

Author:

Alastair Noble

Photographs:

Air Historical Branch (RAF)

The views expressed in this study are those of the author concerned, not necessarily the MoD. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form without prior MoD approval.

© UK MOD Crown Copyright, 2023

Contents

- 4 **Abbreviations**
- 13 **List of Persons**
- 19 **Introduction** – Governments and Prime Ministers –
Chancellors of the Exchequer- Defence Secretaries and
Chiefs of Staff
- 23 **Chapter 1: The Road to 1974** – Stability in Defence? The
Conservative Government, 1970-74 – RAF Rationalisation
– Defence Spending under Scrutiny
- 49 **Chapter 2: The 1974-75 Defence Review** – The
Requirement for a Review – Reduction before Review –
Defence Review: Process – RAF Input and Impact –
Critical Level Concerns - Considering Cutting
Commitments and Force Levels – Emphasising Four Pillars
– October 1974 General Election – Review Resumed –
Defence Review Statement – Conclusions for Air – Wider
Assessment
- 119 **Chapter 3: Continued Cuts, March 1975-April 1979** –
Post Defence Review Reductions – RAF Debate, 24 June
1975 – MRCA Developments – Implementing Cuts –
Fighting Defence’s Corner – Cutting out Christmas? – IMF
Cuts, 1976 – Defence under Attack – Meeting NATO’s 3%
Initiative – Going it Alone? AWACS or Nimrod, 1976-77 –
RAF Debate, 4 May 1977 – Stronger Control: Financial
Planning Management Group – Recruitment, Retention,
Pay and Morale – RAF Debate, 3 April 1978 – Remedial
Work? – The Numbers Game – Boosting Fighter numbers
– The Way Ahead?
- 212 **Conclusion**
- 214 **Appendices** – Way Ahead Study Group: Terms of
Reference – The RAF in April/May 1979

Cover Photograph: The second Panavia MRCA (Multi Role Combat Aircraft) and the first British-built aircraft, XX946, taking off from British Aerospace's airfield at Warton, Lancashire, for its maiden flight on 30 October 1974. Photograph: Air Historical Branch (RAF)

Abbreviations

ACAS	Assistant Chief of the Air Staff, Royal Air Force
ACE	Allied Command Europe, NATO
ACLANT	Allied Command Atlantic, NATO
ACM	Air Chief Marshal, Royal Air Force
AD	Air Defence
ADV	Air Defence Variant [of MRCA/Tornado]
AE	Aircraft Establishment
AEW	Airborne Early Warning
AFB	Air Force Board
AFBSC	Air Force Board Standing Committee
AFD	Air Force Department, Ministry of Defence
AFPRB	Armed Forces Pay Review Body
AFSOUTH	Allied Forces South, NATO
AGSRO	Association of Government Supervisors and Radio Officers
AHB	Air Historical Branch (Royal Air Force)
AM	Air Marshal, Royal Air Force
AMF	Allied Mobile Force
AMP	Air Member for Personnel, Royal Air Force

AMSO	Air Member for Supply and Organisation, Royal Air Force
AOC	Air Officer Commanding
APS	Assistant Private Secretary
ASM	Air to Surface Missile
ASR	Air Staff Requirement
AST	Air Staff Target
ASW	Anti-Submarine Warfare
ATAF	Allied Tactical Air Force
AUS	Assistant Under-Secretary
AVM	Air Vice Marshal, Royal Air Force
AWACS	Airborne Warning and Control System
BAC	British Aircraft Corporation
BAOR	British Army of the Rhine
BFG	British Forces Germany
CA	Controller (Aircraft), Ministry of Defence
CAP	Combat Air Patrol
CAS	Chief of the Air Staff, Royal Air Force
CBI	Confederation of British Industry

CDP	Chief of Defence Procurement
CDS	Chief of the Defence Staff
CE	Chief Executive
CENTO	Central Treaty Organisation
CGS	Chief of the General Staff
CHX	Chancellor of the Exchequer
C-in-C	Commander-in-Chief
CINCHAN	Commander-in-Chief Channel, NATO
CINCUKAIR	Commander-in-Chief United Kingdom Air Forces, NATO
CM	Civilian Management
CML	Critical Military Level
CNS	Chief of the Naval Staff
COS	Chiefs of Staff
CPL	Chief of Personnel and Logistics
CPRS	Central Policy Review Staff
CSA	Chief Scientific Adviser
CSCE	Conference on Security and Cooperation in Europe, 'Helsinki process'
CST	Chief Secretary, Treasury
DEPC	Defence Equipment Policy Committee

DIS	Defence Intelligence Staff, Ministry of Defence
DOPC	Defence and Oversea Policy Committee, Cabinet Office
DPC	Defence Planning Committee, NATO
DPS	Defence Policy Staff, Ministry of Defence
DRC	Defence Research Committee
DRPT	Defence Review Project Team, Air Force Department
DS	Defence Secretariat
DSWP	Defence Studies Working Party, Ministry of Defence
DUS	Deputy Under-Secretary
EASTLANT	Eastern Atlantic Area, NATO
ECM	Electronic Counter Measure
EEC	European Economic Community
EW	Electronic Warfare
FCO	Foreign and Commonwealth Office
FPMG	Financial Planning and Management Group, Ministry of Defence
GDP	Gross Domestic Product

GNP	Gross National Product
HC	House of Commons
HMG	Her Majesty's Government
HMT	Her Majesty's Treasury
HQ	Headquarters
HSD	Hawker Siddeley Dynamics
IDS	Interdiction Strike Variant [of MRCA/Tornado]
IMF	International Monetary Fund
IPS	Into Productive Service
IUR	In Use Reserve
JIC	Joint Intelligence Committee
LRMP	Long Range Maritime Patrol
LTC	Long Term Costings, 10 year costing period
LTDP	Long Term Defence Programme, NATO
MBFR	Mutual and Balanced Force Reduction talks, Vienna
MLH	Medium Lift Helicopter
MoD	Ministry of Defence

MPA	Maritime Patrol Aircraft
MRAF	Marshal of the Royal Air Force
MRCA	Multi Role Combat Aircraft [later Tornado]
MRSC	Management Review Steering Committee, Ministry of Defence
MSC	Major Subordinate Command
NAC	North Atlantic Council [of NATO]
NATO	North Atlantic Treaty Organisation
NEAF	Near East Air Force, Royal Air Force
NEC	National Executive Committee, Labour Party
OAC	Operational Analysis Committee, Ministry of Defence
OCU	Operational Conversion Unit, Royal Air Force
OR	Operational Requirement
ORC	Operational Requirements Committee, Ministry of Defence
OS	Offensive Support
P&P	Policy and Programmes
PE	Procurement Executive
PES	Public Expenditure Survey

PESC	Public Expenditure Survey Committee
PM	Prime Minister
PPO	Principal Personnel Officers
PPS	Principal Private Secretary
PR	Photographic Reconnaissance
PS	Private Secretary
PSA	Property Services Agency
PSBR	Public Sector Borrowing Requirement
PSC	Principal Subordinate Commander, NATO
PSO	Personal Staff Officer/ Principal Staff Officer
PUS	Permanent Under-Secretary of State
PUSofS	Parliamentary Under-Secretary of State [Junior Minister]
PVR	Premature Voluntary Release
RAFG	Royal Air Force Germany
R&D	Research and Development
RUSI	Royal United Services Institution
SACEUR	Supreme Allied Commander Europe, NATO
SACLANT	Supreme Allied Commander Atlantic, NATO
SALT	Strategic Arms Limitation Talks

SAM	Surface to Air Missile
SAS	Special Air Service
SBA	Sovereign Base Areas, Cyprus
SEATO	South East Asia Treaty Organisation
SECCOS	Secretary, Chiefs of Staff Committee
SHAPE	Supreme Headquarters Allied Powers in Europe
SofS	Secretary of State for Defence
SRAAM	Short Range Air to Air Missiles
SSC	Short Service Commission
TNA	The National Archives, Kew
UKADGE	United Kingdom Air Defence Ground Environment
UKADR	United Kingdom Air Defence Region
UKJATFOR	United Kingdom Joint Airborne Task Force
UKMF	United Kingdom Mobile Force
UNFICYP	United Nations Peacekeeping Force in Cyprus
VCAS	Vice Chief of the Air Staff, Royal Air Force
VCDS	Vice Chief of the Defence Staff
VCGS	Vice Chief of the General Staff

VCNS	Vice Chief of the Naval Staff
VSTOL	Vertical/Short Take-Off and Landing
WASG	Way Ahead Study Group
WP	Warsaw Pact

List of Persons

- Aiken, ACM Sir John**, AMP, 1976-78
- Alexander, Michael**, APS/Foreign Secretary, 1972-74
- Allaun, Frank**, Labour MP for Salford East, 1955-83
- Allen, Sir Douglas**, PUS, HM Treasury, 1968-74
- Armstrong, Robert**, PPS/Prime Minister, 1970-75
- Ashmore, Admiral of the Fleet Sir Edward**, CNS, 1974-77; CDS, 1977
- Avery, P.L.**, General Secretary, Association of Government Supervisors and Radio Officers, MoD 1951-1979
- Bagnall, Brigadier Nigel**, Secretary, COS Committee, 1973-75
- Bailey, Alan**, Under-Secretary, HM Treasury, 1973-78
- Barber, Anthony**, Chancellor of the Exchequer, 1970-1974
- Barnett, Joel**, Chief Secretary, Treasury, 1974-79
- Barraclough, ACM Sir John**, VCDS, 1970-72
- Beetham, MRAF Sir Michael**, CAS, 1977-82
- Berrill, Sir Kenneth**, Director, CPRS, 1974-80
- Bramall, General Edwin**, Commander, British Forces Hong Kong, 1973-76; VCDS (Personnel & Logistics), 1978-79
- Brenchley, Frank**, DUS, Cabinet Office, 1975-76
- Brennan, D.**, PS/PUSofS(RAF), 1978-79
- Bridges, Lord**, PS/Prime Minister, 1972-75
- Broadbent, Ewen**, DUS(Air), 1972-75
- Brown, Dr Harold**, US Secretary of Defense, 1977-81

Burton, AM Sir Harry, AOC, Air Support Command, 1970-72

Butler, Robin, PS/Prime Minister, 1972-74, 1974-75

Callaghan, James, Foreign Secretary, 1974-76; Leader of the Labour Party, 1976-80; Prime Minister, 1976-79

Cameron, MRAF Sir Neil, AMP, 1974-76; CAS, 1976-77; CDS, 1977-79

Carrington, Lord, Secretary of State for Defence, 1970-74

Carter, James, President of the United States, 1977-81

Cartledge, Bryan, PS/Prime Minister, 1977-79

Carver, Field Marshal Sir Michael, CGS, 1971-73; CDS 1973-76

Cary, Sir Michael, PUS, MoD, 1974-76

Castle, Barbara, Secretary of State for Health, 1974-76

Churchill, Winston, Opposition front-bench spokesman on Defence, 1976-78

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

Cragg, A.J., APS/Secretary of State for Defence, 1974-77

Dales, R.N., APS/Foreign Secretary, 1974-77

Donoughue, Dr Bernard, Head, No 10 Policy Unit, 1974-79

Douglas-Home, Sir Alec, Foreign Secretary, 1970-74

Duffy, Patrick, Parliamentary PS to Secretary of State for Defence, 1974-76; PUSofS(Royal Navy), 1976-79

Dunnett, Sir James, PUS, MoD, 1966-74

Duxbury, Air Commodore J.B., Secretary, COS Committee, 1978-80

Elworthy, MRAF Sir Samuel, CDS, 1967-71

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

Fergusson, Ewen, PS/Foreign Secretary, 1975-78

Fitchew, G.E., Assistant Secretary, International Finance Division, HM Treasury, 1975-77

Ford, Gerald, President of the United States, 1974-77

Fraser, General Sir David, UK Military Representative to NATO, 1975-77

Furner, AVM D.J., Assistant Air Secretary, AFD, 1973-75

Gilmour, Ian, PUSofS, MoD, 1970-71, Minister of State, Defence Procurement, MoD, 1971-72; Minister of State, MoD, 1972-74; Secretary of State for Defence, 1974

Grandy, MRAF Sir John, CAS, 1967-71

Guy, Brigadier R.K., PSO, CDS, 1976-1978

Haig, General Alexander, SACEUR, 1974-79

Hansford, J.E., Assistant Secretary, Defence Policy and Materiel Division, HM Treasury, 1970-76; Under-Secretary, Defence Policy and Materiel Group, 1976-82

Hayward, Ron, Labour Party Secretary General, 1972-82

Healey, Denis, Secretary of State for Defence, 1964-70; Chancellor of the Exchequer, 1974-79

