Ibid.*, Nicolson (CSA) to PM, 'Meeting of OD at 9.00 am Friday 12 July - SDI Research: UK Participation (OD(85) 15), 10 July 1985. The CSA found Heseltine's proposals towards European partners 'very feeble'. A commercially realistic exchange of technology with European states was recommended, rather than disclosing everything.

<sup>127</sup> *Ibid.*, Owen (No. 10 Policy Unit) to PM, 'SDI Research: UK Participation', 10 July 1985. Following Heseltine's meeting with Weinberger on 21 July 1985, a joint Working Group of MoD and Pentagon officials was formed. Although officials identified numerous areas where information exchange would benefit the UK, Heseltine wanted assurances this participation would be 'really substantial in volume' and doubted there would be a free flow of US information. He wanted a guarantee of work for British industry of the scale proposed - \$1.5bn over five years but thus far the US had offered the form prospect of 'pathfinder' work worth one-tenth of this. See Mallaby (Cab Off) to PM, 'Strategic Defence Initiative Research: United Kingdom Participation', 25 October 1985.

<sup>128</sup> TNA, PREM 19/1445, SofS to PM, 'British Participation in SDI Research', 23 July 1985.

SDI work or nothing” which rather rocked the Americans. Bold and I hope not intended as a “wrecking” bid. He never mentioned a figure in OD.’<sup>129</sup>

The UK signed a Memorandum of Understanding<sup>130</sup> with the US on 6 December 1985, the first major ally to do so. Mrs Thatcher praised Heseltine’s ‘very firm’ negotiations. The SDI Participation Office (SDIPO) was established in the MoD, to promote British participation under the terms of the MOU and incorporated officials from the DTI and Department of Education and Science. This provided for the flow of \$1bn expenditure to the UK. By February 1988, some 65 US-funded SDI contracts had been placed in the UK, valued at \$60m. Nevertheless, the MoD conceded that competition for SDI research work had proved to be even tougher than anticipated. By 1999, total contracts awarded to British research facilities was closer to \$150m.<sup>131</sup>

### **The birth of Eurofighter**

The major aircraft project of the mid-1980s was the Future European Fighter Aircraft (FEFA) - a four country collaboration ultimately involving the UK, West Germany, Italy and Spain, but not France. Discussions had commenced in the late 1970s. The UK started negotiating in earnest with Germany in 1983. An Outline European Staff Target was signed by the five Air Staffs (including France) on 16 December 1983. Heseltine decreed FEFA must have first charge on additional funds under the Programme Regulator, as European allies would never understand its continuing omission from the main programme.<sup>132</sup> Although a truly European solution was preferred, France rejected terms acceptable to the UK and West Germany. Differences arose between British aero-engine and airframe producers and their French

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<sup>129</sup> Ibid., Powell (PS/PM) to PM, 23 July 1985; AHB, CAS 10/7 Part 1, Mottram (PS/SofS) to Powell, ‘SDI Research: UK Participation’, 25 September 1985; Powell to Mottram, ‘SDI Research: UK Participation’, 26 September 1985. Mottram’s letter explained the \$1.5bn figure.

<sup>130</sup> AHB, CAS 10/7 Part 2, SofS to PM, ‘Strategic Defence Initiative Research: United Kingdom Participation’, 31 October 1985; Powell (PS/PM) to Mottram (PS/SofS), Strategic Defence Initiative Research: United Kingdom Participation’, 1 November 1985. These detail Heseltine’s negotiations with his US counterpart Caspar Weinberger on an MOU.

<sup>131</sup> TNA, CAB 128/81, CC(85) 35<sup>th</sup> Conclusions, 5 December 1985; CC(85) 36<sup>th</sup> Conclusions, 12 December 1985; HM Government, *Statement on the Defence Estimates 1988 1* Cm. 344-I (London: HMSO, 1988), p. 43; Heseltine, *Life in the Jungle*, pp. 257-258. Heseltine said the MOU was essentially an ‘enabling document’ providing major opportunities for the UK.

<sup>132</sup> TNA, AIR 6/262, AFB(84)1, ‘Long Term Costing 1984’, Note by DUS(Air), 7 February 1984; AIR 6/259, AFBSC(84)8(X), ‘AST 414 – Future European Fighter Aircraft’, 9 March 1984. At Madrid in July 1984, the five states agreed in principle to cooperate towards building Europe’s next main combat aircraft to replace the F16s, Mirages and Tornados. Richard Wigg, ‘Five nations to build warplane for Europe’, *The Times*, 10 July 1984.

counterparts.<sup>133</sup> The overriding aim was an aircraft to combat the Soviets.<sup>134</sup> The UK, West Germany and Italy agreed technical characteristics, drawing on Tornado experiences.<sup>135</sup>

SofS required OD Committee approval before agreeing to launch the Project Definition phase. The engine was not to be less than 92 kilonewtons nominal thrust. The aircraft design had to take an engine of RB199 size. The UK wanted a 25% work share, prioritising the front fuselage and high-pressure turbine; securing leadership for Rolls Royce on the engine and blocking France in the airframe. Project definition encountered problems. Four states produced joint responses. Dassault (France) responded separately. The UK wanted project definition by September 1985.<sup>136</sup> As agreement over fundamental factors such as aircraft weight and engine power stalled,<sup>137</sup> Mrs Thatcher appealed to President Mitterrand, emphasising the benefits of collaboration and industrial cooperation.<sup>138</sup>

The Trade and Industry Secretary, Norman Tebbit, thought the Germans were shifting towards French positions and doubted Heseltine's negotiating. He thought the aircraft would be 'so close to [the French] ACX as to be all but indistinguishable'. Tebbit believed the UK should aim for a four-state consortium, excluding France, by widening, not narrowing, the differences.<sup>139</sup> Powell observed Heseltine had the

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<sup>133</sup> TNA, CAB 128/79, CC(84) 26<sup>th</sup> Conclusions, 12 July 1984; CC(84) 39<sup>th</sup> Conclusions, 29 November 1984.

<sup>134</sup> The four states envisaged an air superiority fighter, capable hopefully of warding off Soviet MIGs over Europe. The less ambitious, lighter French design, the Avion de Combat Experimentale was a replacement for the Jaguar, with greater chance of Third World sales. Editorial, 'Does this pig have wings?', *The Times*, 19 April 1985.

<sup>135</sup> The UK's technical and military arguments pointed to a solution rejected by France. TNA, PREM 19/1691, Budd (PS/Foreign Secretary) to Mottram (PS/SofS), 'European Fighter Aircraft', 10 July 1985.

<sup>136</sup> TNA, PREM 19/1691, Cab Sec to PM, 'Cabinet: European Fighter Aircraft', 17 July 1985. Some had urged Heseltine, despite his enthusiasm for European defence collaboration, to defer a decision altogether. At this stage, each aircraft was projected to cost £12m inclusive of R&D and potential US alternatives were reckoned to be more technologically advanced. Editorial, 'Fighter Without a Future', *The Times*, 16 May 1985.

<sup>137</sup> When Defence Ministers had met in Rome (16-17 May 1985) it appeared there was some convergence over aircraft weight and engine, and it looked like France was on board. John Earle, 'Allies outline shape of future jet fighter', *The Times*, 18 May 1985. However, at London (16-17 June 1985) problems were evident. Rodney Cowton, 'Desperate fight to save £20bn fighter', *The Times*, 18 June 1985; Rodney Cowton, 'Deadline extended for fighter', *The Times*, 19 June 1985.

<sup>138</sup> TNA, PREM 19/1691, FCO tel no 417 to Paris, 25 July 1985.

<sup>139</sup> *Ibid.*, SofS(DTI) to PM, 'European Fighter Aircraft Negotiations', 30 July 1985.

support of the RAF hierarchy, industry and Geoffrey Pattie for his final compromise.<sup>140</sup> On 2 August 1985, the 'Turin Agreement' was signed between the UK, German and Italian National Armaments Directors to proceed with a definition of a collaborative programme for an EFA to enter service in the mid-1990s. Even the pro-European Heseltine thought the French would seek at every programme milestone to detach the Germans. He also thought air forces and industry would try to increase the aircraft's weight, which might reinforce French efforts. Management and cost control steps were required to counter this.<sup>141</sup> Heseltine told the Cabinet agreement had been reached between the UK, West Germany, Italy and Spain. Mrs Thatcher congratulated Heseltine on what was then the largest contract Britain had ever negotiated.<sup>142</sup>

In October, Mitterrand attempted to re-open matters, with a message to the other Heads of Government proposing a Ministerial Study Group on co-operation in aircraft design and production to consider Europe's needs.<sup>143</sup> Apart from the EFA, the UK's only requirement for a major new fixed-wing aircraft before 2000 was the Future Large Aircraft (essentially Hercules-replacement), being addressed by an Independent European Programme Group (IEPG) panel under British Chairmanship.<sup>144</sup> Mrs Thatcher advised Mitterrand his proposal should be pursued in the IEPG which was 'playing an increasingly effective role in the harmonisation of operational

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<sup>140</sup> Ibid., Powell (PS/PM) to PM, 'European Fighter Aircraft', 30 July 1985.

<sup>141</sup> Ibid., SofS to PM, 'European Fighter Aircraft', 2 August 1985. The West Germans had repeatedly attempted to get the French to compromise on engine power, wing area, management structure and project location but to no avail. Rodney Cowton, 'Eurofighter crisis looms', *The Times*, 29 July 1985; Rodney Cowton, 'Eurofighter ultimatum', *The Times*, 1 August 1985; Editorial, 'Flying Without the French', *The Times*, 3 August 1985.

<sup>142</sup> TNA, CAB 128/81, CC(85) 27<sup>th</sup> Conclusions, 12 September 1985; Richard Wigg, 'Spain joins Eurofighter project', *The Times*, 2 September 1985. More than 800 aircraft were to be built at a cost of about £20bn. One Cabinet colleague described Heseltine's success in establishing the EFA as a four-nation joint venture as a 'notable coup'. His two major opponents were the French and Mrs Thatcher, who had wanted an Anglo-American or all-British aircraft. Treasury arguments matched European policy. Heseltine enjoyed the Chancellor and Foreign Secretary's support and later wrote: 'In order to secure what was then the largest contract that Britain had ever negotiated, I had overturned a Franco-German initiative that would have left Britain in a go-it-alone position and at risk of being marginalised in the European procurement of fighter aircraft.' Geoffrey Howe, *Conflict of Loyalty* (London: Macmillan, 1994), pp. 461-462; Heseltine, *Life in the Jungle*, p. 294.

<sup>143</sup> TNA, PREM 19/1691, Powell (PS/PM) to Mottram (PS/SofS), 'European Fighter Aircraft', 15 October 1985.

<sup>144</sup> Ibid., Brennan (APS/SofS) to Powell (PS/PM), 'EFA - President Mitterrand's Letter', 11 November 1985. The FCO emphasised EFA work must 'not [be] held up or driven off course'.

requirements and timescales, and indeed is already addressing the question of collaboration on the large military aircraft'. Meanwhile, EFA project work continued without delay on agreed lines.<sup>145</sup>

A year on, in September 1986, George Younger updated the Prime Minister. There had been delays. Project definition had taken three months longer than planned but agreement was reached on a revised baseline design, satisfying all four states' technical requirements and meeting technical parameters. Design and definition were being refined. The selection of equipment, including radar, was continuing. Negotiations on a general MOU were finalised. Industrial consortia for the airframe and engine were established. The workshare was 33% (UK and Germany), 21% (Italy) and 13% (Spain).<sup>146</sup> The UK signed the general MOU.<sup>147</sup> In April 1988, OD agreed the UK should participate in EFA's full development, as long as the other three states confirmed participation. This was an 'extremely expensive project' but it was necessary to develop such an agile fighter to counter the future threat posed by Soviet bombers escorted by long-range fighters. Any alternatives were too expensive or of unacceptably lower capability.<sup>148</sup>

### **Tarzan Swings Out: the Westland Affair, 1985-86**

The Westland affair culminated in January 1986 and cost two Cabinet ministers their jobs, including Heseltine. A departmental demarcation dispute and clash of egos almost brought down the Government.<sup>149</sup> To his detractors, viewing he had gone as far as he could under Mrs Thatcher, Heseltine wanted a reason to resign, which he did on 9 January 1986. The future of a relatively small West Country firm, Britain's only helicopter manufacturer, became that reason. Heseltine's position was shaky already. Tebbit advised Mrs Thatcher in August 1985: 'Defence is in a mess and we cannot afford things to get worse...Michael is not really thinking

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<sup>145</sup> Ibid., Prime Minister's Personal Message to President Mitterrand, 15 November 1985.

<sup>146</sup> TNA, PREM 19/1692, SoS to PM, 'European Fighter Aircraft', 25 September 1986. There had been much discussion about aircraft size and weight to achieve specified performance. Rodney Cowton, 'British Aerospace runs into weight problems on Eurofighter project', *The Times*, 15 February 1986.

<sup>147</sup> TNA, PREM 19/1692, MacGregor (CST) to PM, 'European Fighter Aircraft', 30 September 1986. Signing the MOU was subject to remaining able to choose a different solution when full options analysis was undertaken.

<sup>148</sup> TNA, CAB 128/89, CC(88) 14<sup>th</sup> Conclusions, 21 April 1988. Younger informed the Commons in April 1988 of the Government's intention to proceed with the development phase of EFA.

<sup>149</sup> Garnett and Aitken, *Splendid! Splendid!* p. 311. On the wider implications for Britain's defence and aerospace sectors and shift towards globalisation see Keith Hayward, 'The Westland Affair... and the origins of UK aerospace globalisation, 1985-95', *The Aviation Historian*, Issue No. 36, 2021, pp. 10-18.

things through and although I would like to see him carry the can for the errors he has made, you may feel that he should be moved.’<sup>150</sup> Heseltine remained at Defence; possibly Mrs Thatcher wanted this dangerous political rival to account for MoD’s shortcomings.<sup>151</sup>

Sir John Cuckney, Westland’s Chairman, sought to merge his ailing firm with the American United Technology Group, manufacturer of Sikorsky helicopters. They wanted a 29.9% share in Westland. There seemed no need for Ministerial involvement.<sup>152</sup> However, Heseltine proposed an alternative deal with a European consortium to secure a European future for Westland. Heseltine had discussed with his German counterpart, Manfred Woerner, the threat Sikorsky posed to the European helicopter industry.<sup>153</sup> He got the European National Armaments Directors (NADs) to issue a supportive declaration on 29 November saying acceptance of the Sikorsky deal and an American partnership could damage potential collaborative European defence production.<sup>154</sup> Heseltine proposed a 29.9% stake in Westland was taken jointly by Aerospatiale (France), MBB (Germany) and Agusta (Italy). Cuckney favoured the American bid, being profoundly sceptical about a European deal’s feasibility.

The Treasury viewed Heseltine’s proposed deal as precluding purchasing helicopters from a third country, in practice the US, locking the UK into European collaboration and ignoring the Government’s commitment to competition. Fears were raised that Westland with a Sikorsky stake would be excluded from further orders from the four governments, including the UK. The Treasury wanted Westland to choose the best commercial deal and requested the NAD document’s withdrawal.<sup>155</sup> Leon Brittan, Secretary of State for Trade and Industry, worried both proposals

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<sup>150</sup> Moore, *Thatcher Volume Two*, p. 434.

<sup>151</sup> Ibid. Mrs Thatcher later recalled the charge sheet against Heseltine. He was lazy: ‘At Defence he didn’t take work home...He did actually give quite a lot of luncheon parties at his large house. It is usually a sign.’ He had also failed to ensure that war widows were flown out to Normandy for the 40<sup>th</sup> anniversary of D-Day in 1984. Moreover, despite being a ‘famed manager’, at Defence he failed to get a grip on procurement.

<sup>152</sup> Hayward, ‘Westland Affair’, p. 12. Accepting the offer from Sikorsky and Fiat would effectively end British helicopter design independence but neither MoD nor the DTI expressed any opposition to Westland falling into foreign ownership.

<sup>153</sup> TNA, PREM 19/1415, MODUK telegram to British Embassy Bonn, Heseltine-Woerner conversation, 27 November 1985.

<sup>154</sup> Howe, *Conflict of Loyalty*, p. 462. The Commons’ Defence Committee later deemed this fear to be well founded.

<sup>155</sup> TNA, PREM 19/1415, CST to SoF, ‘Westland’, 3 December 1985.

might fail, the Government would be blamed and would have to accept financial responsibility for those consequences.<sup>156</sup>

Heseltine claimed if Sikorsky acquired a stake in Westland they would push the MoD to order US-designed Blackhawk helicopters, for which there was no budgetary provision, and threaten the five-state collaborative NH90 [NATO's tactical transport helicopter for the 1990s, abandoned in April 1987] project, then undergoing feasibility study. The MoD could not afford to buy Blackhawks and NH90. European helicopter firms would fold or face US takeover, probably by Sikorsky.<sup>157</sup> The No. 10 Policy Unit was aghast: 'Michael Heseltine's shotgun marriage of the European helicopter industry echoes Harold Wilson's reconstruction of the motor industry in the 1960s.' Cutting existing design links between Westland and Sikorsky, as suggested by NAD, would weaken European defence capability, increase costs and end Sikorsky's involvement with Westland.<sup>158</sup>

Powell advised the Prime Minister to reject the NAD's recommendation and let Westland get on with accepting the Sikorsky bid.<sup>159</sup> Two meetings of small groups

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<sup>156</sup> Ibid., SofS(DTI) to PM, 'Westland', 3 December 1985. The NAD's recommendation was that the needs of the four countries' forces in three specified classes of helicopter (13 tonne, 8-9 tonne and light Attack Helicopter) 'should be covered solely in the future by helicopters designed and built in Europe'. In the 1978 Declaration of Principles, the governments agreed to make every effort to meet their needs with helicopters developed jointly in Europe. Brittan thought it would be wrong to go further than these Principles.

<sup>157</sup> Ibid., SofS to PM, 'Westland', 4 December 1985. The West Germans were particularly concerned about Sikorsky's continued attempts to buy into a European helicopter company. Heseltine said in view of the 'pivotal position' of the Germans on the EFA, the Government could not ignore these concerns. The German Defence Minister, Manfred Woerner, reportedly told Heseltine a Sikorsky stake would mean, 'The end of a viable European helicopter industry within 20 years'. Heseltine to Prime Minister, 'Westland Helicopters', 5 December 1985. Heseltine later advised BAe was keen to join the European consortium offer for Westland. BAe was concerned about possible implications of the Sikorsky bid for BAe's European co-operative ventures and the risks to its industrial interests. GEC also indicated their support for the European consortium; SofS to PM, 'Westland plc', 12 December 1985; Prior (Chairman, GEC) to SofS, 'Westland plc', 12 December 1985. The Government withdrew from the NH90 in order to pursue the EH101 as the NH90 was too small for UK needs and too expensive.

<sup>158</sup> TNA, PREM 19/1415, Warry (No. 10 Policy Unit) to Powell (PS/PM), 'Westlands', 4 December 1985. All the European helicopter firms were losing money and each country was set to guard its national interest. The Policy Unit warned, 'At its crudest, Michael Heseltine is proposing that a Conservative Government should intervene to kill a private sector rescue of Westlands – which amazingly costs the Government nothing – in order to promote a European deal which will reduce competition and result in the stripping of Westlands, such that it will only survive long term with state subsidy. This surely isn't on.'

<sup>159</sup> Ibid., Powell (PS/PM) to PM, 'Westlands', 5 December 1985.

of Ministers, on 5 and 6 December, produced stalemate. There would be no European deal if the Government rejected the NAD's recommendation and no Sikorsky deal if it accepted the recommendation.<sup>160</sup> Heseltine asked 'whether it was right to allow a significant British defence contractor to come under foreign control'. Most ministers rejected the NAD recommendation and wanted Westland to make its decision, but this was 'strongly opposed' by a minority. It was agreed to convene a formal Cabinet Committee meeting – an enlarged Economic Affairs meeting on 9 December.<sup>161</sup>

On 8 December, an MoD-DTI paper, agreed by officials and Brittan, was blocked by Heseltine.<sup>162</sup> He argued the Sikorsky offer meant American control of the only UK company capable of maintaining the Armed Forces' helicopter fleet and design, development and production of further helicopter requirements. It would give the US access to European technology embodied in collaborative projects with Westland. The European proposals offered more investment and work, maintaining UK control over a critical equipment supplier, supporting European helicopter collaboration, protecting British technology from a one-way flow to the US, avoiding buying Blackhawk and maintaining relationships with European governments.<sup>163</sup> Brittan disagreed. Westland had reached an advanced stage in their relations with Sikorsky. They needed a 'secure, long term' relationship which will safeguard their company into the next century'.<sup>164</sup>

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<sup>160</sup> Ibid., Powell (PS/PM) to Mogg (DTI), 'Westland' (Record of Conversation), 5 December 1985; Powell to Mogg, 'Westlands', 5 December 1985. The 5 December meeting was inconclusive and resulted in the commissioning of the paper, ultimately produced jointly by the DTI and MoD, to enable better and more informed discussion to take place between Ministers when they next met on 6 December.

<sup>161</sup> Ibid., Powell (PS/PM) to Mogg (DTI), 'Westland', 6 December 1985. Heseltine argued that should the Sikorsky bid succeed there was no guarantee Westland would maintain an independent design capability. A Cabinet Office minute written a few days later summed up the situation: 'The position remains that Mr Brittan and Mr Heseltine are pursuing essentially different policies. Mr Brittan is seeking to leave Westlands to make their own decision on the Company's financial reconstruction, and on the product range at which they would be aiming. The awkwardness of this approach is that the future commercial fortunes of the Company will depend substantially on decisions taken by the Ministry of Defence, with the Secretary of State for Defence seeking vigorously to exploit his market power in pursuit of the European option.' PREM 19/1416, Wiggins (Cab Off) to Unwin (Cab Off), 'Westlands', 13 December 1986.

<sup>162</sup> TNA, PREM 19/1415, Powell (PS/PM) to PM, 'Westland', 8 December 1985. Heseltine summoned the officials to his office to redraft.

<sup>163</sup> TNA, PREM 19/1415, SofS to PM, 'Westland', 9 December 1985.

<sup>164</sup> Ibid., SofS(DTI) to PM, 'Westlands', 9 December 1985. Leon Brittan added, 'I have serious reservations about the Government seeking to impose, by using its power as a purchaser, its own judgement against that of the Board of a publicly quoted company risking its future survival.'

The E(A) Committee meeting was inconclusive. Mrs Thatcher later lamented: 'What small sense of proportion Michael possessed had vanished entirely.' Despite most attendees wanting to overturn the NAD's recommendation, Mrs Thatcher gave Heseltine [and Brittan] the opportunity to develop the European package for submission to and acceptance by Westland's board by 4.00pm on 13 December. Otherwise the Government would reject the NAD's recommendation.<sup>165</sup> Heseltine advised his European counterparts accordingly.<sup>166</sup> The MoD argued a European bid would rationalise European helicopter production, saving £25m, to be used to purchase six more Sea Kings from Westland. Alongside sub-contracting work from Aerospatiale and Agusta, this would tide Westland over until EH101 production commenced.<sup>167</sup>

Heseltine claimed a subsequent meeting mentioned for 13 December, was a 'constitutional necessity'. It was never arranged.<sup>168</sup> He viewed this as a plot against him and the European consortium. To Mrs Thatcher's fury, Heseltine raised Westland at Cabinet on 12 December, despite it not being on the agenda.<sup>169</sup> The European consortium's proposition was received by Westland but rejected by its board, which recommended the United Technologies-Fiat bid.<sup>170</sup> Brittan told the Commons on 16

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<sup>165</sup> TNA, PREM 19/1416, SofS(DTI) to Cuckney (Chairman, Westland), 12 December 1985; Thatcher, *The Downing Street Years*, pp. 429-430. Cuckney told them Westland required fundamental reconstruction and an improved product range. Sikorsky best met this need.

<sup>166</sup> TNA, PREM 19/1416, MODUK telegram to British Embassies Paris, Bonn, Rome, Heseltine letter to French, West German and Italian Defence Ministers, 'Future of the European Helicopter Industry', 11 December 1985. Heseltine told them (but did not copy in the Secretary of State for Trade and Industry): 'In the particular case of Westland I need a product range demonstrably more attractive than the alternative provided by a link with Sikorsky and I need to be able to show as part of the European bid that we are all committed to a single family of helicopters at the battlefield level, NH90 and EH101. There is anxiety that these helicopters might in the event face competition from within Europe which would affect their viability. I believe we need to address this and reject this explicitly.' In contrast, Westland believed that the American Lynx would generate more production work.

<sup>167</sup> TNA, PREM 19/1416, SofS to PM, 'Westland plc', 13 December 1985; Powell (PS/PM) to PM, 'Westland', 13 December 1985; SofS to Cuckney, 13 December 1985. On criticism of the reliability of the £25m savings figure and the assertion that the European solution would mean 'less competition and therefore increased costs' see CST to PM, 'Westland', 17 December 1985.

<sup>168</sup> Heseltine, *Life in the Jungle*, pp. 300-301. See also TNA, PREM 19/1416, Wakeham (Government Chief Whip) to Wicks (PPS/PM), 'Westland', 10 December 1985; Wiggins (Cab Off) to Unwin (Cab Off), 'Westlands', 12 December 1986; Armstrong (Cab Sec) to Wicks, 'Westlands', 16 December 1985.

<sup>169</sup> TNA, CAB 128/82, Most Confidential Record, CC(85) 56<sup>th</sup> Conclusions, Thursday 12 December 1985, Westlands PLC; Thatcher, *The Downing Street Years*, pp. 430-431; Heseltine, *Life in the Jungle*, pp. 300-301. There had been no developments since the decision at E(A) on 9 December necessitating Cabinet reconsideration.

<sup>170</sup> TNA, PREM 19/1416, Powell (PS/PM) to PM, 'Westland', 13 December 1985. Cuckney also told Powell he had 'detailed evidence of disgraceful behaviour by the Ministry of Defence against Westlands

December the Government was not bound by the NAD's recommendation. An extraordinary general meeting was scheduled for 13 January 1986 where Westland shareholders could decide which proposal to accept. Mrs Thatcher stated no minister was to lobby in favour of one proposal.<sup>171</sup>

Lobbying continued over Christmas.<sup>172</sup> The Prime Minister wrote to Westland to reassure the company of Government support in the face of any European hostility. This letter was cleared by Brittan, Sir Patrick Mayhew, the Solicitor General and Heseltine. However, Heseltine immediately published a fresh exchange of letters between himself and Lloyds Merchant Bank, undermining the assurances contained in Mrs Thatcher's earlier letter. She was furious at this challenge. Collective Cabinet responsibility gave way to Cabinet civil war.<sup>173</sup>

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over the past few days including delayed payments, cancelled or postponed orders and instructions to contracts staff at the Ministry of Defence to treat Westlands as a company about to go into receivership.' Powell to PM, 'Westlands', 13 December 1985. In a toned-down letter to Mrs Thatcher, Cuckney described 'several attempts by that department [MoD] to block a solution to Westland's problems'. Cuckney (Chairman, Westland) to PM, 13 December 1985.