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

Henley, Douglas, 2nd PUS, HM Treasury, 1969-76

Henn, C.H., Assistant Secretary, MoD, 1972-79 (Head DS12, MoD, 1976); AUS, MoD, 1979-88

Hill-Norton, Admiral of the Fleet Sir Peter, CNS, 1970-71; CDS, 1971-73; Chairman of the NATO Military Committee, 1974-77

Hockaday, Arthur, DUS(P&P), MoD, 1973-76; 2nd PUS, MoD, 1976-82

Howe, John, PS/PUS 1975-78

Humphrey, MRAF Sir Andrew, AOC Strike Command, 1971-74; CAS, 1974-76; CDS, 1976-77

Humphreys, D.C., DUS(Air), 1979-82

Hunt, Sir John, Cabinet Secretary, 1973-79

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

Jenkins, Roy, Home Secretary, 1974-76

John, Brynmor, PUSofS(RAF), 1974-76

Joseph, Sir Keith, Secretary of State for Social Services, 1970-74

Kershaw, Anthony, PUSofS(RAF), 1973-74

Kissinger, Dr Henry, US Secretary of State, 1973-77

Le Bas, AVM M.H., Director General Personal Services (RAF), 1969-71

Leber, Georg, Federal German Defence Minister, 1972-78

Ledlie, J.K., Deputy Chief, Public Relations, MoD, 1977-79

Lee, ACM Sir David, AMSO, 1965-68; UK Military Representative to NATO, 1968-71

Lee Williams, Alan, Labour MP for Hornchurch, 1974-79

Luns, Dr Joseph, NATO Secretary-General, 1971-83

MacLeod, Ian, Chancellor of the Exchequer, 1970

Martin, AM Sir Harold, C-in-C RAF Germany, 1970-73; AMP, 1973-74

Mason, Roy, Secretary of State for Defence, 1974-76

Mavor, AM Sir Leslie, AOC-in-C, RAF Training Command, 1969-72

Mayne, John, Head DS22, MoD, 1973-75; PS/Secretary of State for Defence, 1975-76; AUS(Air), 1976-78

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

Morton, Rear Admiral Anthony, ACDS(Policy), 1973-75; VCDS, 1977-78

Mulley, Fred, Secretary of State for Education, 1974-76; Secretary of State for Defence, 1976-79

Mumford, William, PS/Secretary of State for Defence, 1973-74

Nairne, Patrick, DUS, MoD, 1970-73; 2nd PUS, Cabinet Office, 1973-75

Nelson, J.H., AUS(Air), 1975-76; DUS(Air), 1977-79

Nicholls, ACM Sir John, VCAS, 1979-80

Nixon, Richard, President of the United States, 1969-74

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

Omand, David, APS/Secretary of State for Defence, 1973-75

Owen, David, Foreign Secretary, 1977-79

Perry A.J., Principal, HM Treasury, 1970-76; Assistant Secretary, HM Treasury, 1976-78

Pliatzky, Leo, DUS, HM Treasury, 1971-76

Plumtree, AVM Eric, Economy Project Officer, RAF, 1973-74

Quinlan, Michael, DUS(P), MoD, 1977-81

Ramsbotham, Sir Peter, HM Ambassador, Washington DC, 1974-77

Rayner, Sir Derek, Chief Executive, Procurement Executive, 1971-72

Reeves, W.D., Assistant Secretary, MoD, from 1973; Head DS1, MoD, 1977

Roberts, Sir Frank, President, British Atlantic Committee, 1968-81

Robson, S.A., PPS/Chancellor of the Exchequer, 1974-76

Rodgers, William, Minister of State, MoD, 1974-76

Rumsfeld, Donald, US Secretary of Defense, 1975-77

Sandars, C.T., PS/Minister of State, MoD, 1975-77

Schlesinger, Dr James, US Secretary of Defense, 1973-75

Schmidt, Helmut, Federal German Chancellor, 1974-82

Scholar, M.C., PS/Chief Secretary, Treasury, 1974-76

Smallwood, ACM Sir Denis, VCAS, 1970-74; AOC-in-C, Strike Command, 1974-75; C-in-C, UK Air Forces, 1975-76

Spotswood, MRAF Sir Denis, CAS, 1971-74

Stanford, Commodore P.M., Secretary, COS Committee, 1975-78

Stanhope, Henry, Defence correspondent of *The Times*

Stowe, Kenneth, PPS/Prime Minister, 1975-79

Strathcona and Mount Royal, Lord, PUSofS(RAF), 1974

Terry, AM P.D.C., Director of Forward Planning, RAF, 1971-74; VCAS, 1977-79

Tidy, M.D., MoD, 1973-77 (DS9, 1974)

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

Varley, Eric, Secretary of State for Industry, 1974-79

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

Wellbeloved, James, PUSofS(RAF), 1976-79

Wheeler, ACM Sir Neil, AMSO, 1970-73

Wicks, Nigel, PS/Prime Minister 1975-78

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

Wright, Patrick, PS/Prime Minister, 1974-77

Young, D.E., PS/Minister of State, MoD, 1973-75

British Defence Policy and the Royal Air Force, June 1970 - April 1979

Introduction

This narrative examines British Defence policy and the Royal Air Force from June 1970 to April 1979. Central to this is the Defence Review of 1974-75 and an assessment of its origins, content and implications for the Service. Rapid decolonisation and economic self-interest had led Britain to focus on a European rather than a global role. It was a decade of relative economic decline and more limited national ambitions. There was recognition that Britain was no longer a global player but should assume a regional role, anchored in its membership of NATO (North Atlantic Treaty Organisation) and from 1973, the EEC (European Economic Community). These narrower horizons impacted heavily on Defence and accordingly on the RAF. The RAF's decades-long permanent presence in the Middle East and the Far East, concluded, excepting Hong Kong.¹ By the end of the 1970s the RAF was rationalised into three commands closer to home - Strike, Support and RAF Germany. Worryingly for those in Defence there was also a domestic political trend among NATO allies, in contrast to the Warsaw Pact, for less defence rather than more. Instead of viewing NATO as the linchpin of British security, it appeared Britain was prepared to reduce its and its allies' security to pay for other things.

Governments and Prime Ministers

On the political front, there were four General Elections during the decade. Having been in Government since October 1964, the Labour Party was surprisingly defeated at the June 1970 General Election by Edward Heath's Conservatives. However, Prime Minister Heath's antidote for Britain's decline failed. His Chancellor Anthony Barber's budget for growth in 1972 increased inflation and the October 1973 Arab-Israeli War led to the quadrupling of oil prices. For the RAF and aviation

¹ TNA, PREM 19/978, Norbury (PS/SofS), to Alexander, (PS/PM), 'Defence Policy', 13 November 1980, enclosing note on British Defence Capability. It was underlined that '95% of the UK armed forces are now firmly committed to NATO tasks with only a relatively small effort devoted to out-of-area commitments.' In Hong Kong the RAF presence amounted to merely 250 Service personnel and eight Support Helicopters. Nevertheless, overall around 80,000 Armed Forces personnel were serving in West Germany, Northern Ireland and Hong Kong alone, which placed a considerable strain on the Defence budget.

in general it marked the end of an era, the era of cheap and plentiful fuel.² Heath, his Government mired in economic difficulties and industrial conflict, went to the country for a fresh mandate at the end of February 1974. He did not get it. This General Election returned Labour under Harold Wilson to Downing Street as the largest party but bereft of a working majority. Another General Election followed in October, when Labour squeezed home with a majority of three. Wilson resigned as Prime Minister in April 1976 to be replaced by his Foreign Secretary James Callaghan. By this time, the Government had lost its majority but remained in power by means of a pact with the Liberals and the general unwillingness of the smaller parties to risk another General Election. In a wider context, there was greater practical understanding of the Services in Parliament. The political leadership across the party spectrum had either served in the Second World War or had clear memories of it. The same was true of the armed forces hierarchy. Exceptions, such as the young David Owen, Foreign Secretary from 1977, were rare indeed.

Economic and industrial crises were never far away. The mid-1970s ushered in the phenomenon of 'stagflation', as the economy stagnated, inflation surged, and unemployment increased. Confidence in the British economy receded, and the pound plunged, with the Government forced to apply to the International Monetary Fund (IMF) for a loan at the end of 1976. Although the economy picked up and rate of inflation fell steadily from 1977, industrial relations were the Labour Government's Achilles heel. The 'Winter of Discontent' of 1978-79, viewed as a high-water mark of militant trade unionism, arguably lost the Labour Government the May 1979 General Election. The Conservatives under Margaret Thatcher won an overall majority, initiating 18 years of Conservative government, the first 11 with Mrs Thatcher at the helm.

Chancellors of the Exchequer

Crucial to Defence spending is the attitude of the occupant of No 11 Downing Street. Following Ian Macleod's death barely five weeks into the Heath administration, Barber became Chancellor of the Exchequer. He sought to reduce the percentage of Gross National Product (GNP)³ spent on Defence and was particularly concerned with escalating longer-term equipment costs. As the economy went into recession, Barber sought deep, ad hoc Defence cuts. Barber's Labour successor Denis Healey

² A. G. Trevenen James, *The Royal Air Force: The Past 30 Years* (London: Macdonald and Jane's, 1976), p. 165.

³ Throughout this narrative the terms 'GNP' and 'GDP' are used in the form they appeared in the documents cited.

was well acquainted with Defence following six years as Secretary of State (1964-70). Healey was not sympathetic to Defence during his five years as Chancellor. He wanted further reductions, pointing to the higher UK percentage spending on Defence than West Germany and France. He claimed repeatedly that Defence was not bearing its share of reductions in a challenging spending climate.

Defence Secretaries and Chiefs of Staff

It is important at this point to introduce some of the other main characters in this narrative. There were four Secretaries of State for Defence spanning the Heath, Wilson and Callaghan administrations. They were the Conservatives Lord Carrington (June 1970-January 1974) and Ian Gilmour (January-March 1974), followed by Roy Mason (March 1974-September 1976) and Fred Mulley (September 1976-May 1979) for Labour. Heath also appointed Carrington Conservative Party chairman in April 1972, meaning he juggled two high-profile appointments.⁴

The role of Chief of the Defence Staff (CDS) was held on a rota basis by each of the three Services. There were six CDS during the duration of this study – three came from the RAF. Marshal of the RAF (MRAF) Sir Samuel Elworthy was CDS from August 1967 to April 1971, followed by Admiral of the Fleet Sir Peter Hill-Norton (April 1971-October 1973) and Field Marshal Sir Michael Carver (October 1973-October 1976). MRAF Sir Andrew Humphrey held the position for a short time (October 1976-January 1977) but died in post. Admiral of the Fleet Sir Edward Ashmore took over in an acting capacity (February-August 1977), which encompassed much of the Queen's Silver Jubilee celebrations, before the post passed to MRAF Sir Neil Cameron (August 1977-September 1979).

The Chief of the Air Staff (CAS) at the start of this study was Sir John Grandy (April 1967-April 1971). He was followed by Sir Denis Spotswood (April 1971-March 1974) and by Sir Andrew Humphrey (April 1974-August 1976). Sir Neil Cameron then assumed the role (August 1976-July 1977), before it passed to Sir Michael Beetham (August 1977-October 1982), marking the longest tenure as CAS in the Service's history, with the exception of Lord Trenchard.⁵

For reasons of brevity this narrative is unable to cover every aspect of Defence policy which impacted on the RAF during the decade. However, it does attempt to

⁴ Christopher Lee, *Carrington: An Honourable Man* (London: Viking, 2018), p. 301

⁵ 'Marshal of the RAF Sir Michael Beetham – obituary', *Daily Telegraph*, 27 October 2015.

address the main issues in three chapters. The first chapter looks at the period of the Heath government and how, despite expressing reservations, it persevered with almost all the Defence decisions taken by its Labour predecessor. As the economic situation became more pressing, the preparatory work for a Defence Review was set in motion. The second chapter illustrates how this was taken forward by the incoming Labour Government in 1974. Finally, chapter three examines the post-Defence Review period. Initially, this was a depressing time of continued ad hoc cuts. The first shafts of light eventually appeared with the Government's commitment, initially only for 1979-80 and 1980-81, to NATO's call in May 1977 for 3% real term increases in annual defence spending to help the Alliance balance the growing strength of Warsaw Pact forces.

As this narrative will show, it was a challenging decade for Defence and the RAF. In addition, to the scaling back of commitments and capabilities, the decade witnessed reductions to aircraft numbers, stations and manpower. While certain aircraft were viewed with little enthusiasm, there was much anticipation surrounding the Tornado IDS and Harrier coming into service in worthwhile numbers. However, there were numerous twists and turns to negotiate before these hopes would be fulfilled.

Acknowledgements

In the production of this volume, I am most grateful for the help and assistance received from all my colleagues in the Air Historical Branch (RAF). I should like to thank Sebastian Cox, Head of Branch, and Stuart Hadaway, Research and Information Manager, for examining the draft and providing detailed comments. Any remaining errors are, of course, my own. I also want to thank Dr Sebastian Ritchie for his assistance in preparing the narrative for publication. Thanks are due to Neil Chamberlain, Branch Archivist, for his unstinting efforts to track down documentation and to AHB's Photographic Archivist, Lee Barton, for his advice and for many of the photographs within. Alan Thomas very helpfully ordered files from The National Archives, Kew. I am also most grateful to Dr Edward Hampshire, Historian at the Naval Historical Branch, for sharing material on Defence Reviews and for his thoughts on the relevant literature.

Alastair Noble

November 2023

Chapter 1

The Road to 1974

‘This is no time to discuss the wisdom of political decisions that placed our main deterrent on board four Polaris missile submarines and cancelled most of the new combat aircraft of British design that would have maintained the RAF as the best-equipped air force in the world. Let us suffice to say that the worst period, under successive governments of both parties, is now past’ – *The Royal Air Forces Quarterly*, Winter 1970¹

Britain's place in the world changed markedly over the two decades prior to 1974. The Suez crisis of 1956 ended any illusions of a continued Big Three role although political rhetoric to the contrary lingered on for another decade. Britain was not in the superpower league. It simply could not afford to be. Entrenched economic difficulties retarded growth and it became increasingly clear that political, social and economic factors necessitated a less ambitious Defence effort. The Air Historical Branch's narratives in this field have already examined the period 1956-1970.² This chapter will attempt to chart the major milestones in this process from 1970 to 1974 and consider the impact of these changes on the RAF. They took place against the backdrop of the retreat from Empire and the consolidation of Defence assets to support Britain's commitments to NATO. This signalled the increasing recognition that Britain's Defence priorities were now firmly Alliance-based and regional, rather than primarily national and global.

During the period 1964-70, Britain's overseas military footprint was much reduced. The focus of the military, and its residual deployment abroad, was centred to a greater extent than hitherto, on Europe. The decision to withdraw from east of Suez was driven by a severe economic crisis which trumped domestic and overseas pressures, including lobbying from Washington, urging Britain to retain a presence. Concurrently, there was a focus on avoiding expensive overseas costs arising from purchasing foreign currency which had a detrimental impact on the Balance of Payments and continued emphasis on retaining a greater proportion of the Services

¹ John W R Taylor, 'Jaguar and MRCA', *The Royal Air Forces Quarterly*, Volume 10, Number 4, Winter 1970, pp. 254-261.

² The National Archives, Kew (TNA), AIR 41/86, T C G James, *The RAF in the Postwar Years: Defence Policy and the Royal Air Force 1956-1963* (Air Historical Branch (RAF), 1987); AIR 41/94, A S Bennell, *Defence Policy and the Royal Air Force 1964-1970* (Air Historical Branch (RAF), 1993).

in the UK. The Government viewed Britain's world standing as dependent on economic strength rather than a global military presence.

The preceding Air Historical Branch narrative concluded there had been a transition from the residual world deployment of 1964 to an RAF centred on Europe in 1970.³ The RAF squadrons based in Germany, configured under the banner of 'RAF Germany' were assigned to NATO to operate in a variety of capacities including air defence, reconnaissance, interdiction and strike/attack roles while working closely with the British Army of the Rhine (BAOR). As well as this emphasis on supporting NATO, the reduction of aircraft in the RAF⁴ and cancellation of major projects such as the TSR2 in 1965, was accompanied by a rationalisation of Commands. On 30 April 1968, Bomber, Fighter, Coastal and Transport Commands were amalgamated to form the new Strike Command. Overall, between 1964 and 1970, the strength of the three Services was reduced by 54,000 and MoD civilian employment declined by 30,000.⁵ However, in 1970, Defence still had the third biggest budget in Whitehall and was the largest employer of civil servants.⁶

In addition to this concentration of resources in the UK and Europe as part of the defence of western Europe within the NATO alliance, responsibility for the delivery of Britain's nuclear deterrent also shifted service. Following the cancellation of the British Blue Streak underground-launched missile in April 1960, which effectively marked the end of Britain's independent deterrent, the cancellation of the US Skybolt air-launched missile in December 1962 and the departure of American Thor missiles the following year, from 30 June 1969 the deterrent was transferred to the US Polaris missile, operating from the Royal Navy's fleet of British-built nuclear submarines. In the interim, Britain had still relied on the widely dispersed 'V'-Force bombers to deliver the deterrent in the form of low-level delivery of both free-fall weapons and a modified version of the British Blue Steel stand-off bomb; the low-

³ Bennell, *Defence Policy and the Royal Air Force 1964-1970*, p. 17-14.

⁴ Owen Thetford, *Aircraft of the Royal Air Force since 1918* (London: Putnam Aeronautical Books, Ninth Edition, 1995) p. 13. Total aircraft strength of the RAF had fallen to 2,004 in 1967, less than one-third of the post-war peak of 6,070 in 1952.

⁵ TNA, CAB 129/180, C(74)132, 'Defence Review – Economic and Employment Implications', Annex to Memorandum by Central Policy Review Staff, 15 November 1974.

⁶ Christopher Lee, *Carrington: An Honourable Man* (London: Viking, 2018), p. 243.

level aspect making it more difficult for Soviet air defences to provide early warning.⁷

The 1960s was a busy decade for the RAF, although active operations, excepting Cyprus (1956-60), took place away from Europe. The emphasis on mobility and reinforcement was shown in the success of the rapid reinforcement policy during the Kuwait crisis of 1961 in deterring the Iraqi threat to invade its neighbour.⁸ Similar, so-called 'brushfire wars', encompassing supply operations and evacuations (such as military families from Aden, May-July 1967)⁹, accompanied the transitional phase from colonial rule to independence in Kenya, South East Asia and in the Persian Gulf region. With the divesting of empire, 'brushfire wars' became more infrequent by the early 1970s. Most of the fighting was done by the Army but the RAF played a significant role, using air power to support ground operations, providing tactical support and tactical and strategic airlift. The strategic airlift role transporting the Strategic Reserve overseas to reinforce existing forces was increasingly significant. In-flight refuelling by Victor bombers converted to a tanker role and use of remaining overseas bases also meant the reinforcement from Britain of short-range combat aircraft, such as the Lightning, to garrisons as distant as Singapore remained possible.¹⁰

Stability in Defence? The Conservative Government, 1970-1974

Edward Heath's Conservative Government did little to reverse the programme of reductions and rationalisation across Defence between 1970 and 1974, although planned cuts to the Territorial Army were halted. The Heath Government was pledged to stability in Defence after the reforms and reviews which had characterised Denis Healey's near six-year tenure at the MoD.¹¹ However, despite

⁷ The 'stand-off' bomb was a self-propelled bomb which could be released at a considerable distance from the target. This made it unnecessary for the manned aircraft to fly into the more heavily defended target area.

⁸ Sebastian Ritchie, *The RAF, Small Wars and Insurgencies: Later Colonial Operations, 1945-1975* (Shrivenham, Wiltshire: RAF CAPS, 2011); Air Chief Marshal Sir David Lee, *Flight from the Middle East: Being a history of the Royal Air Force in the Arabian Peninsula and adjacent territories 1945-1972* (London: Ministry of Defence Air Historical Branch (RAF), 1978), pp. 165-188.

⁹ Lee, *Flight from the Middle East*, pp. 232-256. With final withdrawal from Aden on 29 November 1967, the Joint Headquarters at Khormaksar closed, bringing Middle East Command to an end.

¹⁰ Air Chief Marshal Sir David Lee, *Eastward: A History of the Royal Air Force in the Far East 1945-1972* (London: HMSO, 1984), p. 235. The strategic route from Britain to Singapore was by way of Malta, Akrotiri in Cyprus, Masirah in Oman and Gan.

¹¹ Lord Carrington, *Reflect on Things Past: The Memoirs of Lord Carrington* (London: Fontana/Collins paperback, 1989), p. 227. Lord Carrington told the House of Lords in February 1971 that in Defence

promises that Defence would return to the top table of Government priorities, the reality was ‘the adjustments actually made to the defence programme and budget when the Conservatives took over were almost wholly cosmetic’.¹² Most of Healey’s decisions went through unhindered. Moreover, while Carrington was well regarded by the military hierarchy and by his civil servants, both of which may have been persuaded of the need for further modernisation, ‘he was not instinctively a reformer’ and they were not asked.¹³

Symbolically, the new Government slightly diluted the undertaking made in 1968 to achieve the complete withdrawal of British military forces east of Suez, excepting Hong Kong, by the end of 1971. It did not seriously consider reversing Healey’s withdrawal programme.¹⁴ A string of squadrons were rundown or disbanded in Malaysia and Singapore between 1966 and 1969 and this process continued into 1970. There was the successful effort, outlined in the October 1970 Supplementary Defence Statement and amplified in the 1971 *Defence Estimates*, to build Five Power defence arrangements alongside Malaysia, Singapore, Australia and New Zealand to replace the bilateral Anglo-Malaysian Defence Agreement. For a modest cost of not more than £10m per annum in foreign currency Britain ‘agreed to maintain a significant contribution to the security of South-East Asia as well as the ability to reinforce that contribution rapidly in an emergency’.¹⁵ Nevertheless, with the withdrawal of the RAF from almost all of its former stations in the Far East, the Far East Air Force was disbanded at Changi, Singapore on 31 October 1971. By

policy the Conservative government aimed for ‘consolidation and stability’, as the Armed Forces had experienced more than enough of ‘chop and change, withdrawal, retrenchment and reduction’. Lord Carrington (1919-2018) had served in North-West Europe as a Major in the Grenadier Guards, being awarded the Military Cross in 1945. He was Parliamentary Under-Secretary at the MoD, 1954-November 1956 and later First Lord of the Admiralty (1959-1963). One obituary highlighted that as Defence Secretary the Service Chiefs found Carrington to be ‘sympathetic, down to earth and practical in his handling of their problems’. Obituaries, ‘Lord Carrington’, *Daily Telegraph*, 11 July 2019. His watchwords were ‘consolidation and stability’ and during his tenure the Procurement Executive was established (1971) and the ailing Rolls-Royce nationalised (1971). Obituaries, ‘Lord Carrington’, *The Times*, 11 July 2019.

¹² David Greenwood, ‘Why fewer Resources for Defence? – Economics, Priorities and Threats’, *The Royal Air Forces Quarterly*, Volume 14, Number 4, Winter 1974, pp. 273-284, see p. 273.

¹³ Lee, *Carrington*, pp. 320-325.

¹⁴ *Ibid.*, p. 247. The sole remaining aircraft carrier, HMS *Ark Royal*, was run on beyond planned withdrawal and remained in service until 1978.

¹⁵ HM Government, *Statement on the Defence Estimates 1971*, Cmnd 4592 (London: HMSO, February 1971), pp. 5-6. Lee, *Eastward*, pp. 238-250. As Carrington’s biographer observed, the Five Power Pact eventually concluded with Australia, Malaysia, New Zealand and Singapore was essentially a token gesture, it being unclear what level of British forces could return to the region, particularly when faced with immense logistical resupply challenges. Lee, *Carrington*, p. 247.

1972, after a 43-year presence in the Far East, the previously powerful RAF in the Far East was very much diminished, comprising only RAF Hong Kong with the helicopters of No. 28 Squadron at Kai Tak, the staging post at Gan in the Maldives and a small contribution to the Australian-New Zealand-United Kingdom (ANZUK) force in Singapore, though for the latter the political emphasis was on continuity.¹⁶

Similar reductions continued in the Persian Gulf following the withdrawal from Aden in November 1967. In 1968 it was announced that a British withdrawal would be completed by the end of 1971. London wanted to see 'a steady evolution in the local arrangements for defence and co-operation'. The coup d'etat in Oman in 1970 brought a new Sultan into power and an even closer relationship with Britain but the handing over of Muharrag and Sharjah, in mid-December 1971, marked the end of the short-lived Air Forces Gulf (AFG), the successor to illustrious RAF forbears. A vacuum was created. By the close of 1971, the Near East Air Force in Cyprus was linked to the Far East Air Force in Singapore by 'two tenuously held staging posts on the islands of Masirah and Gan'.¹⁷ The Defence Secretary, Lord Carrington, recalled that 'there was no question of completely putting the clock back'. Britain's interest in the Far East and Persian Gulf 'would never again be underpinned by military means' unless it involved new forces in a new situation, for which no contingency was then being made.¹⁸ However, there still remained a residual British presence in Singapore, Brunei, Gan and Diego Garcia, part of the British Indian Ocean Territory, though the footprint was now very much lighter.