<sup>171</sup> Ibid., Powell (PS/PM) to PM, 16 December 1985; Mogg (DTI) to Powell, 'Westland', 16 December 1985; CAB 128/81, CC(85) 37<sup>th</sup> Conclusions, 19 December 1985; Howe, *Conflict of Loyalty*, p.464. A letter was drafted for the Prime Minister to send to Heseltine reminding him that she had made clear the Government's position on the future of Westland, namely it was a matter for the company to decide. The letter concluded with the warning that no Minister should use their position to promote one commercial option ahead of another – 'so long as he remains in Government'. However, the letter was not sent. CAC, THCR 1/4/11, PM to SofS, 18 December 1985.

<sup>172</sup> In a minute to the Prime Minister before Christmas, Heseltine concluded, 'I believe that the Government should indicate, at least informally, that subject to the commercial interests of the parties being protected, it would prefer a British/European solution.' In a handwritten covering letter, he said the sentence 'will not be an easy one for you' and went on to state that, 'you will understand the depth of my convictions in this matter'. TNA, PREM 19/1416, SofS to PM, 'Westland plc', 23 December 1985. Thatcher, *The Downing Street Years*, p. 431. Mrs Thatcher accused Heseltine of lobbying back-benchers, the press and industrialists, including GEC, where the former Cabinet Minister James Prior was Chairman. GEC became interested in joining the European consortium, which submitted a new firm bid.

<sup>173</sup> Howe, *Conflict of Loyalty*, pp. 464-465.



Tarzan swings out of Downing Street. Michael Heseltine leaves the Cabinet, 9 January 1986. Photograph: Public Domain

The leaking of Mayhew's letter to Heseltine of 6 January, written at Mrs Thatcher's behest, which identified material inaccuracies in Heseltine's 3 January letter, led to Brittan's later resignation. Heseltine departed sooner. At Cabinet on 9 January Mrs Thatcher attempted to re-impose order. She told ministers: 'If the situation continued the Government would have no credibility left'. All statements or replies by ministers on Westland required Cabinet Office clearance. Her summing up repeated her own arguments. Heseltine closed his folder and summarised his arguments – there had been no collective responsibility and a breakdown in the propriety of Cabinet discussions. Rejecting Mrs Thatcher's summing up, he concluded: 'I must, therefore, leave this Cabinet.'<sup>174</sup> Heseltine left No 10 and informed the media in Downing Street. There was no resignation letter. Mrs Thatcher considered other business before calling an adjournment and a coffee break. When the Cabinet reconvened, George Younger had been appointed Defence Secretary.<sup>175</sup> Westland eventually followed the Sikorsky route.

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<sup>174</sup> TNA, CAB 128/83, CC(86)1<sup>st</sup> Conclusions, 9 January 1986; Howe, *Conflict of Loyalty*, pp. 465-468. Anthony Bevens, 'Heseltine Resigns Over Westland', *The Times*, 10 January 1986; Editorial, 'A Very Good Resignation', *The Times*, 10 January 1986.

<sup>175</sup> Thatcher, *The Downing Street Years*, pp. 432-433. Mrs Thatcher claimed not to be surprised by Heseltine's decision and conduct and wrote: 'I already knew whom I wanted to succeed him at Defence: George Younger was precisely the right man for the job, which I knew he wanted.' She said of the controversy which followed, 'I had no illusion of the storm which would now break. And yet it remained a storm in a teacup, a crisis created from a small issue by a giant ego.' In contrast, Heseltine deplored the subsequent shareholding dealings and said 'Cuckney and his board delivered Westland to Sikorsky.' He

## How not to do it: the cancellation of Nimrod AEW, 1986

A priority for the RAF was Shackleton-replacement in the airborne early warning role.<sup>176</sup> Negotiations with GEC concerning Nimrod AEW completion dragged on with rising costs, delays and serious performance issues.<sup>177</sup> AEW cover remained crucial to an effective air defence system. The AFB highlighted Nimrod AEW's escalating costs. Nearly £1bn had been spent by November 1985. It had been envisaged in 1977 an aircraft would be available for the RAF in a training role May 1982 and for operational service in April 1984. BAe delivered the airframes but there were serious difficulties developing the avionics system with GEC Avionics. However, in late 1985, continuation remained cheaper than an alternative, provided a satisfactory fixed price contract was negotiated, incorporating an adequate performance guarantee. The latter was the biggest problem.<sup>178</sup> SoFS told GEC he was very worried about matters and the sums of money proposed to take the development programme forward. CAS, ACM Sir David Craig, underlined that achieving MIOC (Minimum Initial Operational Capability) was viewed by the RAF as only a step on the path to acquiring the full operational capability as set out in the requirement, ASR 400.<sup>179</sup> The AWACS option, preferred by the RAF on operational grounds

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added, 'Perhaps even more important is the question whether a significant defence contractor should be made subject to ownership decisions in this way. I do not believe that any other government of a nation of our standing would have stood by, tacitly supporting events which were both plain to see and scandalous.' Heseltine, *Life in the Jungle*, pp. 321-322. The Winchester and Oxford-educated Younger had served as a platoon commander in the Argyll and Sutherland Highlanders during the Korean War and most recently nearly seven years as Scottish Secretary, a record. 'Profile – George Younger: Quiet Scot dogged by good luck', *Observer*, 12 January 1986. Younger had briefly been Minister of State for Procurement under Ian Gilmour in early 1974 and was later chief Opposition spokesman on Defence.

<sup>176</sup> The Shackleton was a derivative of the wartime Lancaster bomber. The delays with Nimrod AEW resulted in a requirement to cover the shortfall in UK AEW capability. It was recommended that the Shackleton force, due to be withdrawn at the end of 1985, was extended until early 1988, by which time it was anticipated the Nimrod would take over. There were sufficient spares to ensure Shackleton run-on although a Major Servicing Programme would be needed. TNA, AIR 6/268, AFBSC, (85)3(X), 'Shackleton Run-on', Note by ACAS, 2 May 1985.

<sup>177</sup> The Nimrod AEW was due to enter service with the RAF in April 1984. Contracts were placed in 1977 with British Aerospace to undertake the necessary work on the Nimrod airframe and GEC Avionics Ltd for the development and production of its mission system avionics. British Aerospace's work on the airframe proceeded satisfactorily.

<sup>178</sup> TNA, AIR 6/264, AFB Conclusions 1(85), 28 November 1985.

<sup>179</sup> TNA, DEFE 71/1137, Brennan (APS/SoFS) to PS/CDP, 'Nimrod AEW and the Department's Relationship with GEC', 16 December 1985. CAS and VCDS denied GEC's accusation that the RAF no longer wanted Nimrod. GEC claimed the MoD had told the press that the company was 'in the doghouse'. GEC also said the MoD had known since 1977 that Nimrod AEW would not meet the requirements

from the outset, involved nine aircraft costing up to \$2.5bn.<sup>180</sup> GEC demanded an additional £400m for an interim level of performance, below the 1977 contract specification. SofS did not obtain quotes from the Americans.<sup>181</sup> Peter Levene told GEC payment would only be made on delivery of a working product, placing GEC rather than the MoD on risk with the project.<sup>182</sup> The MoD had suspended payment for Nimrod AEW development in July 1985.<sup>183</sup>

Cancellation of the aircraft became a 'real possibility' with Ministers informed of this assessment.<sup>184</sup> George Younger wanted to cancel Nimrod AEW. CAS advised GEC's proposals involved an additional £400m but the aircraft 'would be no use even for training purposes'. Alternatives included the Americans providing AEW cover or buying a US system.<sup>185</sup> Younger wanted the latter.<sup>186</sup> Nimrod AEW was

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detailed in ASR 400 but MoD responded that GEC had advised in May 1985 that Nimrod AEW would exceed the ASR 400 performance parameters.

<sup>180</sup> TNA, PREM 19/1691, Owen (No. 10 Policy Unit) to PM, 'Meeting with Peter Levene', 29 July 1986. The AWACS would not be available until 1988-89.

<sup>181</sup> *Ibid.*, Owen (No. 10 Policy Unit) to PM, 'Nimrod AEW', 19 December 1985. Mrs Thatcher later blamed Heseltine for the problems with Nimrod: 'The Nimrod affair constituted a unique – and uniquely costly – lesson on how not to monitor and manage defence procurement. A minister has to be prepared to work through the details if he is going to come to the right decisions and this Michael was always unwilling to do.' Thatcher, *The Downing Street Years*, p. 424. Heseltine's decision not to obtain quotes from the Americans was attributed to his 'instinctive anti-Americanism in these matters and because the Conservative Party (and particularly Geoffrey Pattie) lobbied very hard in favour of the UK/GEC solution in 1977'.

<sup>182</sup> TNA, PREM 19/1691, Owen (No. 10 Policy Unit) to PM, 'Meeting with Peter Levene', 4 July 1985. On the public relations front, although there was praise and international recognition for the Hercules relief flights to famine-stricken Ethiopia, searching questions were posed about progress with the re-equipment programme, particularly Nimrod AEW. GEC had welcomed the MoD's comparative silence at the outset when it became clear the radar was not up to standard. When it soon became evident that BBC Panorama was investigating the story and the Commons Defence Committee would call MoD officials to give evidence to it, Heseltine changed tack and the department became more forthcoming. This honest and forthright approach led to Nimrod being 'gently edged out of the headlines' – but only for the meantime. TNA, AIR 6/268, AFBSC (85)12(X), 'RAF Public Relations 1984/85', report by DPR(RAF), June 1985.

<sup>183</sup> TNA, PREM 19/1691, Powell (PS/PM) to PM, 'Nimrod AEW', 20 December 1985; CST to SofS, 'Nimrod AEW', 19 December 1985.

<sup>184</sup> TNA, DEFE 71/1137 Spiers (Deputy Controller Aircraft) to CDP, 'Nimrod AEW', 10 January 1986.

<sup>185</sup> TNA, PREM 19/1691, Powell (PS/PM) to PM, 17 January 1986. Younger was pressed by the RAF to reach a decision quickly as the aircraft was already more than three years late entering service. The 1982 *Defence Estimates* had said the aircraft should enter service the following year, the 1984 *Estimates* said it would be introduced into service later that year. 'Younger faces Nimrod question', *The Times*, 22 January 1986; Rodney Cowton, 'Will Younger strike down the mighty hunter?', *The Times*, 24 January 1986. MoD accounting officers supported cancellation.

<sup>186</sup> TNA, PREM 19/1691, Powell (PS/PM) to PM, 21 January 1986.

nowhere near the original requirement. GEC had not mastered the requisite technology. Cancellation would damage the reputation of British technology and GEC but seemed the only sensible option. Unless a further meeting with GEC produced something startling, he recommended cancellation. Mrs Thatcher agreed.<sup>187</sup> GEC criticised MoD leaks and claimed they had followed MoD instructions but were denied extra funding needed for changes to guarantee performance. Although GEC was not 'blameless', its Managing Director pointed to the MoD's technical, financial and management failings.<sup>188</sup>



It did fly. Nimrod AEW. 3 XZ285 of the Nimrod Joint Trials Unit based at RAF Waddington, Lincolnshire in flight. Photograph: AHB (RAF).

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<sup>187</sup> Ibid., Powell (PS/PM) to Mottram (PS/SofS), 'Nimrod AEW', 22 January 1986.

<sup>188</sup> Ibid., Lord Weinstock to SofS, 'Nimrod – AEW', 22 January 1986. Some media reports blamed the MoD for 'desperate' attempts to keep costs under control had been successful at the price of sacrificing performance to an extent the RAF found unacceptable. Reports claimed the MoD recognised the computer it had installed was likely to limit the ability of the aircraft to undertake the tasks required of it. Rodney Cowton, 'Younger likely to seek estimates for an alternative to Nimrod', *The Times*, 3 February 1986; Rodney Cowton, 'US alternatives are sought to Nimrod air defence system', *The Times*, 13 February 1986. GEC insisted it wanted to solve Nimrod AEW's problems to serve the RAF and generate exports.

The programme's estimated cost in 1977 was £856m (at 1986 prices). This increased to £1300m for an aircraft with reduced avionics capability, possibly not operational. The MIOC standard tracked only one quarter of the number of targets initially specified in ASR400. CAS advised SofS that overall, GEC's offer fell short of MIOC standards in one-third of the operating characteristics (16 out of 48). At MIOC, Nimrod would make a limited contribution in wartime. The in-service date slipped from 1984 to around 1990. European NATO allies had purchased 18 Boeing E3A (AWACs) aircraft, delivered between 1982 and 1985 within cost estimates.<sup>189</sup> No. 10 Policy Unit observed, 'The AWAC looks the safer commercial decision. But politically it is a minefield.'<sup>190</sup>

In February, GEC requested six more months to reach MIOC, particularly radar capability when looking towards land from over the sea and tracking capability. It offered a fixed price contract of £375m to achieve sub-MIOC standard. Subsequently they claimed to have solved the main problem and offered a fixed price contract to full-MIOC standards.<sup>191</sup> The revised GEC bid was over £400m, on top of the £882m already committed. It did not guarantee meeting MIOC and an additional 'highly speculative' £150m was quoted to meet ASR 400. The company assumed a maximum risk of 15% of development costs. Younger remained unimpressed. GEC proposed a limited solution at substantial cost. Younger was reluctant to cancel until alternative costs were established but wanted GEC to assume 50% of the risk of completing the contract to full MIOC standard.<sup>192</sup> The Prime Minister was advised:

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<sup>189</sup> TNA, PREM 19/1691, Mallaby (Cab Off) to PM, 'Nimrod Airborne Early Warning Aircraft (OD(86)2) Meeting of the Defence and Oversea Policy Committee on 12 February at 10.00am', 11 February 1986; Warry (No. 10 Policy Unit) to PM, 'Nimrod', 11 February 1986; DEFE 71/1137, CAS to SofS, 'Nimrod AEW', 30 January 1986.

<sup>190</sup> TNA, PREM 19/1691, Warry (No. 10 Policy Unit) to PM, 'Nimrod', 11 February 1986. There was doubt GEC themselves thought they could attain MIOC.

<sup>191</sup> Ibid., Powell (PS/PM) to PM, 'Nimrod', 11 February 1986. Powell observed, 'the temptation to say, "oh yeah" is pretty strong'.

<sup>192</sup> Ibid., SofS to PM, 'Nimrod Airborne Early Warning Aircraft', 11 February 1986; DEFE 71/1137, AVM Adams (ACDS OR(Air)) to PS/CAS, PS/VCDS, MA/DCDS(S), PS/DCA, 'Nimrod AEW', 14 January 1986. GEC was to be responsible for 50% of the development expenditure of £255m. The MoD hierarchy met with leading industrialists on 27 February 1986 to discuss improved relationships and better value as Younger sought tougher contract conditions. Rodney Cowton, 'Defend us against these private wars', *The Times*, 27 February 1986.

On the face of things, Nimrod appears to exemplify how defence R and D ought not to be conducted. Enormous amounts of money, and a major tranche of skilled manpower, have been devoted to an attempt to maintain an independent capability in an area where there seems to be little prospect of military exports or civil spin-off; and the attempt seems to have failed.<sup>193</sup>

Nimrod termination costs were estimated at £900m, (£780m already spent and £120m estimated termination costs). Containing damage to GEC's reputation was important.<sup>194</sup> Following discussion at OD Committee on 12 February, agreement was reached with GEC to proceed for six months on the Government's terms – each agreed to bear 50% of the costs incurred within a maximum financial limit of £50m. The Government would consider alternatives.<sup>195</sup> In the RAF debate in the Commons on 26 February, it was explained:

The Government has sought in these negotiations to give them [GEC Avionics] every opportunity to recover a most unsatisfactory position which reflects, in part, wider shortcomings in the management of defence procurement. These too are being vigorously tackled.<sup>196</sup>

Mrs Thatcher requested the MoD to thoroughly investigate Nimrod AEW.<sup>197</sup> Younger's report, concentrated on the post-May 1979 period, although most problems originated from commencement in 1977. It was launched after a limited feasibility study, the project definition stage was inadequate, the technology involved was not proven and the timescale was over-ambitious. Contractors' assurances that they could surmount the technological challenges were too readily accepted.<sup>198</sup> The Prime Minister complained: 'Not a very thorough report. Conceals more than it reveals.'<sup>199</sup> Powell observed that for too long problems were dealt with at too low a

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<sup>193</sup> TNA, PREM 19/1691, Mallaby (Cab Off) to PM, 'Nimrod Airborne Early Warning Aircraft', 11 February 1986.

<sup>194</sup> *Ibid.* The potential for more productive use of scarce scientific resources engaged in Nimrod was also raised with Mrs Thatcher.

<sup>195</sup> *Ibid.*, SofS to PM, 'Airborne Early Warning', 26 February 1986.

<sup>196</sup> *Ibid.*; Parliamentary Staff, 'Nimrod deal with GEC', *The Times*, 27 February 1986.

<sup>197</sup> TNA, PREM 19/1691, PM to SofS, 'Nimrod', 28 February 1986. *The Times* dubbed the Government's 'sudden burst of activity' as 'too little, too late' but hoped the tightening up of MoD contract procedures may help ensure the Nimrod story would not be repeated soon. Editorial, 'The Nimrod Lesson', *The Times*, 28 February 1986.

<sup>198</sup> TNA, PREM 19/1691, SofS to PM, 'Nimrod AEW', 26 March 1986.

<sup>199</sup> *Ibid.*, Powell (PS/PM) to PM, 'Nimrod AEW', 27 March 1986.

level: Heseltine should have discussed cancellation or alternatives with MoD ministers much earlier. Although GEC's failings were evident, responsibility was too diffused within the MoD so 'nobody really felt it was his job to blow the whistle'.<sup>200</sup>

Alongside GEC's 'multiple failings', there was a failure until 1986 to insist on contracts fairly sharing incentives and risks between the Government and GEC. No attempt was made to obtain a better contract until March 1984. It took two more years to secure it. The introduction of a single MoD project manager was welcomed but:

the Nimrod project is still managed by an Air Commodore working to an Air Vice Marshal, and it must be questionable whether RAF officers, however able, have sufficient understanding of industry to strike hard bargains with manufacturers and monitor their performance completely effectively.<sup>201</sup>

The main lesson ministers 'should draw from this disaster' was that the UK should attempt major Defence projects at the limit of technology only after 'the most thorough study and with the greatest caution'.<sup>202</sup> Powell recommended the Prime Minister did something about 'the mess which has been revealed'.<sup>203</sup> Mrs Thatcher asked Sir Robin Ibbs, Head of the Cabinet Office Efficiency Unit, to investigate.<sup>204</sup> Ibbs highlighted project management and project definition failings. The Chief Scientific Adviser, rather than offering detached technical advice, had become the overall project's chief advocate. Ibbs criticised the 'cosy and slack' MoD-GEC relationship, recommending a 'more hard-nosed commercial relationship' with clear targets.<sup>205</sup> Ibbs was directed by Mrs Thatcher to discuss strengthening MoD project management with Clive Whitmore to avoid a repetition.<sup>206</sup>

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<sup>200</sup> Ibid.

<sup>201</sup> TNA, PREM 19/1691, Mallaby (Cab Off) to Powell (PS/PM), 'NIMROD Airborne Early Warning', 3 April 1986. Powell posed detailed questions to the MoD arising from Mrs Thatcher's critical comments on the report. Powell to Howe (PS/SofS), 'Nimrod AEW', 5 April 1986.

<sup>202</sup> Ibid., Norgrove (PS/PM) to Powell (PS/PM), 'Nimrod AEW', 7 April 1986. Some called for 'disciplined and restrained' controls to scrutinise Defence projects, with the prevention of grandiose projects paramount but 'the strong lobby for a national version of EFA shows that the temptation to folly is still strong'.

<sup>203</sup> Ibid., Powell (PS/PM) to PM, 'Nimrod AEW', 11 April 1986.

<sup>204</sup> Ibid., Powell (PS/PM) to Ibbs (Head, Efficiency Unit), 'Nimrod', 13 April 1986.

<sup>205</sup> Ibid., Powell (PS/PM) to PM, 11 May 1986; Ibbs (Head, Efficiency Unit), to Powell, 'Nimrod', 24 April 1986.

<sup>206</sup> Ibid., Powell (PS/PM) to Ibbs (Head, Efficiency Unit), 'Nimrod AEW', 13 May 1986.

By mid-May 1986, the MoD had received proposals from six contractors for AEW bids.<sup>207</sup> GEC claimed they had made major strides in overcoming radar and computer problems and could complete the contract in a reasonable timescale at a fixed price. GEC's Lord Weinstock claimed the MoD and RAF only wanted to move the contract.<sup>208</sup> The MoD highlighted risks and potential delays with GEC but were in daily contact. The CDP and CAS had recently visited:

The RAF have a very pressing operational requirement for an AEW system to allow them to discharge their primary role of providing air defence for the United Kingdom. They would be delighted to take the Nimrod AEW into service at the earliest possible date if it can be made to work satisfactorily; and if Nimrod is the winner in the competition we are now running, that is what will happen.<sup>209</sup>

MoD Equipment Policy Committee (EPC) consideration was planned for mid-September 1986.<sup>210</sup> The EPC whittled down the field to Nimrod and Boeing AWAC. No contender met the full ASR 400 specification.<sup>211</sup> The MoD still identified radar shortcomings with Nimrod. GEC had 'a long way to go before they are in a position to put a fully effective and reliable system into the air, and we do not yet have technical confidence that they will eventually achieve this'. In contrast, AWACS was performing well with NATO, Saudi Arabian forces and the USAF. Boeing offered an attractive offset package of purchases in the UK but remained expensive. It was hoped the US Government would waive the standard development levy charged to overseas customers. The cost factor entailed buying fewer aircraft than needed to meet the full requirement – with the operational penalty that it would not be possible

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<sup>207</sup> TNA, PREM 19/1691, SofS to CST, 'AEW', 20 May 1986; CST to SofS, 'Nimrod AEW', 30 May 1986. These included GEC Avionics, three American companies and the US Government. The three US firms were Boeing, Grunman and Lockheed.

<sup>208</sup> TNA, PREM 19/1692, Powell (No. 10) to Whitmore (PUS), 'Nimrod', 10 June 1986. The Chairman of GEC, the former Cabinet Minister James Prior, claimed matters had improved. Rodney Cowton, 'GEC says Nimrod problems "solved"', *The Times*, 28 May 1986. On stories of RAF scepticism see Rodney Cowton, 'Threat to Nimrod dismissed by RAF', *The Times*, 25 August 1986.

<sup>209</sup> TNA, PREM 19/1692, Whitmore (PUS) to Powell (PS/PM), 'Nimrod', 19 June 1986.

<sup>210</sup> *Ibid.*, SofS to CST, 24 July 1986. In the meantime, the MoD was criticised by the Comptroller and Auditor General for underestimating and failing to control R&D costs across 12 major projects involving a £938m overspend, as well as over £200m expended on seven cancelled projects. Nimrod was an 'excellent example of the weaknesses in controlling the cost of large defence projects'. Sheila Gunn, 'MoD accused of massive overspending', *The Times*, 13 August 1986.

<sup>211</sup> TNA, PREM 19/1692, Warry (No. 10 Policy Unit) to PM, 'UK Airborne Early Warning (AEW) Decision', 18 September 1986.

to mount the full number of simultaneous patrols required to match the threat.<sup>212</sup> The Prime Minister agreed both companies should make final offers and undergo technical evaluation by RAF personnel and MoD scientists, with a recommendation to OD Committee by December 1986.<sup>213</sup> Crucially, AWACS was ‘an existing system with proven mission reliability’. Even if Nimrod met its forecasts, AWAC reliability was considerably greater. Whilst GEC had not spent an outrageous amount of money developing Nimrod [compared to the Americans], they had made reckless promises.<sup>214</sup>

The EPC recommended terminating all existing Nimrod AEW contracts with GEC Avionics and BAe and unanimously recommended AWACS.<sup>215</sup> SofS was told reliability concerns blighted many aspects of Nimrod AEW. CAS emphasised the RAF had gone into the competition with open minds and only proposed the more expensive Boeing option because it was essential to do so.<sup>216</sup> The Government worried the press would whip up another ‘Westland’ fomenting ministerial dissent and was wary of GEC’s reaction.<sup>217</sup> The MoD stated current Nimrod performance was ‘grossly inadequate’. An acceptable standard may only be attained in the mid-1990s. Powell emphasised, ‘no-one doubts Boeing is better’ but £1bn had already been spent. Selecting AWACs meant a battle with GEC, backbench opposition and the Government looking ‘unpatriotic’, facing charges it had ‘fiddled for so long while

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<sup>212</sup> *Ibid.*, SofS to PM, ‘Airborne Early Warning Aircraft’, 18 September 1986.

<sup>213</sup> *Ibid.*, Powell (PS/PM) to Howe (PS/SofS), ‘Airborne Early Warning Aircraft’, 22 September 1986.

<sup>214</sup> *Ibid.*, Warry (No. 10 Policy Unit) to PM, ‘Nimrod or AWAC’, 22 October 1986. ‘Best and final’ offers were received from Boeing and GEC on 6 November. See Andrews (APS/SofS) to Powell (PS/PM), ‘AEW Decision Timetable’, 25 November 1986; Powell to Andrews (APS/SofS), ‘AEW Decision Timetable’, 26 November 1986.

<sup>215</sup> *Ibid.*, Powell (PS/PM) to PM, ‘AWACS/NIMROD’, 8 December 1986; AIR 8/3902, MoD Equipment Policy Committee, Paper by DCDS(S) and CA, ‘UK Airborne Early Warning (ASR 400) – Outcome of Competition’, 28 November 1986.

<sup>216</sup> TNA, AIR 8/3903, Note by Andrews (APS/SofS), ‘Record of a Meeting to Consider EPC Recommendations on the Outcome of the AEW Competition’, 8 December 1986.

<sup>217</sup> TNA, PREM 19/1692., Sherbourne (Political Secretary to the PM) to PM, ‘AWACS and Nimrod’, 9 December 1986. See AIR 8/3902, Whitmore (PUS) to CA, ‘Nimrod AEW’, 28 November 1986. Whitmore warned, ‘I have no doubt that GEC are preparing the ground for the huge lobbying exercise they will mount if the final decision goes against them.’ See also Lord Weinstock to Whitmore (PUS), ‘Nimrod AEW’, 27 November 1986. Weinstock claimed, ‘the RAF’s well-known original preference for AWACS might prejudice the objectivity of their judgement’.