Other problems flared up closer to home and put new pressure on resources. The Army was sent into Northern Ireland by the Home Secretary James Callaghan in 1969, as civil unrest seemed set to overwhelm the responsible authorities. Four years later British forces in Northern Ireland were around 15,000 strong and there was no end in sight to this considerable commitment, which placed considerable demands on units and training in the BAOR and an additional burden on the wider Defence effort.¹⁹ RAF Air Support Command Wessex helicopters provided mobility backing

¹⁶ Air Commodore Graham Pitchfork, *The Royal Air Force Day by Day* (Stroud: Sutton Publishing, 2008), p.339; Lee, *Eastward*, pp. 250-252; Henry Stanhope, 'Singapore force in farewell parade', *The Times*, 30 October 1971.

¹⁷ Lee, *Flight from the Middle East*, pp. 278-286.

¹⁸ Carrington, *Reflect on Things Past*, p. 218.

¹⁹ TNA, DEFE 11/805, folio E21, Interim Report of the Defence Studies Working Party, 27 November 1973. Northern Ireland was described as 'the most exacting of our current commitments' with 80% of

for the Army's security operations and its Hercules and Britannia aircraft flew Army and RAF Regiment reinforcements into the province. Meanwhile, recruitment to the Services in 1972-73 fell by over one-fifth on the previous year – adversely influenced by the conflict in the province, the raising of the school leaving age to 16 and the ability of many young men to earn similar wages with less strain in civilian life. However, at the close of 1973 the strength of the three Services remained above one third of a million, with RAF manpower strength at 100,000, despite recruitment caps imposed in 1971-72 and 1972-73 and an overall 10% RAF headcount reduction between 1970 and 1974 [see below].²⁰

Concurrently, the Heath Government attempted to reduce the relative weighting of defence in overall expenditure. In 1970-71, the Defence Budget accounted for 11.9% of total public expenditure and though underlying Defence spending figures were set to grow, by 3.7% between 1970-71 and 1973-74 and by 1.6% between 1973-74 and 1977-78, the Treasury planned the Defence Budget as a percentage of total public expenditure to fall to 11.4% in 1973-74 and 10.9% in 1977-78.²¹ These proposals were destined to be overtaken by events. Governments soon faced various tough economic challenges which adversely impacted Defence. In the interim, the RAF had taken some difficult decisions.

RAF Rationalisation

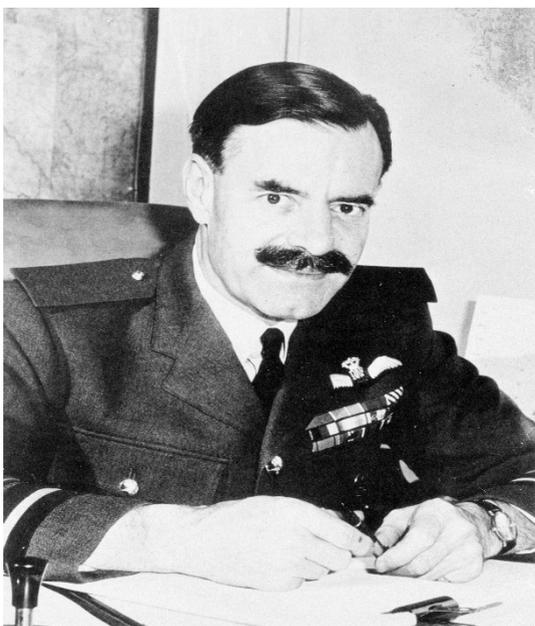
The early 1970s were challenging years for the RAF. Following Healey's reviews, it introduced a new generation of aircraft, including the Phantom, Harrier, Buccaneer, Nimrod and Hercules, after disappointing earlier programme cancellations. Concurrent with this was the near completion of overseas withdrawals, the reorganisation of the RAF's structure and the firm aligning of Britain's defence effort in the NATO area. There was said to be a feeling by 1970 that the RAF was 'clearly on an upsurge'. Though it was said to be still without

the forces there primarily established for other tasks, including seven major units redeployed from the BAOR.

²⁰ Henry Stanhope, 'Manpower worries for Britain', *The Times*, 19 February 1974. On 30 November 1973, the strength of the three Services was 355,632 men and women, comprised of 80,646 in the Royal Navy and Royal Marines, 174,177 in the Army and 100,809 in the RAF. Armed Forces personnel numbers had already fallen by 20,000 during the period 1970-74, around 11,000 from the RAF, and recruitment in late 1973 was well below the levels needed, though this improved in January 1974. There were restrictions on RAF intakes in 1971-72 and 1972-73. See http://hansard.millbanksystems.com/written_answers/1974/mar/21/recruitment HC Deb 21 March 1974 vol 870, cc154-5W.

²¹ TNA, CAB 129/171, CP(73)87, 'Public Spending Priorities', Memorandum by the Chancellor of the Exchequer, 24 July 1973.

any primary strategic role, the politicians had finally appreciated the importance of not only giving the RAF good aircraft but also a sufficient number to ‘ensure a viable first-line force’, largely comprised of the Panavia (British Aircraft Corporation, Messerschmitt-Bölkow-Blohm and Fiat) Multi Role Combat Aircraft (MRCA) and the Anglo-French Jaguar.²² It was hoped across the RAF that the Heath government would provide an opportunity to draw breath and adjust to the new circumstances. This was wishful thinking. The pressure for savings, understandably unpopular in many quarters, was deemed unavoidable by Air Chief Marshal (ACM) Sir Denis Spotswood, the CAS; otherwise, he feared the RAF’s independent existence might be at risk.²³



ACM (later MRAF) Sir Denis Spotswood, CAS, 1971-74. This official portrait, from June 1970, shows him as AOC-in-C Strike Command. Photograph: AHB (RAF).

²² Taylor, ‘Jaguar and MRCA’, pp. 254-261. It was then envisaged that the Jaguar would enter service in late 1972 and the MRCA in early 1976. The RAF order for the two-seat MRCA was 385 aircraft while some 200 of the single-seat Jaguar were ordered for the RAF.

²³ Air Commodore Henry Probert, *High Commanders of the Royal Air Force* (London: HMSO, 1991), p. 73.

The resultant rationalisation led to the reorganisation of the RAF Command structure. Work had been in progress since late 1969 on the RAF Command structure, the size and shape of the RAF headquarters organisation, particularly in the UK, and its relationship to those of the other two Services. The reorganisation of the operational Command Structure of 1968-69 was decided against the backdrop of the decline in RAF manpower from about 250,000 in the mid-1950s to 130,000 and then to 100,000 and its changing role following the transfer of the strategic nuclear deterrent. The structure was based on the recommendations of Air Vice Marshal (AVM) Denis Smallwood's Command Structure Project Team, completed in November 1967. The most notable change during this period was the afore-mentioned merger in April 1968 of Bomber and Fighter Commands to form Strike Command, joined in 1969 by Signals Command and Coastal Command. A further review was commissioned in February 1970, and this resulted in the *Report by the Steering Group on the Command Structure for the Royal Air Force in the United Kingdom* produced in February 1971.²⁴ After a thorough review process, this report, the Steedman Report, warned against further mergers, cautioned against management streamlining and recommended:

The present Command Structure for the RAF in the UK is basically sound and appropriate both for current tasks and for those anticipated after the withdrawal from major bases East of Suez, despite the changes in defence policy since the Air Force Board decision on the Smallwood Report...The present RAF Command Structure in the UK, consisting of Strike, Air Support, Training and Maintenance Commands, should be retained at least for the next five years. There is a need for a substantial period of stability.²⁵

The Air Force Board Standing Committee (AFBSC) rejected this recommendation. In August 1971, it recommended that a single operational command in the UK should be formed by the end of 1972, incorporating the main elements of Strike and Air Support Commands and the flying units of 90 (Signals) Group. The Air Force Board (AFB) endorsed this approach. An Operational Command Project Team was tasked with producing a plan by the end of 1971 so that this could be included in the Defence White Paper of March 1972. However, earlier announcements to

²⁴ TNA, AIR 2/19008, folio E1, *The Command Structure for the Royal Air Force in the United Kingdom: Report by the Steering Committee*, February 1971.

²⁵ *Ibid.*

Parliament and to the Service were deemed necessary to avoid the possibility of ‘undesirable speculation and damage to morale’.²⁶

In October 1971 news of this development was announced on the front page of *RAF News*. The Project Officer for the Operational Command Project Team, AVM Le Bas, then wrote to *RAF News* to explain the reasoning underpinning this decision. The combination of the main elements of Strike Command and Air Support Command was justified for three reasons. Firstly, it offered the opportunity to make better use of the relatively small front line, affording greater flexibility and effectiveness than was possible with two separate commands. Secondly, it was said to make the RAF more compatible with the Command structures of the other two Services in the UK. Thirdly, and more significantly in this context, it was more economical. Although some reduction in Headquarters Staffs was anticipated, as far as possible surpluses were to be absorbed by natural wastage rather than redundancies. It was not the intention that any stations would close because of the Review.²⁷ No decisions had been taken on the support function provided by Training and Maintenance Commands; they were to be the subject of a separate study commencing in 1972 to examine whether the simplification of organisation in this field would enhance operational and administrative efficiency.²⁸ A project team, the Support Organisation Project Team, led by ACM Sir David Lee, was established in February 1972 and it was expected to take them around nine months to complete this wide-ranging task. The objective of the study was to identify the most effective support organisation for the RAF in the foreseeable future whilst maintaining good working relationships inside the RAF and with the Army, Royal Navy, Government departments and industry. They were also ‘to achieve the maximum degree of economy in the support area.’ The report was to be submitted by 1 December 1972, prior to consideration by the AFB.²⁹ As shown in the table below, Maintenance Command was eventually merged into Support Command in September 1973.

The staff economies arising from mergers were a key factor in generating savings. For instance, prior to the merger, it was claimed Strike Command required four

²⁶ TNA, AIR 2/19008, folio E25, AFB, 7(71), 9 August 1971. Administrative control of the remainder of 90 Group was to be given to Maintenance Command meantime, pending determination of the long-term support organisation. The Operational Command Project Team completed its work and its report was considered by the Board on 31 January 1972.

²⁷ TNA, AIR 2/19008, folio E36, RAF Command Structure, 15 October 1971.

²⁸ *Ibid.*

²⁹ TNA, AIR 2/19008, folio E59, AFBSC (72)3, ‘RAF Command Structure in the United Kingdom’, Note by AMSO, 8 February 1972.

officers to deal with engineering photography policy and Air Support Command needed three officers for similar tasks. The combined Command Headquarters had five staff undertaking this work.³⁰ A range of functions were now under one roof. The new Command comprised five operational Groups enhancing the functions of Strike/Attack, Air Defence, Maritime Patrol, Tactical and Air Transport Operations. It also included Military Air Traffic Operations.³¹

RAF UK Command Reorganisation, 1968-73³²

Date	Merger/Transfer
30/04/1968	Merger of Bomber and Fighter Commands into Strike Command
01/06/1968	Merger of Technical Training and Flying Training Commands into Training Command
01/01/1969	Merger of Signals Command into Strike Command as No. 90 Group
28/11/1969	Merger of Coastal Command into Strike Command as No. 18 Group. (18 and 19 Groups renamed Soumar and Normar)
01/06/1972	Transfer of No. 90 Group (less flying units) from Strike Command to Maintenance Command
01/07/1972	Transfer of No. 38 Group from Air Support Command to Strike Command
01/09/1972	Merger of Air Support Command into Strike Command as No. 46 Group

³⁰ Ibid., folio E99, Collins, F11 (Air) to Dewhurst, F1 (Air), 26 October 1972.

³¹ Ibid., folio E75, Future RAF Command Structure, Texts of Announcements, 3 March 1972.

³² Denis C. Bateman, *Home Commands of the Royal Air Force since 1978* (London: Ministry of Defence - Air Historical Branch (RAF), 1978); TNA, AIR 19/1156, folio 47, RAF Command Reorganisation. Residual Strike and Air Support Command units overseas were in Gibraltar, Gan, Singapore and Hong Kong. The AFB examined this and proposed that from 1 April 1973 AOC in C Near East Air Force (NEAF) exercise full command of RAF Gibraltar and RAF Gan and would assume administrative and engineering responsibility for the RAF units in Singapore and Hong Kong, with policy control remaining unaltered under the direct responsibility of the Air Force Department. The Secretary of State agreed to the proposed reorganisation. It was noted that these changes gave the RAF three self-contained operational commands – Strike Command, RAF Germany and NEAF. See AIR 19/1156, folio 22, PS/SofS to PS/CAS, 8 January 1973; folio 20, CAS to SofS, 4 January 1973; folio 19, CAS to CDS, CNS, CGS, 15 December 1972; folio 6, AFB, 17(72), 27 November 1972, Secret Annex C, Item III, Command and Control of Residual RAF Units Overseas, post-1972.