GEC floundered'.<sup>218</sup> The CSA stated there was 'no doubt that at present E-3A [AWACs] can do the job and Nimrod cannot'.<sup>219</sup>

Nimrod was a 'development aircraft' while E-3A was an 'operational one'. No. 10 emphasised the RAF's strong preference for the E-3A. It was the safer option for the UK.<sup>220</sup> When Ministers met on 11 December, Younger stressed it was 'irresponsible' to accept GEC's word. Technical experts and the RAF pointed to AWACs. The MoD's Head of Research and Development, Sir Colin Fielding, mentioned radar failings, added Nimrod was 'fundamentally flawed' and said 'GEC's project management had been faulty' with no overall manager.<sup>221</sup> Younger recommended the E-3A, which fully met the 1977 standard, sometimes exceeding it, and could be in RAF service by 1991. To provide required radar coverage eight AWACs were needed, at £420m more than the remaining costs for 11 Nimrods. Even six operational E-3As offered more effective operational capability than 11 Nimrods. Younger proposed to buy six, with the option to buy two more within six months.<sup>222</sup> GEC maintained anti-Nimrod bias within the RAF and MoD<sup>223</sup> although Lord Weinstock in one late night conversation with CAS stated that GEC was 'not at war'

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<sup>218</sup> Ibid., Powell (PS/PM) to PM, 'Meeting of Ministers: Nimrod/AWACs', 10 December 1986. See also Editorial, 'The Awacs Variation', *The Times*, 10 December 1986; Editorial, 'Prior Warning', *The Times*, 15 December 1986.

<sup>219</sup> TNA, PREM 19/1692, Fairclough (Chief Scientific Adviser) to PM, 'Airborne Early Warning: OD(86) 20', 10 December 1986. Nothing inspired confidence Nimrod risks would be overcome, or it would ever be commercially successful.

<sup>220</sup> Ibid., Griffiths (No 10 Policy Unit) to PM, 'AEW: Nimrod and the E-3A', 10 December 1986. Nimrod missed the ASR 400 remit by a 'wide margin'. The radar detection rate was poor. The E-3A met the requirements in all essential respects. James Prior, the former Conservative Cabinet Minister and GEC Chairman, had claimed there was 'active hostility to Nimrod AEW in some quarters of the MoD/RAF'. See Prior to Lord Trefgarne (Min(DP)), 'Airborne Early Warning', 9 December 1986.

<sup>221</sup> Ibid., Powell (PS/PM) to Howe (PS/SofS), 'Airborne Early Warning Aircraft', 11 December 1986.

<sup>222</sup> Ibid., Mallaby (Cab Off) to PM, 'Airborne Early Warning (AEW) Aircraft OD Meeting at 5.30pm on Wednesday 17 December', 12 December 1986.

<sup>223</sup> Ibid., Powell (PS/PM) to Andrews (APS/MoD), 'AEW', 16 December 1986. In *The Times* alone, pro-Nimrod opinion pieces were penned by Woodrow Wyatt, Cecil Parkinson and Lord Weinstock himself in the run-up to Younger announcing the Government's decision. Woodrow Wyatt, 'Why it must be Nimrod', *The Times*, 15 November 1986; Cecil Parkinson, 'Nimrod: best on all counts', *The Times*, 12 December 1986; Lord Weinstock, 'Nimrod: the big questions', *The Times*, 17 December 1986. GEC claimed the MoD no longer had staff to make an objective assessment; the technology was beyond them; AIR 8/3903, Prior to SofS, 12 December 1986; Hain-Cole (PS/Min(DP)) to APS/SofS, 'Minister (DP)'s Meeting with Mr Prior, 11<sup>th</sup> December 1986', 11 December 1986..

with the RAF over Nimrod AEW.<sup>224</sup> In the Commons, Mrs Thatcher insisted defence requirements were paramount in the decision.<sup>225</sup>

The ‘very strong’ arguments for buying AWACS could be presented ‘with confidence’.<sup>226</sup> The issue was discussed by OD Committee on 17 December and at Cabinet the following day. OD Committee supported AWACS. Younger told the Cabinet it was the ‘unanimous view’ of the MoD’s military and technical experts ‘that Nimrod would not attain the [required] standard before the mid-1990s, if then’.<sup>227</sup> By 1989, AWACS production would likely shut and no alternative would be available. The AWACS order would fulfil most of the UK’s share of the NATO requirement for AEW capability, funded from existing Defence allocations. Ministers acknowledged Younger’s strong arguments. Boeing’s offset commitment included high technology work. Ministers avoided criticising GEC. The delay in cancelling Nimrod arose from Government reluctance to abandon buying British. Criticism of MoD and GEC project management was accepted. The MoD would no longer enter this type of contract or management arrangement.<sup>228</sup> Mrs Thatcher concluded the RAF needed equipment to the required standard as soon as possible. The Cabinet backed AWACS and Younger announced the decision in the Commons.<sup>229</sup> Boeing praised the Prime Minister’s ‘courageous’ AEW decision.<sup>230</sup>

As Ministers finalised AEW, new doubts emerged over ALARM development. The Prime Minister expressed concern to the Chiefs in September 1986.<sup>231</sup> Problems

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<sup>224</sup> TNA, AIR 8/3903, CAS to PS/SofS and others, ‘AEW’, 15 December 1986. Lord Weinstock stated the *Sunday Times* had said that GEC and the RAF were at war over Nimrod AEW but said this was not the case and Andrew Neil, *Sunday Times* editor, hated him and GEC.

<sup>225</sup> Parliamentary Staff, ‘Defence needs must be central’, *The Times*, 17 December 1986.

<sup>226</sup> TNA, PREM 19/1692, Powell (PS/PM) to PM, ‘Cabinet: AEW’, 17 December 1986.

<sup>227</sup> TNA, CAB 128/83, CC(86)42<sup>nd</sup> Conclusions, 18 December 1986.

<sup>228</sup> *Ibid.* The option on the further two AWACS required study of budgetary implications.

<sup>229</sup> *Ibid.* Robin Oakley, ‘Boeing given £860m order for six Awacs’, *The Times*, 19 December 1986; Peter Davenport, ‘Awacs decision “sad but right”’, *The Times*, 19 December 1986; Parliamentary Staff, ‘Decision “bad for defence”’, *The Times*, 19 December 1986; Editorial, ‘The Nimrod lesson’, *The Times*, 19 December 1986. In November 1987 Ministers approved the purchase of a seventh aircraft on top of the six already ordered but CAS maintained that eight aircraft were required to meet the full operational requirement. AHB, Sir David Craig, CAS Speeches R32(1), Air Public Relations Lunch, 16 May 1988, p. 4.

<sup>230</sup> TNA, AIR 8/3910, F. A. Shrontz (President and Chief Executive Officer, Boeing) to PM, 23 December 1986.

<sup>231</sup> ALARM was due to enter service in August 1987 and Service evaluation of the missile system was scheduled for October 1986 to April 1987. TNA, AIR 6/268, AFBSC (85)17(X), ‘ALARM evaluation’, note by ACAS, 8 August 1985; PREM 19/1692, Andrews (APS/SofS) to Powell (PS/PM), ‘ALARM’, 8 October 1986.

with the motor and potentially with the propellant and navigation unit were reported to Ministers.<sup>232</sup> Significant problems during development led to delays entering service, possible additional expenditure and, according to BAe, a reduction in missile range, impacting on some planned operational roles. The main concern was the sub-contracted rocket motor. Although it was a fixed price contract, the MoD was eligible for possible extra costs arising from motor development issues due to sub-contracting factors and resultant liabilities. This involved the MoD giving the newly privatised Royal Ordnance an indemnity, saying the MoD would be liable for successful claims for compensation by third parties, including BAe. Significantly, the Rocket Motor Executive, sub-contracted by BAe to develop and produce the rocket motor was transferred from MoD to Royal Ordnance (RO) in January 1985. BAe had already notified a claim against the MoD and Royal Ordnance from additional rocket costs. Ministers stopped progress payments to BAe in July 1986. BAe proposed continuing the programme at an additional cost of £59m to the MoD. MoD officials rejected this. They doubted the motor's technical problems could be resolved within BAe's timescales and costs. A revised proposal was mooted by the MoD to return to a fixed price contract with all risk being borne by BAe. Younger assessed whether it was 'in our best interests to proceed with ALARM, taking account of any sales prospects (such as to Saudi Arabia) which exist'. Cancellation was an option. Younger added that BAe were interested in buying Royal Ordnance. It would be difficult to complete a sale to them while the ALARM motor problem remained unresolved. BAe's Chairman suggested they may not pursue their interest. Powell highlighted 'another procurement problem...we may have to cancel'. Mrs Thatcher added 'another dreadful story'.<sup>233</sup>

The Treasury called for a prompt, substantive review. The Chief Secretary requested the costs assessment and operational implications of cancelling ALARM and buying HARM, already in US and West German service.<sup>234</sup> BAe was told by ministers there were practical problems selling Royal Ordnance (RO) to them whilst ALARM remained unsettled. BAe could bid for RO but would not be given full access to RO until a statement on ALARM was agreed. To avoid disadvantage in the RO competition it was in their interest to reach a settlement on ALARM.<sup>235</sup>

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<sup>232</sup> TNA, PREM 19/1962, Rutter (PS/CST) to Andrews (APS/SofS), 'ALARM', 10 October 1986.

<sup>233</sup> *Ibid.*, SofS to PM, 'ALARM', 24 November 1986.

<sup>234</sup> *Ibid.*, Rutter (PS/CST) to Howe (PS/SofS), 'ALARM', 2 December 1986.

<sup>235</sup> *Ibid.*, Andrews (APS/SofS) to Lansley (PS, Chancellor of the Duchy of Lancaster), 'ALARM', 22 December 1986.

Another procurement challenge surrounded Tornado F2 radar. This delayed flying training. There was a shortage of radars at the outset. The development programme was over three years late by May 1984. As noted earlier the aircraft flew with concrete ballast from November 1984 to compensate for the absence of their Foxhunter radars.<sup>236</sup> By 1986, Foxhunter had cost £700m and was six years behind schedule, another embarrassment for GEC. The radar worked but had problems keeping track of numerous targets, was vulnerable to jamming and could interfere with the firing of the aircraft's missiles. Younger approved at least £100m of extra spending, particularly as the aircraft was central to securing the Saudi export order.<sup>237</sup>

### **Younger's challenges, 1986-88**

From his appointment as Defence Secretary in January 1986, George Younger faced questions about spending but rejected a fundamental review. The budget was 20% higher in real terms than in 1979. Younger maintained there would be no major change in Defence posture.<sup>238</sup> However, annual spending declined in real terms from 1985-86, although the draft 1986 White Paper highlighted the £400m cash increase.<sup>239</sup> Younger was kept closely in touch with the LTC exercise by the PUS, Clive Whitmore, previously Mrs Thatcher's PPS.<sup>240</sup> No. 10's Policy Unit emphasised more competitive contracting but was cautious about European collaborative projects, particularly as three helicopter projects were already committed.<sup>241</sup> Younger emphasised stability, continuity and consolidation, building on seven years' real growth but real decreases over the next three years, necessitated

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<sup>236</sup> TNA, AIR 6/259, AFBSC(84)13(X), 'Introduction of Tornado F2', Note by VCAS, 1 May 1984. One issue arising from the forecast delays in delivery of radar-equipped aircraft was reporting this disappointing development to NATO. To insure against possible further delays or logistic support problems it was decided to declare all squadrons at 12 rather than 15 aircraft. It was also judged better to slip to dates which provided some margin and try to improve on them if possible. Behind this was a plan to achieve the ability to tolerate delays in the delivery of radars or other problems. Indeed, in aiming for the best possible build-up of the Tornado F2/F3 it was hoped deliveries according to plan could be exploited. AIR 6/268, AFBSC, (85)15(X), 'Tornado F2/F3 Introduction into Service', Note by ACAS, 17 July 1985. <sup>237</sup> Harvey Elliott, 'Tornado's radar not up to standard', *The Times*, 22 December 1986. Publicly, the RAF hierarchy downplayed the difficulty. The CAS, Sir David Craig, described much of the bad publicity given to the Foxhunter radar as 'ill-informed and inaccurate'. He admitted it did not yet 'fully meet our exacting requirements' but said a programme had been agreed with industry to bring the equipment up to required standard. In the meantime, he said the RAF had in service a better radar than it had before. AHB, Sir David Craig, CAS Speeches R32(1), Air Public Relations Lunch, 16 May 1988, p. 4.

<sup>238</sup> TNA, PREM 19/2073, House of Commons Oral Answers, 11 February 1986.

<sup>239</sup> *Ibid.*, Mallaby (Cab Off) to PM, 'Statement on the Defence Estimates 1986', 14 March 1986.

<sup>240</sup> TNA, PREM 19/3496, Powell (PS/PM) to PM, 'Bilateral with Defence Secretary', 14 March 1986.

<sup>241</sup> TNA, PREM 19/2073, Warry (No. 10 Policy Unit) to Powell (PS/PM), 'Statement on the Defence Estimates', 14 March 1986.

weighing priorities.<sup>242</sup> The *Estimates* included an essay ‘The Seamless Robe’, which reflected Britain’s post-war role and commitment to collective security, rebutting claims a significant programme review was required.<sup>243</sup>

SofS said on 30 June 1986 that difficult defence decisions lay ahead but there would be no wholesale deferral of defence contracts. Nevertheless, he faced annual budget cuts of 1½% for three years. This equated to a cumulative decline in Defence resources up to 1988-89 of nearly £1bn in real terms compared with 1985-86, requiring adjustments to future capability. Younger did not cut into the basic equipment of the three services, attempting to appear even-handed. He attacked the defence policies of the opposition parties and insisted that after seven years of increases, Defence budget growth could not continue for ever. The equipment programme was under the spotlight but room for manoeuvre was limited. For the RAF this meant delays in bolstering the front line, including delaying the second batch of Harrier GR5 and slowing the build-up of the Tornado reconnaissance force because of the Saudi Arabian order. The reduction in the planned additional Sea King order from 14 to eight helicopters disappointed Westland.<sup>244</sup> This threatened Westland’s viability, being viewed as MoD retaliation for Westland opting for Sikorsky.<sup>245</sup>

The Treasury rejected Younger’s additional bids and demanded reductions to the existing Defence baseline, an increased real terms decline. Younger accepted a small real terms decline, observing MoD attempts to bring the programme under control in LTC 86 to avoid damaging pre-General Election decisions. The announcement of cuts posed political difficulties, exposing the Government to criticism. It reduced Defence as a GDP percentage to pre-1979 levels. The Government faced criticism if Trident resulted in reduced resources for conventional Defence.

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<sup>242</sup> TNA, CAB 129/221, C(86)12, ‘Statement on the Defence Estimates 1986’, Statement by the Secretary of State for Defence, 26 March 1986. Younger told Cabinet colleagues said there were hard decisions ahead on spending priorities.

<sup>243</sup> TNA, CAB 128/83, CC(86)14<sup>th</sup> Conclusions, 10 April 1986; HM Government, *Statement on the Defence Estimates 1986 I* Cmnd 9763-I (London: Her Majesty’s Stationery Office, 1986), p. 7. Although the essay underlined the four main areas of Britain’s contribution to NATO, half of it was devoted to justifying Britain’s commitment to the European Mainland and outlining the arguments against weakening Britain’s commitment to the Central Front.

<sup>244</sup> TNA, PREM 19/2073, folio 2, SofS to SofS(DTI), ‘Defence Programme Adjustments’, 1 July 1986; Alan Travis, ‘Defence cuts across the board’, *Guardian*, 1 July 1986; Defence Staff, ‘Difficult defence decisions ahead but no deferrals, says Younger’, *Guardian*, 1 July 1986. In real terms it amounted to a cut of between 4½ and 7%, a figure Heseltine had described as inconceivable the previous year.

<sup>245</sup> *Ibid.*, folio 2, Powell (PS/PM) to Howe (PS/SofS), ‘Defence Programme Adjustments’, 7 July 1986; folio 3, SofS(DTI) to SofS, ‘Defence Programme Adjustments’, 17 July 1986.

Younger forecast 'extreme political difficulties' pre-Election and argued the matter required Cabinet consideration.<sup>246</sup> Commentators predicted Defence would be a major Election issue with a Defence Review after it. One noted the Government went into it, 'with a clear record and a ringing doctrine but with the future carefully concealed'.<sup>247</sup>



An aircraft in demand. Three Tornado GR.1s of No. 9 Squadron taking off from RAF Honington, Suffolk in September 1986. Photograph: AHB (RAF).

In the meantime, the Saudi Arabian Government had ordered from the British Government, with BAe the Prime Contractor, 48 Tornado IDS, 24 Tornado ADV, 30 Hawk, 30 Pilatus PC9 and two Jetstream 31s, together with weapons and support equipment. The lead times for orders of spares, weapons, EW equipment, support

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<sup>246</sup> TNA, PREM 19/1702, '1986 Public Expenditure Survey: Defence', Note of Meeting 4 September 1986, minutes dated 8 September 1986.

<sup>247</sup> Hugo Young, 'Commentary: How to defend your corner – and cut it', *Guardian*, 1 July 1986; Adam Raphael, 'Parties go to ground on defence roles', *Observer*, 6 July 1986.

and test equipment and flight simulators meant that support for the first RSAF Tornado IDS would come almost completely from RAF resources until the end of 1987. Some 18 Tornado IDS for the RAF were diverted to the Saudis to meet the timescale for the first batch. Instructors, trade and training courses and repair and engineering support were part of the package and further strained RAF resources. The sales affected the RAF programme and forward costing. Delays to aircraft, weapons and other equipment planned in the core programme shifted spending from the early to middle LTC years. More positively, long term advantages were anticipated for the RAF through boosting the defence sector, with another Tornado user to share support and future development costs.<sup>248</sup>

Cumulatively, the Saudi sale and LTC savings measures were forecast to lead to temporary shortfalls in Tornado airframes. A delay in building up JP 233 stocks was likely: the loss of the RAF Marham simulator seriously hindered training. Moreover, experienced personnel were seconded to BAe, exacerbating the existing pilot shortfall of 112 in mid-June 1986.<sup>249</sup> Importantly, it was confirmed diverted aircraft and weapons would be replaced in kind at no further cost to the RAF. The AFB noted that difficulties with Tornado ADV AI radar and delays with ALARM, might exacerbate delays to the RAF programme to meet Saudi delivery requirements.<sup>250</sup>

The Air Force programme was based on the 1981 Defence Review and the operational front line's expansion. Subsequent LTCs maintained this emphasis until LTC 85 when it became evident the programme was not affordable. CAS highlighted declining funding over the 10-year LTC period, by 17% for the RAF programme and over 40% in the RAF equipment programme, mainly arising from the rules introduced in LTC 84 on allocating Programme Regulator funds. Craig thought LTC 85 represented an 'unrealistic Air Force programme', excluding most aircraft replacements, attrition purchases and weapons essential to sustain longer term operational capability.<sup>251</sup> Given the emphasis on air defence, Craig was critical of the three-year delay to 1991-92 on completing the build-up of Tornado ADV and Phantom AD forces. There was a year's delay in forming both Tornado reconnaissance

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<sup>248</sup> TNA, AIR 6/273, AFB(86)1, 'Saudi Airforce Projects - Implications for the RAF', Note by CAS, 30 May 1986. It was noted careful management was required to avoid internal disquiet about the short-term front-line impact.

<sup>249</sup> TNA, AIR 6/272, AFB Conclusions, 1(86), 18 June 1986.

<sup>250</sup> Ibid.

<sup>251</sup> TNA, AIR 6/273, AFB (86)2, '1986 Royal Air Force Programme Review', Note by CAS, 30 September 1986. The front line had declined in the late 1970s, with Vulcan's withdrawal before the Tornado force's build-up.

squadrons, partly attributable to the Saudi sale. More seriously, because of the latter and budgetary pressures, the build-up of the Tornado strike attack force at Marham was delayed by three years. There were planned cuts to the VC10 and tanker forces. The second order for Harrier GR5 was reduced. Overall, the planned front-line build-up between 1981 and 1991 was reduced from 15% to 13%.<sup>252</sup>

LTC 86 allowed some restoration in activity levels but front-line crews were still flying at a reduced rate, albeit above NATO's minimum requirement. CAS thought the OMB and Defence Staff had accepted a financial risk by allowing short term budget excesses of some £600m for 1987-88 to 1989-90, taking an optimistic view on exchange rates, oil prices, inflation and competition on the Defence industry. Financially, the main challenges were the budgetary squeeze arising from PES, Service pay awards above Treasury provision and equipment programme cost growth. The 1986 *Estimates* forecast a 6% real decline over the next three years. The Treasury's refusal to even partially compensate excess pay awards meant reducing the equipment's budget share. This had jumped from 40% in 1978-79 to 46% in 1985-86 but fell to 44% in 1986-87. The RAF was particularly affected, spending over half its budget on equipment.

The end of the Regulator in LTC 86, combined with the new system of central reallocation of all Defence monies, excepting a small contingency reserve, provided an opportunity to rectify some structural programme deficiencies and address immediate operational and support needs. LTC 86 included some provision for replacing Phantom and Jaguar with EFA; Harrier GR5 and Tornado GR1 with Advanced Short Take-Off/Vertical Landing (ASTOVL) aircraft, Nimrod MR, Wessex and Puma. Provision was made for Tornado GR1 and ADV attrition buys, although insufficient to sustain declared force levels beyond 1998 and 2001 respectively, and for replacing Hawk attrition losses. The Bloodhound force was to be updated but not replaced. No provision made for replacing the maritime strike/attack capability of the ageing Buccaneers, nor for a Theatre Nuclear Weapon (TNW) replacement air vehicle beyond pre-feasibility studies. Nevertheless, excepting an effective AEW capability, CAS thought the RAF retained 'an effective and flexible front line well matched to its present tasks'<sup>253</sup> Despite the priority accorded to weapons in Nott's review, 'virtually every RAF weapons system had been delayed for budgetary

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<sup>252</sup> Ibid. This was compounded by the uncertainty over Nimrod AEW which left a significant gap in defence capability.

<sup>253</sup> Ibid. Savings had a disproportionate impact on weapons programmes, which John Nott had earlier tried to rectify, with a serious risk of imbalance between weapons and platforms and between equipment and personnel.

or technical reasons. Much had been done to align the manpower requirement with the manpower ceiling. CAS underlined the high value of retention, to secure maximum value from significant training investment.<sup>254</sup> Highly trained manpower could not be bought off the shelf.

The Saudi sale had a 'considerable short-term adverse effect' on the RAF, although the financial position was largely protected by the barter agreement. Another concern was Buccaneer-maintenance which was increasingly difficult and costly, requiring replacement from the mid-1990s to maintain maritime strike/attack capability. The prime candidate was Tornado, but replacement-timing depended on the Tornado production line, due to close in 1992.<sup>255</sup> Although RAF capability was forecast to be much improved by the early 1990s, worrying gaps remained. Concerns surrounded the impact on morale and performance of planned activity levels reductions in 1987-88. The AMP warned in October 1986, 'a further downward squeeze on civilian or service ceilings could lead to inefficiencies and be counter-productive'. In late 1986 as the Government reviewed R&D spending, the AFB 'strongly endorsed' the position taken by MoD ministers. It showed how far the RAF programme was dominated by international collaborative projects.<sup>256</sup>

When the Chiefs met the Prime Minister in September 1986, they had a 'lively discussion of procurement problems', inevitably concentrating on Nimrod but also covering the problems with Foxbat and ALARM. Although she praised Levene's efforts to improve procedures, Mrs Thatcher doubted the MoD had the capability to monitor development contracts properly and did not believe they were 'yet through the most difficult problems on procurement'. However, the Chiefs made the Prime Minister aware there would be a real decline in defence resources of 6% over the next three years, resulting in the percentage of GDP devoted to defence being back to 1979 levels by 1988-89.<sup>257</sup>

The Treasury maintained Defence had to accept the overall challenging public expenditure context. SofS believed the Government was vulnerable to charges of cutting Defence spending. Anything less than level funding was not politically sustainable. He needed additional cash to address problem areas. There were difficulties absorbing Falklands costs which Younger said meant an unacceptable further

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<sup>254</sup> TNA, AIR 6/272, AFB 2(86) Conclusions, 22 October 1986.

<sup>255</sup> Ibid.

<sup>256</sup> Ibid.

<sup>257</sup> TNA, PREM 19/4060, Powell (PS/PM) to Howe (PS/SofS), 'Prime Ministerial meeting with the Chiefs of Staff', 23 September 1986.

£198m cut. He planned more savings but insisted they stayed within Defence, being unwilling to contribute to agreed public expenditure objectives.<sup>258</sup>

Defence spending as a percentage of GDP was falling for two reasons. The first was that calculations assumed GDP grew annually in real terms. The second was the GDP deflators used each year to set the baseline for the new year of the PES period were usually less than the figures used to deflate the cash plans as the year got nearer. The second factor meant cuts. The first did not. Including Falklands spending, the percentage of GDP spent on Defence was projected to decline to 4.4% by 1988-89.<sup>259</sup> In December 1986 the Opposition highlighted plans to purchase 250 EFA had not been confirmed, the for AST 404 order [troop-carrying helicopter] was delayed and a decision on purchasing a second order of Harrier GR5 was postponed. However, Labour still embraced unilateral disarmament and a non-nuclear strategy, which SofS described as 'desperately dangerous'.<sup>260</sup> Despite pressure from colleagues for further cuts, Younger insisted there was no case for major changes to defence commitments and capabilities.<sup>261</sup> The Ministerial Group on Public Expenditure (MISC 130) achieved an agreed PES compromise between Younger and the Chief Secretary, John Major, in early November 1986.<sup>262</sup>

The 1987 *Estimates* explained the need for nuclear weapons and assessed the Soviet threat in a balanced manner, pertinent in view of Mrs Thatcher's Moscow visit [March 1987]. The Reykjavik meeting [October 1986] between Reagan and Gorbachev was described in factual terms, avoiding judgements. It was considered rash to assume major beneficial changes to Soviet aims and ambitions.<sup>263</sup> Critics said that much of the Statement read more like a manifesto than a declaration of objectives, with numerous instances where there was a gap between words and meaning. Nevertheless, the White Paper still forecast the Defence budget falling by about 5% by 1988-89, compared with 1986-87. Others mentioned Defence spending

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<sup>258</sup> Ibid. Faced with a no-growth budget, Younger was reported to be seeking an extra £300m-£400m to maintain defence spending. Michael Evans, 'Battle lines drawn for clash on forces cash', *The Times*, 10 October 1986.

<sup>259</sup> TNA, PREM 19/2073, Norgrove (PS/PM) to PM, 'Defence as a Proportion of GDP', 3 October 1986. Using NATO definitions, the 1985 figure was 5.2%, exceeded only by the US among major NATO allies.