01/09/1973	Merger of Maintenance Command and No. 90 Group into Support Command
------------	---------------------------------------------------------------------

Within the RAF, manpower reductions were essential to fund ever more expensive technologies and maintain front line effectiveness. Strike Command under ACM Sir Andrew Humphrey was in the vanguard of the manpower economy measures in 1971-72. The need for reductions was outlined by CAS in September 1971:

The Air Force Board Standing Committee has recently expressed serious concern over the increasing proportion of the RAF Budget devoted to manpower costs and the adverse effects which this will have on our planned front-line if the present trends are not checked. Manpower costs rose from 43% of the Air Force Vote in 1962 to 52% in 1970 and are continuing to rise. Over the same period, in real terms, the Defence Budget has suffered successive cuts. The equipment programme, caught between falling defence funds and rising manpower costs, has had to bear the brunt.³³

Spotswood said the costs of manpower in support areas was rising twice as fast as those of manpower in the front line. He believed the problem was not appreciated throughout the Service and was critical of the pressure for increases in establishments. In the previous two years there had been requests for a net increase of more than 5,000 posts, 'But we need reductions not increases.'³⁴ Spotswood cited how Humphrey had initiated a 5% cut in establishments across Strike Command, to be followed up by cuts in direct operating costs designed to save £14m per annum in total. Spotswood now sought to roll out this initiative across the Service, with proposals for a 5% Service and civilian manpower cut by 1 February and proposals for substantial reductions in costs by mid-1972. Economies of the order proposed were 'neither welcome nor easy to achieve' but were to 'preserve and improve front line effectiveness which must, of course be the ultimate aim for all of us'. The successful outcome of the exercise was potential annual savings of £30m which 'would not only safeguard the front line but might even enable us ultimately to strengthen it'.³⁵ There were also manning concerns in key areas. These included worries about recruitment to the Engineering Branch and a marked shortage of Officer Pilots between the ages of 27 and 37. The latter was particularly expensive as costs arising from the sophistication of aircraft and therefore training meant it

³³ TNA, AIR 8/2600, CAS to ACM Sir Andrew Humphrey (AOC, Strike Command), 7 September 1971; CAS to AM Sir Harry Burton (AOC, Air Support Command), 7 September 1971.

³⁴ Ibid.

³⁵ Ibid.

cost £250,000 to train a fighter pilot by 1971. Over 90% of this accrued from flight training.³⁶

While there had been a reduction in RAF numbers, the rate of run-down in support areas had lagged behind the front line. Alarming, while front-line manpower costs had risen by 14% between 1968 and 1970, general support costs had increased by 31% and Training Command costs had jumped by nearly 35%.³⁷ In contrast, RAF Germany claimed that the Command had been rationalised in the aftermath of the Deutschmark Economy Project of 1966-67, which had considerably reduced support costs and had left it in a relatively lean and healthy state. The Command had introduced three completely new aircraft types simultaneously from 1969 and was associated in practical terms with the introduction of NATO's Supreme Allied Commander Europe's (SACEUR) strategy of flexible response. It was emphasised that RAF Germany had to maintain the standards set by NATO and there was a greater emphasis on support elements which could be diverted from their primary tasks in an emergency. It was stressed that proposed savings from the Economy Project should not result in any loss of operational effectiveness and these factors made it considerably tougher to realise acceptable savings in the support areas. Savings of just over £1m were identified, equating to 4.3% of total Command manpower costs. Further savings were deemed possible when more experience of the aircraft, roles and establishments was accrued. It was hoped that personnel could be reduced by natural wastage rather than through redundancies, with the significance of protecting the relationship with locally engaged German employees.³⁸ Humphrey insisted that manpower surpluses must not constitute a diversion from the main objective and recommended:

It is essential to maintain the impetus on an economy drive of this kind: the areas where economies can be achieved must be assessed, surplus posts identified and the men must either go, or be transferred to a new operational task such as a new squadron created from the economies, within a reasonable time. If this does not happen enthusiasm for the scheme is quenched, the morale of individuals who have no specific jobs suffers – and, most important of all, we do not

³⁶ Wing Commander R F Pemberton, 'The Defence Forces in Parliament', *The Royal Air Forces Quarterly*, Volume 11, Number 3, Autumn 1971, pp. 231-234.

³⁷ TNA, AIR 8/2600, AM Sir Neil Wheeler (Air Member for Supply and Organisation) to AM Sir Leslie Mavor, (AOC Training Command), 12 October 1971.

³⁸ *Ibid.*, AM Sir Harold Martin (Commander in Chief, RAF Germany) to CAS, 28 January 1972.

save any real money until the actual strength goes down to match the reduced establishment.³⁹

Humphrey wanted to see Phase I of the programme implemented promptly so the rest of the Service mirrored Strike Command in this regard. This implementation was particularly pertinent for Air Support Command, which was to merge into Humphrey's Strike Command on 1 September 1972. He also hoped that the officer selected to take forward Phase II would take a radical approach, as he believed some staffs required encouragement to venture from well-trodden paths.⁴⁰ For Humphrey, the Strike Command Economy Project was about making more resources available for the front line and showing that the RAF was making good use of taxpayers' money. However, he viewed his most important task as reversing the decline of the country's air defences which had occurred during the 1960s, not only by the provision of more fighters but also through updating the command and control system and finding a long-term solution to the airborne early warning issue. These issues would be a priority for him when he became CAS in April 1974.⁴¹



The first British-built Jaguar S (GR.1 in RAF service), XW560. Photograph: AHB (RAF).

³⁹ Ibid., AIR 8/2600, ACM Sir Andrew Humphrey (AOC, Strike Command) to AM Sir Neil Wheeler (AMSO), 16 March 1972.

⁴⁰ Ibid.

⁴¹ Probert, *High Commanders of the Royal Air Force*, p. 78.

Defence Spending under Scrutiny

At ministerial level, central to the discussions on Defence were Anthony Barber, the Chancellor of the Exchequer and a wartime RAF reconnaissance pilot,⁴² and Lord Carrington himself. Initially their dialogue was broadly co-operative. In contrast to the RAF hierarchy's concurrent concentration on manpower costs, both Carrington and Barber were concerned about long-term trends in equipment costs. Barber noted the difficulties in long-term budgeting in Defence and reflected Treasury interest in more accurate and reliable forecasting and planning techniques which would 'better match resources to commitments'. Despite Carrington concurring to inter-departmental studies of Defence policy, he underlined this must be done quietly, to avoid any suggestion that another Defence Review was in the pipeline.⁴³ A cross-departmental working group, the Defence Studies Working Party (DSWP), was established with representatives from the MoD, the Treasury, the FCO, the Central Policy Review Staff and the Cabinet Office. It met for the first time on 16 January 1973.⁴⁴ Its terms of reference chimed in with the programme of work which would be required to underpin a Defence Review:

The Working Party's task would be to examine the options available to the UK as regards defence policy and expenditure in the late 1970s and beyond. This will include consideration on the one hand of the resources required to secure Britain's security needs, defence responsibilities and military tasks inside and outside Europe, and on the other hand of the prospects for the growth in national resources as a whole and the other demands on them, so as to report on this range of issues.⁴⁵

⁴² After army service, Barber was seconded to the RAF in 1940. Following training at RAF Benson with the Photographic Reconnaissance Unit he served as a pilot flying photo-reconnaissance missions. His Spitfire was shot down over northern France in January 1942. He spent the remainder of the war as a POW, though made two escape attempts, once reaching Denmark, and achieved a first class degree in law by correspondence course through the International Red Cross. 'Obituaries: Lord Barber', *The Times*, 19 December 2005; 'Lord Barber – Obituary', *Daily Telegraph*, 19 December 2005; Dennis Kavanagh, 'Obituaries: Lord Barber', *Independent*, 19 December 2005; John Biffen, 'Obituary: Lord Barber of Wentbridge', *The Guardian*, 20 December 2005.

⁴³ Philip Dyson, 'The Limits of Influence: The Treasury, the Ministry of Defence and the 1975 Defence Review' (MA dissertation: King's College London, 2012), pp. 6-7.

⁴⁴ *Ibid.*, p. 7. The Working Party was chaired initially by Patrick Nairne, Deputy Under-Secretary (DUS(P)) at the MoD, with Leo Pliatzky, his Treasury counterpart, as his alternate.

⁴⁵ *Ibid.*, p. 7.

Defence spending was squarely placed within the wider Whitehall economic debate, thus putting a Treasury brake on potential MoD moves for increased spending. Nevertheless, Admiral of the Fleet, Lord Hill-Norton, Chief of the Defence Staff (CDS) at the time of its inception, claimed later not to be particularly perturbed about the DSWP as he 'didn't think [it] was going to make any difference one way or another'.⁴⁶ However, others have argued that the creation of the DSWP signalled the Government had initiated a Defence Review without any public announcement.⁴⁷ Moreover, Treasury input to the DSWP was quickly followed by their argument that at 6% of GNP, British defence spending was higher than the NATO average of 4.2% and Britain's relative economic weakness meant it could no longer afford to set an example to its allies. The Treasury was determined to treat the MoD as another Government department, not as a special case. It also maintained that defence spending retarded economic growth as it reduced the amount which could be earmarked for productive investment in the economy. This was an argument repeatedly cited by defence's detractors over the following years. It had particular resonance during the economic travails of the mid to late 1970s. The Treasury and the MoD held differing viewpoints over the argument's validity, while politicians were similarly divided.

Britain's economic weakness was manifest by 1973. The Government's attempts to end the economy's stop-go cycle failed.⁴⁸ The 'Barber Boom' arising from the 1972 Budget's 'dash for growth' caused the economy to badly over-heat, fuelling inflation rather than ushering in the anticipated winning combination of steady economic growth, stable prices, full employment and balance of payments surplus. Recession began before the drastic rise in oil prices which followed the Arab-Israeli War (October 1973). A programme of severe public expenditure cuts was imminent.

Carrington was frustrated at plans by Barber to make significant Defence Budget cuts over the next four to five years. Barber wanted to reduce defence spending from 5.5% to 4.5% of GNP within four years. Carrington was concerned about the operational and foreign policy implications of savings on this scale. He did not believe NATO allies would be impressed and the 'very grave consequences' to Britain's credibility was summed up in a memorandum he circulated to Cabinet

⁴⁶ David K Boren, 'Britain's 1981 defence review' (PhD thesis, King's College London, September 1992), p. 71.

⁴⁷ *Ibid.*, p. 72.

⁴⁸ The DSWP's interim report of 27 November 1973 emphasised, 'Over the next decade or so, all the evidence suggest that our economic strength will decline compared with that of our European allies'. Moreover, this was based on the upbeat assumption that UK GNP would grow at 3.5% annually from 1972 to 1985. See TNA, DEFE 11/805, folio E21.

colleagues on 23 October 1973. Carrington offered smaller reductions and was scathing about the potential political and reputational damage arising from Barber's recommendations: 'The effect of the Chancellor's proposals on the size and quality of British support for NATO would make a mockery of what we have done in the past to urge on our Allies the need to improve Europe's defence effort, and would thus undo much of what we have achieved over the past three years.'⁴⁹ Although Carrington was able to stave off the deepest, short-notice cuts, in the meantime, the cross-Whitehall DSWP was tasked with examining the implications of reducing the defence budget to 4.5% of GNP.⁵⁰

The signals were evidently worrying. Discussions at the AFB meeting on 7 May 1973 indicated a growing belief that reductions to public spending, including defence expenditure, would be required towards the end of the year. The Treasury had already asked the MoD to work up two alternative assumptions for major reductions. In the context of the Long Term Costing (LTC) for 1973 it was thought the most difficult challenges would be faced in 1974-75, the first year of the costing period and in 1977-78 when there was major provision for spending on the MRCA. It was envisaged that savings would need to be found mainly from the equipment budget. Any manpower savings in this timescale would only be forthcoming from more adjustments to the intake figures or by extending tour lengths.⁵¹

In the meantime, within MoD, a DSWP Steering Group was created in November 1973 at the instigation of Field Marshal Sir Michael Carver, the incoming CDS. It was chaired by Arthur Hockaday, Deputy Under-Secretary (Policy and Programmes) at the MoD, with the objective of achieving better Service and Central Staffs coordination. Hockaday emphasised the potential benefits of the Steering Committee in effectively communicating the Defence case:

⁴⁹ TNA, CAB 129/172, CP(73)113, 'Defence Budget Targets', Memorandum by the Secretary of State for Defence, 23 October 1973.