<sup>260</sup> 'Labour's defence strategy derided as "dangerous"', *The Times*, 11 December 1986.

<sup>261</sup> Alan Travis, 'Ministers press for fresh round of defence cuts', *Guardian*, 2 October 1986.

<sup>262</sup> TNA, CAB 129/221, C(86)22, 'Public Expenditure Survey 1986', Memorandum by the Lord President of the Council, 5 November 1986.

<sup>263</sup> TNA, PREM 19/2073, Powell (PS/PM) to PM, 'Defence White Paper', 12 March 1987. Mrs Thatcher did not want a positive reference to the Reykjavik summit in the first paragraph of the White Paper. See Powell to Howe (PS/SofS), 'Defence White Paper', 16 March 1987.

declining by 8% in real terms over the next five years, with a potential £8bn chasm between planned programmes and likely available resources.<sup>264</sup>

SofS approached the Treasury about spending problems in early 1987. The MoD foresaw great difficulty in keeping expenditure within the PES baseline. The Treasury's interim report covered four major areas – the MoD's interpretation of the problem, how they got into this position, how to address the problem and the way forward. The MoD's problem keeping spending within the PES baseline did not relate to 1987-88 but to 1988-89 and the following years. Clive Whitmore, the PUS, ideally wanted £450-500m annually for five years from 1988-89 but realistically would settle for this amount for 1988-89 to 1990-91. Without extra money, the MoD envisaged potentially damaging pre-General Election spending cuts. This threatened to undermine the Conservatives' perceived strength on Defence, allowing the Opposition to allege conventional capabilities were suffering to meet Trident costs. The MoD wanted more cash to tide things over until after an Election. After that, MoD officials apparently viewed a Defence Review as 'pretty well inevitable'. Younger was unconvinced, worried it would lead to accusations that the Government fought the Election on a false prospectus. He forecast a 'process of adjustment' after the Election.<sup>265</sup>

The Treasury identified two possible explanations for Defence's spending problems. One was MoD financial mismanagement. The other was a 'deliberate decision' to hit the Treasury before an Election. A bit of both was assumed. The MoD was criticised for insufficient programme cuts at LTC 1986, with planned over-spending and over-optimistic assumptions of costs. The Treasury crowed: 'The mismanagement chickens had come home to roost.'<sup>266</sup> The MoD proposed programme cuts, hoped for favourable cash assessment factors and wanted more money from the Treasury. Younger dubbed the required cuts 'a nuclear bomb'. Cash assessment did not offer salvation. The Treasury believed the funding gap should have been disclosed by the MoD during the 1986 PES discussions. They viewed a post-Election Review as essential – to get commitments into line with economic strength rather than military ambitions. The Treasury wanted a greater role in the LTC process.

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<sup>264</sup> Ibid., Mallaby (Cab Off) to PM, 'Statement on the Defence Estimates 1987', 13 March 1987; Comment, 'Financial gap opens up in Britain's defences', *Observer*, 10 May 1987.

<sup>265</sup> TNA, PREM 19/2073, folio 3, Robson (HMT) to Butler (2<sup>nd</sup> PUS, HMT) and CST, 'Defence Expenditure', 24 March 1987.

<sup>266</sup> Ibid.

Younger was accused of a lack of realism. RAF savings were to accrue from deferrals, reduced orders, cancelling upgrades, deletions and off the shelf procurement.<sup>267</sup>

Despite declining real spending, it was claimed the main defence roles could be maintained through restraint, good management and improved output.<sup>268</sup> Younger underlined policy continuity but faced difficult decisions reconciling aspirations with available funds.<sup>269</sup> The Government insisted Defence had prospered, spending £16bn more in real terms than its 1978-79 level.<sup>270</sup> It remained eager to reduce R&D expenditure, up 15% in real terms since 1978-79. The Cabinet Committee on Economic Strategy (E(A)) decided in February 1986 that Defence R&D was to be reduced to reflect projections for the 1985 Defence LTCs. However, R&D figures in the 1986 LTCs, even excluding EFA, were higher than in 1985. Younger proposed E(A)'s decision should be abandoned as it involved either sacrificing capability, buying off the shelf or manufacturing under licence equipment from the US or Europe. Younger proposed 'a general ministerial directive to minimise R&D expenditure' but wanted an increase for Defence to acknowledge procurement projects already underway. It was recommended that the MoD impose a proper management system to enable it to live within R&D figures.<sup>271</sup> From August 1986, Mrs Thatcher was provided with project reporting on major MoD projects to illustrate significant cost or completion changes. Levene was praised for moving towards fixed price contracts and insisting on strict definition at the contract specification stage: 'In future there should be few, if any, new projects for which scientific and technological problems remain to be solved after the contract has been specified.'<sup>272</sup> However, concerns remained about the MoD's systems and arrangements for deploying scientific staff to ensure proper target setting and monitoring progress up to contract

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<sup>267</sup> *Ibid.* Younger was criticised by the Treasury for wanting eight AWACS not six, although the two aircraft would cost £180-£185m over eight years.

<sup>268</sup> TNA, CAB 129/222, C(87)5, 'Statement on the Defence Estimates 1987', Memorandum by the Secretary of State for Defence, 26 March 1987; PREM 19/2073, Cab Sec to PM, 'Cabinet (2 April): Statement on the Defence Estimates 1987 (C(87)5)', 26 March 1987.

<sup>269</sup> TNA, CAB 128/85, CC(87) 13<sup>th</sup> Conclusions, 2 April 1987.

<sup>270</sup> TNA, PREM 19/2073, Howe (PS/SofS) to Norgrove (PS/PM), 'Defence Expenditure', 6 May 1987.

<sup>271</sup> TNA, PREM 19/1805, Norgrove (PS/PM) to PM, 'Defence R&D', 26 September 1986; Unwin (Cab Off) to Norgrove, 'Defence Research and Development Expenditure (E(RD) (86) 8)', 26 September 1986; Unwin to SofS(DTI), 'Defence Research and Development Expenditure (E (RD) (86) 8)', 26 September 1986. The latter briefing was particularly critical of the usefulness as a tool of management of the LTIs as they had been put forward in 1985 with no allowance for a major item of RAF re-equipment – the EFA – the need for which was already in everyone's contemplated at the time of the MISC 110 spending discussions.

<sup>272</sup> TNA, PREM 19/1774, Ibbs (Head, Efficiency Unit) to PM, 'Project Reporting', 21 October 1986.

specification stage. The MoD agreed to due scrutiny, in conjunction with the Cabinet Office, in this area.<sup>273</sup>

Questions also surrounded the EPC's effectiveness, MoD's main vehicle for approving and reviewing major projects. It was only effective late in the day with Nimrod AEW. Similar lapses had to be prevented. The EPC had to challenge and test all aspects. Whitmore reminded the Committee's Chairman, the CSA, he must expose all doubts and weaknesses and not merely arrive at a consensus.<sup>274</sup> Mrs Thatcher welcomed the reports. When they showed projects faced problems, she wanted prompt advice on the reasons and where responsibility lay to intervene directly if required. Mrs Thatcher proposed the EPC could be instructed to report to senior Ministers collectively on the largest projects, rather than to Defence Ministers.<sup>275</sup>

Alongside reducing Defence R&D to 1978-79 levels, Levene was to reduce MoD procurement by 10% annually over five years to 1989-90.<sup>276</sup> The MoD's continued financial challenges were relayed to Mrs Thatcher in May 1987. She was reminded the 1986 LTC exercise asserted that Defence needed £400-500m annually more than its existing allocation. Tough decisions were needed but 'Mr Younger refused to face up to them'. Although there were some cuts, the MoD 'convinced themselves something would turn up (lower oil prices, higher exchange rate or whatever)'.<sup>277</sup> The 1987 LTC exercise led the MoD to recognise that further savings were needed. Those identified were placed in four 'baskets' in order of difficulty, with Ministers and the PUS deciding that the first two baskets of savings were acceptable. The other two were too visible and too damaging. This reduced MoD's shortfall to £400m in 1988-89, £450m in 1989-90 and £550m in 1990-91. The Treasury reckoned the MoD could get by without extra funds but Younger convinced the Chief Secretary, John Major, he needed extra resources. He offered £250m for 1988-89, £300m for 1989-90 and £300m for 1990-91. Younger wanted more – respectively £350m, £500m and £550m for the three years. Mrs Thatcher was advised to reject calls for more money:

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<sup>273</sup> *Ibid.*

<sup>274</sup> *Ibid.* Powell wondered if the Committee's membership and procedures needed to be 'drastically advised' and whether it should report to Ministers collectively and not solely to the MoD. Powell (PS/PM) to PM, 'Meeting with Sir Robin Ibbs: Ministry of Defence', 22 October 1986.

<sup>275</sup> TNA, PREM 19/1774, Wicks (PPS/PM) to Ibbs (Head, Efficiency Unit), 28 October 1986.

<sup>276</sup> TNA, PREM 19/2073, '1986 Survey: MOD, Brief 2.3 Scope for Savings in Equipment Production', August 1986.

<sup>277</sup> *Ibid.*, Norgrove (PS/PM) to PM, 'Defence', 1 May 1987.

The Treasury have been most generous, perhaps too generous with an election in prospect. Mr Younger's reluctance to tackle the necessary decisions (or tell his colleagues), and no doubt the thought that the approach of an election would strengthen MOD's hands, should not predispose towards generosity. Mr Younger has in any case already been given almost all he has asked for.<sup>278</sup>

Younger explained the situation to the Prime Minister, Chancellor and Chief Secretary in early May. Academics, the Commons Defence Committee and others had highlighted the gap between the programme's content and resources provided. The first two 'baskets' of savings measures identified by MoD officials were painful, but nonetheless unavoidable. Younger doubted the third and fourth baskets would be acceptable to the Government but acknowledged 'thorough scrutiny of the programme' would be needed throughout the next LTC exercise. Lawson thought there was probably some need to increase provision but deemed some third and fourth baskets savings acceptable. Treasury officials had found another £200m of annual savings outside the baskets to explore. Mrs Thatcher highlighted huge waste in weapons procurement and wanted a strong grip on military R&D. Younger told MoD officials to stop working on the third and fourth baskets and accepted increased funding to meet the shortfall would involve PES discussion. Lawson acknowledged increased funding required PES discussion but wanted consideration of individual savings from the third and fourth baskets and the other savings identified by the Treasury.<sup>279</sup>

Before the Prime Minister discussed defence spending with Younger and an MoD delegation in mid-July 1987, Powell advised they would try to explain why there was a gap between the equipment the Services required and resources available to pay for it. Levene and Kenneth Macdonald, DUS Programmes and Resources, attempted to convey that even if everything was done completely correctly and projects came in at their estimated cost, there was still insufficient resources to meet needs. Powell viewed it as a 'softening up exercise in advance of the PES round' and recommended the Prime Minister satisfied herself that the proposed equipment projects were not unnecessarily complex and sophisticated, did not incorporate unacceptable levels of R&D which would make it cheaper to buy off the shelf from overseas and did not involve collaboration for diplomatic reasons. Collaboration

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<sup>278</sup> Ibid.

<sup>279</sup> TNA, PREM 19/2073, Norgrove (PS/PM) to Howe (PS/SofS), 'Defence Expenditure', 5 May 1987.

with other states had to make sense in itself. Powell also stated that Levene required to be quizzed on arrangements for monitoring progress with projects and identifying problems in advance, 'so that we never again get a repeat of the Nimrod experience'.<sup>280</sup>

Before Mrs Thatcher met the Chiefs in July 1987, Powell suggested she highlighted the need for some 'really radical thinking about the defence budget'. The escalating costs of modern technology could only be accommodated by tough measures to cut spending in less essential areas. Powell had reductions in the military R&D budget in his sights, where Britain's effort was far greater than any other NATO partner except the US and more than appropriate for British needs. Defence land holdings were also more extensive than those held by European militaries. He called for a reduction of MoD land holdings and concentrating forces in fewer places. Similarly, he also suggested savings would accrue by lengthening postings, reducing expenses arising from the constant movement of personnel and their families. Powell warned, 'None of these ideas will be welcome to them. They may have better ones. But someone has got to think of something pretty dramatic.'<sup>281</sup> The Chiefs were concerned at the growing gap between commitments and resources. Powell underlined that instead of receiving more resources, the Chiefs must think radically about ways to reduce spending.<sup>282</sup>

CDS told the Prime Minister that by 1989-90 the programme would be £1.5bn lower than agreed in the 1981 Defence Review. He highlighted an inexorable shift to a position where in 1989 the same historically low GDP percentage would be devoted to defence as in 1979. He offered two options – either a reduction in roles or returning to the financial level upon which forward plans were based. They viewed the situation as 'very serious indeed'. Mrs Thatcher instead emphasised the 'serious waste of resources' involved in projects including Nimrod and highlighted the potential for major cuts to R&D and landholdings.<sup>283</sup> Following the PES round, in the

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<sup>280</sup> TNA, PREM 19/3252, Powell (PS/PM) to PM, 'Meeting on Defence Expenditure', 10 July 1987. In addition to Levene and Macdonald, Younger was also accompanied by Sir John Fieldhouse, CDS, and Sir Clive Whitmore, PUS.

<sup>281</sup> TNA, PREM 19/4060, Powell (PS/PM) to PM, 'Meeting with the Chiefs of Staff', 3 July 1987. Powell insisted individual sites were more numerous and detected a pattern which dated from Norman times.

<sup>282</sup> *Ibid.*, Powell (PS/PM) to PM, 'Meeting with the Chiefs of Staff', 7 July 1987.