⁵⁰ Michael Carver, *Out of Step: The Memoirs of Field Marshal Lord Carver* (London: Hutchinson, 1989), pp. 439-440. Carver described Heath refereeing the final round of the dispute between Carrington and Barber at Chequers.

⁵¹ TNA, AIR 6/188, AFB, 7(73), 7 May 1973, Secret Annex Item II, LTC 1973. The RAF programme had already been 'severely pruned' during the earlier stages of this LTC exercise, though concurrently provision had been made for the purchase of additional Jaguars and Harriers and the running-on of the Lightnings. A host of savings in various programmes were discussed by the Board. Sir Denis Spotswood emphasised the need for a thorough examination of the MoD's fast rising research and development spending. By 1973-74 this was £418m, having been £222m in 1970. Ministers attributed this to the MRCA and other sophisticated equipment.

He believed that considerable cooperation would be needed in preparing the papers in which the MOD would present the Services rationale underlying the Defence Programme to the Treasury. He hoped that they would be of benefit to the Secretary of State in resisting possible further arbitrary cuts in defence expenditure by demonstrating the effects of such cuts on commitments and not merely on, for example, equipment or building programmes which have less impact on Ministers.⁵²

The DSWP produced an Interim Report on 27 November 1973 which was sent to the Prime Minister, Foreign Secretary, Sir Alec Douglas-Home, as well as to Carrington and Barber.⁵³ No decisions were sought from Ministers, though the report underlined that to play its part in preserving an adequate NATO deterrent against Soviet aggression, ‘the UK should maintain approximately the present defence effort’.⁵⁴ The report covered the first stage of the DSWP study, namely the future threat to British security, British defence commitments and defence contributions to NATO and the effect of currently planned defence effort on public expenditure and on the wider economy. The second part of the study was viewed as more crucial. This was to contain detailed work on the defence programme for the second half of the LTC period in terms of commitments, the MoD’s assessments of the capabilities needed to meet them and the implications of alternative levels of resource allocation. The DSWP planned to complete its task by June 1974.⁵⁵ Carrington was pleased with the report – ‘well written and well presented’ – and approved the DSWP’s timetable and Steering Group.⁵⁶ Barber wrote to Carrington on Christmas Eve 1973 praising the report, though emphasising that the main value of the studies so far lay in ‘clearing the ground for the further remaining work on the options on defence policy and expenditure in the somewhat longer term’.⁵⁷ The Treasury most definitely had defence spending under scrutiny.

Indeed, by early 1974, in view of the deteriorating economic situation, the Chiefs of Staff were increasingly reconciled to the prospect of a Defence Review. The

⁵² TNA, DEFE 11/805, COS 24th Meeting/73, 20 November 1973, Item 5.

⁵³ *Ibid.*, folio E21, DSWP Interim Report, 27 November 1973.

⁵⁴ *Ibid.*, folio E23, Hockaday (Chair, DSWP Steering Group) to PS/PUS, 28 November 1973.

⁵⁵ *Ibid.*, folio E21, DSWP Interim Report, 27 November 1973.

⁵⁶ *Ibid.*, no folio number, PS/SofS to Hockaday (Chair, DSWP Steering Group), 3 December 1973.

⁵⁷ *Ibid.*, folio E25, CHX to SofS, 24 December 1973. However, one obituary noted that under Barber, the Treasury’s voice in Whitehall was probably weaker than it was after 1979. See Dennis Kavanagh, ‘Obituaries: Lord Barber’, *Independent*, 19 December 2005; ‘Lord Barber – Obituary’, *Daily Telegraph*, 19 December 2005.

Permanent Under-Secretary (PUS) at the MoD, Sir James Dunnett, underlined to the Chiefs on 5 February 1974, 'that substantial cuts in public expenditure, including defence expenditure, were inevitable' though he hoped the Treasury might defer some reductions until 1976-77, to 'achieve sensible economies'. Spotswood, wanted to warn Ian Gilmour, appointed Defence Secretary on 8 January 1974,⁵⁸ that a proposed '£260m cut [for 1975-76] was unacceptable if present commitments were to be retained'. Cuts on this scale [around 7% of the Defence Budget] necessitated a 'full Defence review'.⁵⁹ The Chiefs agreed that: 'In view of the current economic situation, a defence review appeared to be inevitable, and it was a matter of judgement when this should be initiated.' Moreover, they argued that if these savings were deemed necessary, the reduced resources available to Defence would mean the Services could no longer meet their full range of commitments.⁶⁰ Carver believed that whatever the outcome of the General Election of 28 February 1974, the incoming Defence Secretary would want to ascertain the state of the budget or carry on the 1975-76 Savings exercise. The timetable for the exercise, initially based on providing ministers with options by mid-1974 was accelerated, initially at the behest of the Treasury so it could form a background for the 1974 Public Expenditure Survey decision, although the MoD remained adamant that it was committed to a thorough and proper examination of the options. Carver now ordered the second part of the DSWP's study to be completed as soon as possible as it would lay out 'comprehensively the inter-relation between our current commitments and

⁵⁸ David Wood, 'Lord Carrington put at head of a new Department of Energy – Mr Gilmour goes to Defence ministry', *The Times*, 9 January 1974. In the midst of the energy crisis Heath created a new Department of Energy and appointed Lord Carrington as Secretary of State on 8 January 1974. Heath's old friend, Anthony Kershaw, stood down as Under-Secretary of State for the RAF and was replaced by Lord Strathcona and Mount Royal.

⁵⁹ TNA, DEFE 4/280, COS 1st Meeting/74, 5 February 1974. Like his friend and political ally Lord Carrington, Gilmour served with the Grenadier Guards in the Second World War. Gilmour was well versed on Defence. Throughout the Heath government he was at the MoD. He progressed from Under-Secretary for the Army to Minister of Defence Procurement (1971), then in November 1972 Minister of State under Carrington. However, there were doubts about his ability to fight the MoD's corner. His obituary in the *Daily Telegraph* observed: 'In his time at the ministry he convinced many of his colleagues that, despite his competence, he did not have the killer instinct necessary to defend a major department of state. He did, though, feel passionately about the defence of the West, and emerged resolutely opposed to the Warsaw Pact'. 'Obituary, Lord Gilmour of Craigmillar', *Daily Telegraph*, 24 September 2007.

⁶⁰ TNA, DEFE 4/280, COS 1st Meeting/74, 5 February 1974.

our capabilities and their costs [and] be an excellent basis on which to tackle the difficult defence programme planning decisions that lie ahead.’⁶¹

In the interim, short-term reductions were imposed on Defence. In May 1973, Defence expenditure for 1974-75 was cut by £60m. A further cut of £12m was announced in October. The Air Force Department (AFD) share of the former was between £19m and £21m. There was a preference to identify further savings in the works programme in order to retain more operational items.⁶² The *Royal Air Forces Quarterly* was distinctly unimpressed. It quoted Douglas-Home’s speech to the Central Treaty Organisation (CENTO) Ministerial Council meeting (Tehran, 10 June 1973) when he observed Warsaw Pact strength ‘continues to grow apace on land, at sea and in the air’ before warning: ‘Our survival depends absolutely on the efficient organisation of collective defence.’ However, in response: ‘The Conservative Government...recently announced cuts in government expenditure as one of a number of measures to combat inflation; but these cuts include a reduction in the planned defence expenditure which was already inadequate.’⁶³ It would only get worse - as the year progressed the Defence Budget came under even greater pressure. At the end of August, the AFD encouraged increased economies outside the operational field. Further savings were sought in personnel, training and support, with the pilot recruiting target for 1973-74 reduced from 200 to 180, thus risking a pilot deficit. It was maintained this could be managed if training capacity could be increased under pressure to 230. Moreover, it was essential for senior officers to be ‘fully seized’ by the importance of these economy measures.⁶⁴ The pressure mounted. Works expenditure in the public sector was reduced by £100m, with Defence making a £4m contribution to this. The MoD was then directed to find additional savings of £15m in the equipment budget. Fortunately, it was hoped the latter would be met by anticipated underspends by the Navy and Army departments and no specific contribution had been sought thus far from AFD.⁶⁵

⁶¹ TNA, DEFE 11/805, folio E29, CDS to CNS, CGS and CAS, 12 February 1974. Carver wanted the paper on the relationship between capabilities and commitments to be available by 8 March. See also DEFE 11/805, folio E5, Hockaday (Chair, DSWP Steering Group) to PS/SofS, 9 November 1973.

⁶² TNA, AIR 6/188, AFB, 8(73), 21 May 1973, Secret Annex Item I, Conclusions of AFB 7(73). As well as reductions to the works programme, savings were proposed in general support, the Medium Lift Helicopter was postponed, and the Medium SAM missile project was to be cancelled or postponed. Provision for the Lynx helicopter project remained unchanged.

⁶³ Wing Commander R F Pemberton, ‘Political Aspects of Defence’, *The Royal Air Forces Quarterly*, Volume 13, Number 3, Autumn 1973, pp. 243-246.

⁶⁴ TNA, AIR 6/188, AFB, 10(73), 30 August 1973.

⁶⁵ *Ibid.*, 11(73), 8 October 1973, Confidential Annex A Item I, Conclusions of AFB 10(73). The works expenditure saving was to be achieved through a three-month moratorium on new contracts.

Moreover, as the economic situation deteriorated dramatically with the Arab-Israeli War and subsequent global energy crisis, involving a four-fold hike in fuel costs, the Government cut the defence budget for 1974-75 by £178m - £16m from capital expenditure and the remainder from procurement.⁶⁶ This formed part of £1,180m public expenditure cuts for 1974-75 announced by Barber on 17 December 1973. It was expected Defence savings would be found by deferments rather than outright cancellations. The 1974-75 Defence estimate was reduced to £3,240m from £3,418m – in 1973-74 it was £3,398m. It also signalled that cumulative Defence savings of nearly £250m for the financial year 1974-75 had already been confirmed prior to the General Election.⁶⁷ Some Cabinet Ministers demanded even deeper cuts. Sir Keith Joseph, Secretary of State for Social Services, questioned whether ‘spending of the order of £3,500m ... was justified in relation to the size and quality of our contribution to allied defences’. Gilmour offered to fulfil Carrington’s earlier pledge to provide a presentation to Ministers on the consequences for the Defence programme of large reductions. He believed the case for such a presentation was now greater than ever.⁶⁸

Further reductions ‘upwards of £300m’ per annum were on the horizon had the Conservatives won either General Election in 1974⁶⁹ and preparations were in tow for some form of Defence Review. A few months later in Opposition, Gilmour claimed the Conservatives ‘had made cuts which left very little fat on the Services’, so Labour thus had no justification for further reductions. Some of his own backbenchers openly remarked later that both parties were as bad as each other in reducing Defence.⁷⁰ The House of Commons Expenditure Committee was also critical in February 1974 of the MoD for continuing to base ‘their forward defence

⁶⁶ Parliamentary Staff, ‘Equipment for forces cannot escape cuts’, *The Times*, 19 December 1973.

⁶⁷ TNA, DEFE 13/1005, folio 36/1, Omand (APS/SofS) to SofS, 5 November 1974, short note on defence expenditure. The Defence specialist David Greenwood highlighted ‘two downward adjustments to the target Estimate for that financial year [1974-75] of £50m in May and £19m in October’ in addition to the £178m cut in December 1973, producing a total reduction of £247m. See David Greenwood, ‘Why fewer Resources for Defence? – Economics, Priorities and Threats’, *The Royal Air Forces Quarterly*, Volume 14, Number 4, Winter 1974; ‘British Defence Cuts’, *Flight International*, 3 January 1974, p. 20.

⁶⁸ TNA, DEFE 11/805, folio E27, PS/SofS to PS/PUS, ‘Defence Presentation to the Cabinet’, 25 January 1974. Sir John Hunt, Cabinet Secretary, hinted a date in late February would be appropriate for Gilmour’s presentation but the proposal was overtaken by events.

⁶⁹ Editorial, ‘Are They The Right Cuts?’, *The Times*, 4 December 1974; Editorial, ‘There Is More Safety in Realism’, *The Times*, 2 August 1976.