<sup>283</sup> *Ibid.*, Powell (PS/PM) to Howe (PS/SofS), 'Meeting with the Chiefs of Staff', 8 July 1987. Mrs Thatcher also mentioned the possibility of offset from West Germany although concluded a bid for this was unlikely to get far.

November 1987 Autumn Statement, around half of the proposed 5% cut to the Defence budget over the following three years in real terms, was restored. The addition recognised pressures on the programme following a long period of real growth.<sup>284</sup>

Meanwhile, international developments were proceeding apace, and East-West relations were improving. The Intermediate Nuclear Forces (INF) Treaty signed by Reagan and Gorbachev in December 1987, aimed to eliminate all nuclear and conventional missiles with a range up to 3,400 miles and led to the removal of 50,000 missiles.<sup>285</sup> SofS told Lawson that even if there was a US-Soviet INF deal or developments in arms control, it would not 'reduce in any way the need for our planned expenditure on conventional or nuclear forces. Rather the reverse: maintaining the policies of deterrence and flexible response in the wake of zero INF is more calculated to increase rather than diminish the requirements which our Defence budget has to meet.'<sup>286</sup> The 1988 *Estimates* acknowledged these shifts and the challenge of maintaining security in a changing world. It reaffirmed, at the Prime Minister's behest prompted by Powell, an effective up-to-date nuclear element in NATO strategy, and concentrated on conventional defence in Europe and the threat posed by Chemical Weapons to reflect NATO's future arms control priorities.<sup>287</sup> Despite difficult decisions being needed to match priorities to available resources and efforts to achieve better value for money, the commitment to maintaining main Defence roles was confirmed. The continuity and stability of British defence policy was paramount.<sup>288</sup> Continuity and stability would soon face seismic change.

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<sup>284</sup> TNA, CAB 129/223, C(87)16 Annex A, '1987 Public Expenditure Survey', Memorandum by the Chief Secretary, Treasury, 27 October 1987; Richard Norton-Taylor, 'Recovering lost ground', *Guardian*, 4 November 1987.

<sup>285</sup> The INF agreement signed in Washington covered only a small part of the spectrum of military capability, leading the CAS, Sir David Craig, to remark that arms agreements were 'very similar to strip poker: it is not the clothes you discard, but those that remain which are important to our security'. AHB, Sir David Craig, CAS Speeches R32(1), Air Public Relations Lunch, 16 May 1988. The treaty covered land-based nuclear and non-nuclear cruise and ballistic missiles and involved no other nuclear states. Michael Evans, 'Russians have been cheating for years', *The Times*, 22 October 2018; Robert Fox, 'Gorbachev: Scrapping missile deal not the work of a great mind', *Evening Standard*, 22 October 2018. After years of accusations, the treaty was abandoned by both states in 2019.

<sup>286</sup> AHB, CAS 10/7 Part 4, folio 20, SofS to CHX, 'Conventional Arms Control', 9 September 1987; folio 18, CHX to Foreign Secretary, 'Conventional Arms Control', 6 August 1987.

<sup>287</sup> TNA, PREM 19/2064, Powell (PS/PM) to PM 'Defence White Paper', 11 March 1988. Powell described the draft white paper as 'comprehensive and thorough, but rather boring'. Mrs Thatcher said Chapter One was 'very turgid and lightweight'; Powell to Hawtin (PS/SofS), 'Defence White Paper', 14 March 1988; Hawtin to Powell, 'Defence White Paper', 16 March 1988, 5 April 1988.

<sup>288</sup> TNA, CAB 129/224, C(88) 6, 'Statement on the Defence Estimates 1988', Memorandum by the Secretary of State for Defence', 6 April 1988; CAB 128/89, CC(88) 13<sup>th</sup> Conclusions, 14 April 1988; HM Government, *Statement on the Defence Estimates 1988 I Cm. 344-I* (London: HMSO, 1988).



## Conclusion

The RAF and the Armed Forces in general welcomed the election of the Conservative government in May 1979. At the outset the signs were positive. Immediate pay parity was forthcoming, and the Government committed to 3% annual increases in real terms to the Defence budget in line with NATO guidance. Morale, recruitment, and retention all improved. However, from the outset, the Government stressed that its search for efficiencies and savings would not exclude Defence. With budgets across Whitehall under the spotlight, the Treasury was quick to highlight the potential for big savings at the MoD.

Francis Pym immediately informed the Prime Minister in May 1979 that Defence was underfunded, notably pointing to the lack of provision for Polaris-replacement. He condemned subsequent Treasury machinations relating to spending decisions affecting Defence. As well as appealing to the Prime Minister's support for stronger defence, Pym also knew this played well with Conservative backbench MPs and voters. He cited manifesto commitments, support for NATO and the growing global security threat following the Iranian Revolution and Soviet invasion of Afghanistan.

Nevertheless, as public spending was squeezed across Whitehall, increased provision for Defence and law and order stood out starkly. It became harder to justify Defence swimming against the tide as the economy slid into a deep recession. Defence could not continue to be the exception to the savings rule. In the search for savings Defence would contribute too although not to the same extent as others. Essentially, between 1979 and 1981 despite the economy contracting, the Defence budget increased in real terms, although not to the extent of 3% annually. Ironically, wider public expenditure also increased in real terms during the period 1979-1983 with rising welfare spending a major component of this. In the meantime, steep cuts reduced MoD civil servant numbers and the process towards the privatisation of support and back-office functions commenced with contract cleaning and catering leading the way.

On the Defence policy front, the Way Ahead work of 1977-79 had indicated difficult decisions would be needed over Defence priorities. The four pillars had been central to the Defence Review of 1974-75. It was to tasks under these headings, in support of collective security through NATO, that almost all funding headed. In the search for savings the defence of the UK base and the nuclear deterrent were largely off limits. The search for savings would focus on the two most expensive pillars - the continental and maritime commitments. Ideally, Pym and the Chiefs preferred to

trim rather than inflict deep cuts on the surface fleet or British Forces Germany (BFG). By late 1980, even the Chiefs thought a Defence Review was necessary.

Increasingly sceptical of the management of the MoD and frustrated with disputes with Pym over spending, Mrs Thatcher tasked John Nott with bringing order to the Defence budget. This study has shown he was a man in a hurry. The Navy's surface ships, which he thought were expensive and vulnerable, were in his sights. Nott stressed the need for a realistic, long-term settlement, to avoid a repeat of recent cuts and day to day uncertainty which had characterised the moratorium of August-November 1980. Nott wanted to provide certainty for the Services, increasing investment in weapons systems rather than costly platforms. He had real reservations about Tornado procurement and costs, querying the role of the aircraft in RAF service and the difficulties involved exporting it. Ultimately, Nott and his close advisers sought relatively meagre reductions to the RAF programme and CAS, ACM [later MRAF] Sir Michael Beetham, adopted a measured approach. The weight of reductions fell on the Navy with deep cuts to the surface fleet and manpower, alongside the onus of finding funding for the Trident nuclear submarine programme. The new funding proposals did leave the RAF with well-publicised front-line gaps as some aircraft retired early and Tornado procurement, already beset by delays, was slowed.

Even before the Falklands conflict broke out there were limited concessions to the Navy. The successful conclusion of the conflict led the advocates of the Navy to proclaim that Nott should revisit his review. Such a drastic course was not practical. Ships and equipment were replaced and the *Invincible* was retained. However, as Nott and supporters of the RAF argued, events in the South Atlantic had illustrated the vulnerability of surface ships. They repeated that the real threat to Britain still emanated from the Warsaw Pact, underlining the importance of maintaining BFG.

Following the Falklands, the commitment to strong defence and the nuclear deterrent was a vote winner for the Conservatives, in contrast to Labour's attachment to unilateral nuclear disarmament in 1983. As the economy picked up but unemployment remained at record levels, Defence continued to benefit from real increases in spending down to 1985-86. By this stage, spending in real terms was about 20% higher than it had been in 1978-79 and recruitment and retention proved easier.

As the final chapter of this study has shown, Michael Heseltine's tenure as Defence Secretary was marked by major procurement decisions and attempts to streamline MoD administration to produce savings to bridge the funding gap. Heseltine backed

British and European solutions, including ALARM, Nimrod AEW and the Future European Fighter Aircraft, against established American rivals although at least one CAS [ACM Sir Keith Williamson] said his top priority was advancing his own political ambitions. The positive post-Falklands mood in the RAF was soon deflated as all the funding set out in Nott's review did not transpire. What was provided was insufficient to deliver the RAF's authorised programme.

Significantly, from 1986-87 Defence spending fell in real terms. A Defence Review was not feasible politically before the 1987 General Election and George Younger was able to use this to secure further funding from the Treasury. Post-Election, Younger followed a similar path in trying to close the funding gap, avoiding radical or painful decisions, despite being pushed by No. 10 and the Treasury to cut Defence R&D, sell Defence lands, and purchase more equipment off the shelf. Ultimately, the catalyst for further change in Defence would prove to be the transformation in the international security environment from the late 1980s.

## Appendix 1: Chief of the Air Staff signal, 25 June 1981<sup>1</sup>

### **Signal from the Chief of the Air Staff to all RAF units at home and abroad, 25 June 1981**

#### **Exclusive for Commanders-in-Chief from the Chief of the Air Staff.**

I briefed you this morning on the outcome of the Secretary of State's review of the Defence Programme and you will now have had an opportunity to read the White Paper. SofS is making a statement in Parliament this afternoon. Much detailed work is now required to implement the changes but I would like to highlight the following main points which you will wish to pass on to those under your command:

- A. The size and shape of our front line is preserved although it will be necessary to phase out some older aircraft earlier than planned during the Tornado build-up.
- B. All our current major re-equipment programmes, and notably both versions of Tornado and Nimrod AEW, will proceed.
- C. UK Air Defences will be further strengthened by running on Phantoms to increase our fighter numbers to around 150, by arming more Hawks and by increasing missile stocks. We also intend to convert additional VC10s to the tanker role.
- D. Subject to satisfactory contractual arrangements being concluded, 60 AV8Bs will be acquired under a joint programme with the US.
- E. Three more Nimrods to Mk2 standard are to be brought into front-line use.
- F. Major weapons projects will include JP 233 for airfield denial, an active defence suppression weapon, a new anti-ship missile (probably Sea Eagle) and improved anti-armour weapons.
- G. Further Royal Auxiliary Air Force Regiment squadrons will be formed for ground defence of airfields.

While the importance of Air Power has been recognised in this review by an increase in our share of the Defence Budget over the next decade, rising real costs of defence equipment will continue to impose tight monetary constraints over the next few

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<sup>1</sup> TNA, AIR 8/2807, folio 57, RAF signal, 25 June 1981.

years. This and the need to maximise our operational capability will demand that we sustain efforts directed at streamlining our training and support infrastructure without impairing the quality of our standards. RAF manpower is likely to be reduced under the revised programme by some 2,500 over the next 5-6 years. But I would stress that there will be no redundancies. The current restrictions on flying activity in the front line are I know a concern to you and my aim is to have them eased as soon as budgetary pressures allow.

In sum the outcome of the review is that the extensive reequipment of the front line which had been planned over the last several years is essentially preserved and we can look forward to the future with confidence in our role and our ability to carry it out.

## Appendix 2: Air Force Decisions and Plans, July 1981<sup>2</sup>

### Implementation of Defence Programme, July 1981

#### Firm Decisions – Air Force

46. Run on Buccaneers in the maritime attack role with 2x12 squadrons throughout.
47. Buy 60 AV8Bs.
48. Continue JP233.
49. Convert VC10s for dual purpose transport and tanker role.
50. Further rationalisation of communications aircraft.
51. Convert three remaining Nimrod MR1s to Mk IIs.
52. Provide AIM9L missiles to arm 36 more of the Hawks.
53. Defer Bloodhound replacement for three years.
54. Increase use of Reserve Forces.
55. Provide SKE for Hercules and extra flying hours for parachute assault capability.
56. Reduce manpower (from 1.4.81 level of 93,500) by about 2,500 by 1.4.86.
57. Form 2<sup>nd</sup> Chinook squadron as originally planned (see also serial 3.3 of APS/S of S's minute MO 9 OF 15<sup>th</sup> June 1981).
58. Run on two Phantom squadrons in UK after Tornado F2 enters service.
59. Close RAF Kemble by 1.4.83.

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<sup>2</sup> TNA, DEFE 13/1196, folio 30, PUS minute to DUS (N, Army, Air, Pol, PE), 'Defence Programme', Annexes A and B, 22 July 1981

## Firm Planning Assumptions – Air Force

28. Make provision for ALCM for conventional attack, programme starting in 1987/88.
29. Switch 20 Tornado GR1s to ADV. Alternative assumption of unchanged programme.
30. Purchase Sea Eagle.
31. Provide better anti-armour weapons.
32. Provide for defence suppression weapons.
33. Defer ASR 408 by further four years.
34. No direct or early replacement of Jaguar but continue work and discussion with potential partners on future combat aircraft including both advanced V/STOL and Tornado related developments.
35. Defer Tornado training in Canada until 1987/88.
36. Continue restriction on large aircraft flying at 1981/82 levels for three years.
37. Reduce fast jet flying to 16 hours/pilot/month for three years.
38. No Nimrod economies.
39. Defer advanced V/STOL programme by one year.
40. Advance disbandment of one Jaguar squadron by two years.
41. Disband remaining Vulcan squadrons on 30.6.82.
42. Gibraltar airfield to be handed over to civil authorities by 1.4.82.