⁷⁰ House of Commons, Parliamentary Debates (Hansard) 13 May 1974 vol 873, no 38, cc 901-902, 954, 961 [not on the electronic version of *Hansard*.] Julian Critchley MP, who was concerned at the leftward drift of Labour, admitted when it came to Defence spending: ‘We reduce it and Labour Governments reduce it, as they did between 1964 and 1970.’

budget on what are no longer realistic projections of the future growth in the Gross National Product'. If the MoD continued to believe that expenditure projections contained in 'Public Expenditure to 1977-78' and based on an annual rate of growth of 2.5%, were likely to be achieved, then each succeeding year was likely to be marred by further damaging short-term cuts.⁷¹

Nor was there any prospect of solace for the MoD from the Opposition and their former Secretary of State. In responding to Barber's spending cuts announcement, Shadow Chancellor Denis Healey asked:

Why is he [Barber] not prepared to submit less necessary public expenditure projects like Maplin [proposed airport], the Channel Tunnel, and above all, defence, to a disproportionate cut compared with the more essential element in public expenditure?⁷²

Although some backbench Conservatives cried 'too much' when Barber announced the £178m cut, Labour backbenchers, unimpressed at the size of the reduction, shouted 'Nothing' in the Chancellor's direction.⁷³ Labour's commitment in opposition to reduce Defence spending, enshrined in a 1973 Party Conference resolution, is discussed in chapter two.

Savings were the main topic when the AFB met on 19 November 1973 to discuss the target figures to which the LTC for 1974 had to be related. Ministers agreed the MoD had to find savings of £30m in 1975-76 and £110m in 1976-77. The Board was warned that Carrington had asked for preparatory work to be started in anticipation that the MoD might have to make further spending cuts in 1973-74 and 1974-75. Paradoxically, as the economy slowed down in the winter of 1973-74 and industrial capacity became ever more limited, major programmes were delayed generating considerable underspends. The RAF's share of the Procurement Executive's £100m underspend was £30m. Concurrently, as economic problems mounted, discontent about pay and conditions within the RAF was discernible with criticism of the top brass. Many airmen were supplementing their earnings by 'moonlighting' in other areas of work. The Air Member for Personnel talked of a 'loss of confidence in the ability of senior management to secure comparable pay

⁷¹ 'Expenditure Committee reports on defence', *Flight International*, 28 February 1974, pp. 275-276.

⁷² Parliamentary Staff, 'Discrimination against public sector will undermine appeal for unity', *The Times*, 18 December 1973.

⁷³ *Ibid.*

and conditions of service'.⁷⁴ This relative deterioration in conditions of service was not seriously addressed for another five years.

The AFB viewed the £178m reductions in the Defence Budget as falling within the Public Expenditure Survey Committee (PESC) categories of 'capital' and 'procurement of current goods and services'. It was anticipated that substantial Air Force savings in procurement would be found from slippage arising from the slowing down of industrial production resulting from the energy crisis and ensuing Three Day Week. However, this was not without effect. Slippage meant a reduction in deliveries to the RAF in 1974-75. More widely, four areas of savings were outlined in the equipment budget – general slippage, deliberate slowing down on particular items, deferments and cancellations. The impact of general slippage was forecast to be 'very substantial indeed'. As the economy slowed the AFB agreed that specific cuts or postponements should, if possible, be delayed until Controller Aircraft was more able to accurately assess the industrial situation.⁷⁵

The rapidly developing situation continued into 1974. Further cuts were evidently in the pipeline. In January, the Treasury formally requested the MoD to investigate the implications of making a cut of £235m in planned expenditure in 1975-76. In response, Gilmour asked the Chiefs to 'provide him with a defensive brief illustrating the very serious effects of such a major reduction and of the consequential adjustments it would require in the years immediately following'. In the case of the RAF the situation was further complicated because expenditure of nearly £300m might slip beyond the 1974-75 financial year because of the decline in industrial production and other factors.⁷⁶

On a practical level, the hike in fuel prices hampered RAF activity. Across the Services a 10% cut in fuel use was imposed and as costs soared flying training was curtailed and more rigidly prioritised.⁷⁷ In the meantime, the *Statement on the*

⁷⁴ TNA, AIR 6/188, AFB, 13(73), 19 November 1973, Confidential Annex A Item II.

⁷⁵ *Ibid.*, 14(73), 17 December 1973, Secret Annex A Item II.

⁷⁶ TNA, AIR 6/188, AFB, 2(74), 21 January 1974, Confidential Annex A Item II, LTC 1974. The Board identified underspending against the provisional targets for 1975-76, 1976-77 and 1977-78, which it attributed to a series of adjustments made by AFD to achieve a series of short-term economies. As the emphasis was on the need to strengthen front-line capabilities, DUS (Air) considered it right to eliminate this underspending.

⁷⁷ <http://hansard.millbanksystems.com/commons/1974/feb/05/flying-training> HC Deb 5 February 1974, vol. 868, cc 1026-7; Parliamentary Staff, 'Services make over 10% cut in fuel consumption', *The Times*, 6 February 1974. The reduction in flying effort for RAF units varied according to the priority of their tasks. University air squadrons reduced their level of flying by 25%; air experience flights were to be reduced by 80%. Essential activities such as air defence were exempt from fuel economies. Ministers

Defence Estimates for 1974 was circulated to the Defence and Oversea Policy Committee and wider Cabinet by Gilmour. Heath, following consultation with a small group of interested ministers, called for the insertion of an additional passage on the need to maintain the nuclear deterrent and improve the Polaris missile system, costs being met from the existing Defence Budget. Publication was planned for 13 February, but the General Election campaign intervened. No White Paper containing the *Defence Estimates* was published in 1974.⁷⁸ Indeed, as election day approached Parliamentary concerns were aired about the cost of big-ticket equipment programmes. Both the Navy's Through Deck Cruisers [small aircraft carriers] and the MRCA caused the Commons' Expenditure Committee to warn about costs. Although the RAF's need for such an aircraft was recognised, it was estimated that Britain's share of the common development of the aircraft might be between 80 and 90% above the figure estimated in 1971.⁷⁹

In the RAF it was also a moment for change at the top. Spotswood's tenure as CAS ended on 31 March 1974. He became Vice-Chairman of the newly nationalised Rolls-Royce (1971). Media reports highlighted how Spotswood had 'led an astonishing economy drive aimed at making the service more cost-efficient' and had presided over RAF rationalisation, when home commands had been cut from eight to three.⁸⁰ Reflecting on his period as CAS, Spotswood noted there were two key fundamentals: 'Firstly, the need to improve both the quantity and quality of the front line and secondly, the need to organise our forces in such a way and to provide for their optimum utilisation by the major NATO commanders.' However, in aiming to attain these goals, Spotswood underlined financial constraints, significantly inflation and rising costs of manpower and equipment. He reflected on the efforts

claimed that in December 1973 the three Services achieved a saving in total oil consumption of over 10%.

⁷⁸ TNA, CAB 129/174, CP(74)5, 'Statement on the Defence Estimates 1974', Memorandum by the Secretary of State for Defence, 21 January 1974; CAB 148/139, DOP(74)5, 'Statement on the Defence Estimates 1974', Memorandum by the Secretary of State for Defence, 11 January 1974; CAB 128/53, CM(74)4th Conclusions, 24 January 1974. The programme of improvements to the Polaris missiles, designed to penetrate the Soviet anti-ballistic-missile system, was codenamed Chevaline and later explained to the Commons by Francis Pym on 24 January 1980. In February 1974 even the biggest critics of updating Polaris put the likely cost at around £100m. See <http://hansard.millbanksystems.com/commons/1974/feb/05/polaris-missiles> HC Deb 5 February 1974, vol. 868, cc 1022-3. Both Heath and Carrington approved the decision to update Polaris with the Chevaline modernisation programme. Lee, *Carrington*, p. 244.

⁷⁹ Henry Stanhope, 'Warning on cost of new war weapons', *The Times*, 22 February 1974. Missile developments were also highlighted, suggesting that air defence requirements might be met more cheaply by other means.

⁸⁰ Henry Stanhope, 'Chief of Air Staff joins Rolls-Royce board', *The Times*, 29 December 1973.

to reduce manpower and support costs but maintained these administrative changes and economies helped provide for additional squadrons and improvements to the air defence system. There were more Photographic Reconnaissance (PR) aircraft, while a new generation of aircraft including the Nimrod, Hercules, Phantom, Buccaneer, Harrier and Jaguar were operationally employed in the early 1970s. Spotswood emphasised the advantages of flexibility, demonstrated in exercises and routine operations, that Strike Command had over the older functional commands:

The Command with its 800 aircraft and carrying out every role of a modern air force, was built on and demonstrates to perfection... flexibility of air power ... which is particularly apposite for a Command that operates within the command boundaries of all these major NATO Commanders.⁸¹



Hawker Siddeley Harrier GR.1s of No. 20 Squadron based at Wildenrath, Germany during Exercise GRIMM CHARADE, a field deployment exercise in July-August 1973. XV808/T is pictured on the hover, preparing to land, as a second aircraft is recovered to its hide in the trees. Photograph: AHB (RAF).

Britain's air power effort was now firmly centred on the RAF's NATO commitments and working with close allies on major programmes. The impact of

⁸¹ ACM Sir Denis Spotswood, 'Retrospect and Prospect', *The Royal Air Forces Quarterly*, Volume 14, No 1, Spring 1974, pp. 5-6.

rising costs and the need for improved operational capabilities, such as in electronics, had encouraged a policy of building aircraft capable of fulfilling more than one role. Alongside this, to share the costs of Research and Development (R&D) and benefit from larger production runs, collaborative partnership with other states was judged beneficial. This involved working with France on the Jaguar and the Puma helicopter. Looking ahead, Spotswood had played an important role in the negotiations with the West Germans and Italians for the joint provision of the MRCA deemed vital for the development of the RAF over the coming decades.⁸² The Interdiction Strike (IDS) and Air Defence (AD) variants of the MRCA were to replace five existing aircraft - the Buccaneer, Vulcan, Canberra, Phantom and Lightning – to meet the RAF's strike/attack, reconnaissance and air defence requirements. The Vulcans were to be phased out from 1979 and the Buccaneers and Canberras a year later, to be progressively replaced by the MRCA IDS.

There was a degree of optimism that although the modernisation and re-equipment of the RAF's front line required careful phasing of expenditure and stringent economy in everyday running costs, it would be possible over the next 15 years to provide for a balanced force which would meet Britain's needs. One senior officer outlined the enticing vision:

Our plans were completed and we looked forward with reasonable confidence to the introduction of the MRCA, the modernisation and improvement of our air defences, the completion of the Jaguar programme, the introduction of a new strategic transport to replace the Britannia and Hercules, a new airborne early warning aircraft, a replacement for the Wessex, the introduction of greatly improved conventional weapons, more advanced satellite communications and so on. It was all mapped out. These plans would have provided the means to continue to meet all commitments as they then stood well into the 80s.⁸³

The AFD programme in LTC 74 was indeed ambitious. Major elements included the completion of Jaguar and Harrier programme in the early years, increasing emphasis in the middle years on the development and introduction of the MRCA, Shackleton Airborne Early Warning (AEW) replacement, the modernisation of the Victor tanker and Nimrod Long Range Maritime Patrol (LRMP) fleets, R&D for the

⁸² 'Marshal of the RAF Sir Denis Spotswood – Obituary', *Daily Telegraph*, 11 November 2001.

⁸³ AVM P.D.G. Terry, 'The 1974 Defence Review – One Man's View', *The Royal Air Forces Quarterly*, Volume 15, Number 2, Summer 1975, pp. 97-101.

longer term replacement of the Harrier/Jaguar force and provision for a new transport aircraft towards the late 1970s. Further purchases of Jaguar and Harrier were envisaged, largely funded by the savings from vigorous RAF economy measures and heavy associated expenditure on new weapons and support systems was planned. The programme could only be achieved with a rise in the AFD's share of the Defence budget by a constant 5½% of a rising GNP, from £1,750m in a 1974-75 to an average of £2,100m in the early 1980s.⁸⁴

It seemed the RAF had its house in order. The tough efficiencies of the early 1970s had brought about a rationalised, streamlined force ready for the coming decade. Its most expensive programme, the MRCA, eventually surmounted various challenges and achieved operational service as the Tornado. However, in the interim, the RAF was about to confront a series of painful and frustrating reductions, involving aircraft, manpower, stations and support. The viability and even the existence of the RAF itself would be questioned, aircraft and personnel numbers would shrink, and morale would drop alarmingly.

⁸⁴ TNA, AIR 6/194, AFBSC, (76)8, 'RAF Policy and Programme', Note by DUS(Air), Annex A, 19 October 1976; AIR 8/2637, proposed DUS(Air) presentation at AFBSC meeting with Cs-in-C, 12 September 1974.

Chapter 2

The 1974-75 Defence Review

‘They are on a scale considerably larger than that proposed by any other Ally in recent years; they affect in varying degrees the validity of the NATO defences in all Regions of the Alliance...and would correspondingly weaken NATO’s conventional military capability vis-à-vis the Warsaw Pact’ – Dr Joseph Luns, Secretary-General of NATO, letter to Roy Mason, Defence Secretary, on the proposed Defence Review reductions, 10 February 1975¹

The Requirement for a Review

The focus of this chapter is on the operation and mechanics of the 1974 Defence Review. As the previous chapter showed, work towards a review had already started before Edward Heath called a General Election, held on 28 February. In addition, the Labour Party’s manifesto said: ‘We shall in consultation with our Allies progressively reduce the burdens of Britain’s defence spending to bring it into line with those carried by our main European allies.’ The objective was to reduce Defence spending as a proportion of GNP to a figure similar to the UK’s NATO allies in Europe. The manifesto was vague about anticipated savings: ‘Such a realignment would, at present levels of Defence spending, mean savings on Defence expenditure by Britain of several hundred million of pounds per annum over a period.’²

The Cabinet Secretary also thought Defence commitments were unaffordable. Sir John Hunt recommended that the incoming Government initiate a Defence Review. Hunt discussed with Sir James Dunnett, PUS at the MoD, the possibility of a Steering Committee to give guidance to the Defence Studies Working Party (DSWP), assuming this recommendation was accepted by the new Prime Minister.³ When Labour returned to power as a minority administration, Hunt referred to Labour’s manifesto passage in a minute to Harold Wilson. Hunt advised the UK lacked the necessary means to maintain existing Defence commitments over the next decade. Following discussions with the Permanent Under-Secretaries in the

¹ TNA, CAB 148/155, OPD(75)3, ‘The Defence Review – Consultations with Allies’, Memorandum by the Secretary of State for Defence, 17 February 1975, see Annex B.

² Labour Party Manifesto for February 1974 General Election, *Let us work together – Labour’s Way out of the Crisis*, <http://www.politicsresources.net/area/uk/man/lab74feb.htm> (accessed 5 May 2016). Britain was spending less in *per capita* terms on Defence than its main European allies.

³ TNA, T 225/4161, folio 2B, Hunt (Cabinet Secretary) to Dunnett (PUS), 25 February 1974. See Philip Dyson, ‘The Limits of Influence: The Treasury, the Ministry of Defence and the 1975 Defence Review’ (MA dissertation: King’s College London, 2012), p. 18.

MoD, FCO and HM Treasury, Hunt recommended a wide-ranging review of Defence policy.⁴ He proposed to chair a Steering Committee comprised of these officials, the Chief of the Defence Staff (CDS) and perhaps the Head of the Central Policy Review Staff (CPRS).⁵ The Steering Committee would be supported by the cross-departmental DSWP, formed the previous year. The Steering Committee's proposed terms of reference were:

To review defence policies and priorities taking into consideration probable constraints upon public expenditure in the next ten years, to identify options for changes in our capabilities and commitments, taking into account the implications for our defence and overseas interests, and to make recommendations to the Defence and Overseas Policy Committee [DOPC] not later than July 1974.⁶

Wilson minuted: 'Yes, but please consult Chancellor and Secretary of State Defence first.'⁷ Denis Healey, the new Chancellor of the Exchequer,⁸ and Roy Mason, the new Defence Secretary, agreed to a Defence Review on the lines suggested.⁹ Mason did not think it practicable to obscure that Defence spending was being reviewed. He hoped some general reference might be made in the Queen's Speech debate.¹⁰ The DOPC would provide ministerial oversight throughout the Review period. Hunt's Steering Committee reported to it, first meeting on 25 March.

The CDS, Field Marshal Sir Michael Carver, hoped the Chiefs could 'seize the initiative by proposing their own terms of reference for a Defence review' and harness the existing DSWP machinery to ensure military advice was provided by the Chiefs of Staff Committee.¹¹ He emphasised their views would be significant at three stages in the process - first, in the preparation of DSWP papers, secondly,

⁴ TNA, PREM 16/27, folio 1, Hunt (Cabinet Secretary) to PM, 5 March 1974.

⁵ TNA, T 225/4161, folio 6, Dunnett (PUS) to Hunt (Cabinet Secretary), 27 February 1974.

⁶ TNA, PREM 16/27, folio 1, Hunt (Cabinet Secretary) to PM, 5 March 1974.

⁷ *Ibid.*, folio 2, Bridges (PS/PM) to Hunt (Cabinet Secretary), 6 March 1974.

⁸ Not only had Healey been Defence Secretary throughout the Wilson government of 1964-1970, he had also served in the Royal Engineers in North Africa, Sicily and Italy, reaching the rank of Major. He was awarded the military MBE for service as a beachmaster during the Anzio landings (1944) and was also mentioned in Despatches. At the MoD and HMT he did not hold back from taking tough decisions. Obituaries, 'Lord Healey', *Daily Telegraph*, 5 October 2015; Obituaries, 'Lord Healey', *The Times*, 5 October 2015.

⁹ TNA, PREM 16/27, folio 7, Hunt (Cabinet Secretary) to PM, 15 March 1974; folio 8, Bridges (PS/PM) to Hunt, 18 March 1974.

¹⁰ TNA, T 225/4161, folios 27-29, Dunnett (PUS) to Hunt (Cabinet Secretary), 12 March 1974.

¹¹ TNA, DEFE 4/280, COS 4th Meeting/74, 5 March 1974.

when the PUS and CDS attended Steering Committee meetings and thirdly through the normal DOPC channels. Dunnett thought Hunt had little option but to recommend a comprehensive review of Defence policy. The CAS, ACM Sir Denis Spotswood, was more cautious and suggested waiting to meet the new Defence Secretary to gauge his views on the review's implementation. In conclusion, it was agreed to approve the procedure and terms of reference for a Defence review with some amendments for use in future discussions with the Secretary of State.¹²

The new Defence Secretary, Roy Mason, was on the Labour Right, pro-nuclear weapons, a 'no-nonsense patriot' and a former Defence Equipment Minister under Healey (1967-68). He had a difficult brief. The Labour Left, and indeed many moderates, sought considerable Defence cuts, on the lines demanded by the 1973 Party Conference Composite Resolution 12. This called for a reduction in military spending 'initially of at least £1,000m per year'.¹³ They claimed research and development devoted to defence was a waste of investment and hampered industrial progress. One vocal proponent highlighted, 'Japan, which directs less than one per cent of its GNP to arms and which uses its R[esearch] and D[evelopment] in other directions, had been able to sweep the world in shipbuilding, cars, television sets and cameras.'¹⁴ The moderate head of Wilson's new No 10 Policy Unit, Dr Bernard Donoughue, typified many in the Party, describing 'the disgraceful "fat" in defence' and the 'wasteful' MoD.¹⁵ Few noticed that reducing defence spending in GNP in percentage terms since 1945 had not improved economic performance.¹⁶ On his

¹² Ibid.

¹³ TNA, PREM 16/328, 'Defence Expenditure – Memorandum by the Rt Hon Roy Mason MP', January 1975. CDS later described Mason as 'a sturdy, tough Yorkshire miner' who believed he could win MoD's battles using the same methods of negotiation and influence that he had used to establish himself in the National Union of Mineworkers and in the Labour Party'. See Carver, *Out of Step*, p. 440.

¹⁴ Frank Allaun, 'Britain's defence spending', *The Times*, 7 May 1974. Allaun, Labour MP for Salford East, was Chairman of Labour Action for Peace. He was part of a Labour National Executive Committee (NEC) delegation which met Mason on 20 January 1975 and demanded deeper Defence cuts of £1,000m per annum. TNA, PREM 16/328, Omand (APS/SofS) to Dales (APS/Foreign Secretary), 21 January 1975 and correspondence with Labour Party General Secretary Ron Hayward; Hayward to Mason, 24 January 1975, Mason to Hayward, 4 February 1975.

¹⁵ Bernard Donoughue, *The Heat of the Kitchen* (London: Politico's, 2003), p. 170; Bernard Donoughue, *Downing Street Diary: With Harold Wilson at No 10* (London: Pimlico, 2006), p. 324, 6 March 1975; p. 351, 10 April 1975; p. 593, 3 December 1975.

¹⁶ Lord Chalfont, 'Defence: Balancing security and savings', *The Times*, 3 September 1974. The MoD noted that based on constant prices, Defence expenditure fell by 11% between 1968-69 and 1974-75. In contrast, Health spending rose by 23%, Education expenditure rose by 25% and Social Security spending jumped by 71% during this period. TNA, DEFE 25/275, folio 14, Hockaday (DUS(P&P)) to PS/SofS, 17 July 1974.

appointment, Mason was warned by Wilson, 'It'll be tough'. Mason appreciated the political challenges:

In Labour circles, Defence was by far the least popular department in Whitehall. Many party members, not to mention an influential minority of our MPs, thought it was a waste of money to maintain our military strength at such a high level of preparedness. Some wanted us to abandon our nuclear deterrent unilaterally, an attitude reinforced by a pervasive, knee-jerk anti-Americanism. A few colleagues even managed to persuade themselves that the Soviet Union was a friend to mankind and posed no threat at all.¹⁷

Therefore, it was politically easier to cut defence more than any other major spending area to preserve party unity. This made Labour susceptible to the repeated Opposition charge that they put Party unity above Service interests.¹⁸ Numerous Labour MPs, particularly the Left-wing Tribune group, sought to scrap the nuclear deterrent. Their voice could not be ignored as Wilson's minority government frequently lost Commons votes. After a narrow General Election victory in October 1974, it gained a majority of three. By 1976, this was lost but skilful party and political management, including the Lib-Lab pact with the Liberals, allied to the self-interest of smaller parties in avoiding an early General Election meant the Government survived until May 1979.



Roy Mason, Secretary of State for Defence, 1974-76. Photograph: Public Domain.

¹⁷ Roy Mason, *Paying the Price* (London: Robert Hale, 1999), p. 123.

¹⁸ House of Commons, Parliamentary Debates (Hansard) 13 May 1974 vol 873 no 38 c 899.

Dozens of Labour MPs voted against the party whip in defence debates. Defence issues caused great agitation. Wilson's announcement in June 1974 that a British nuclear test had been carried out under American auspices, the first since 1965, met with fury from the Left and some Cabinet colleagues were dismayed they had not been consulted.¹⁹ Wilson, Foreign Secretary James Callaghan and Mason remained resilient in supporting proposed improvements to the deterrent, insisting the cost of Polaris was less than 2% of the defence budget, a small price to pay for the advantages it gave Britain on the international stage.²⁰ The February 1974 manifesto called for participation in multilateral disarmament, initially seeking 'the removal of the American Polaris bases from Great Britain'.²¹ This would not happen with Wilson, Callaghan and Mason in post but reflected the strong beliefs held by many in the party. Other tricky Defence issues included the sale of arms to the new right-wing regime in Chile, arising from a bloody coup which had overthrown an elected Socialist president, and the Royal Navy's continued use of the Simonstown naval base, under the 1955 treaty with apartheid South Africa.

Reduction before Review

Although critics attacked Labour for citing economic factors to justify Defence cuts and obscure the political motivations behind the decision, the country's economic problems were considerable.²² Healey told the Cabinet on 14 March the economic situation was possibly the worst ever faced in peacetime and was deteriorating. Inflation was over 10%; the balance of payments deficit was around £1,500m, the borrowing requirement was £4,000m and growth had stopped.²³ The three-day week had further reduced GDP by 10% during the first two months of 1974, with industrial output falling by 20-30%.²⁴

¹⁹ TNA, CAB 128/54, CC(74)21st Conclusions, Confidential Annex, Minute 3, 27 June 1974. An American range in the Nevada desert was used to test a Polaris submarine new warhead.

²⁰ TNA, CAB 128/55, CC(74)47th Conclusions, 20 November 1974.

²¹ Labour Party Manifesto for February 1974 General Election, *Let us work together – Labour's Way out of the Crisis*, <http://www.politicsresources.net/area/uk/man/lab74feb.htm> (accessed 5 May 2016).

²² TNA, PREM 16/27, Robson, (PS/CHX) to Mumford (PS/SofS), 10 May 1974. The Treasury insisted it was wrong to say that the short-term economic position which the Government inherited drove the Defence Review. Their line was: 'the demands of defence on resources of all kinds have to be restrained because of our long continuing and prospective inability to sustain them whatever the short-term strains on the economy.'

²³ TNA, CAB 128/54, CC(74)3rd Conclusions, 14 March 1974.

²⁴ *Ibid.*; DEFE 25/275, *The 1974 Defence Review: Report by the Defence Studies Working Party*, p. 10 noted in July 1974 a likely £4,000m balance of payments deficit, equal to around 6% of Britain's GNP for 1974.

Healey wanted to announce the withdrawal of Britain's military presence East of Suez (other than Hong Kong) in his Budget Speech on 26 March. He sought the completion of unfinished business from 1968, though claimed he wanted to explain specific savings in a further cut in Defence expenditure for 1974-75, on top of the 1973 reductions.²⁵ Healey highlighted shortfalls of deliveries from industry and a £250m underspend in the 1973-74 Defence budget. He anticipated a considerable underspend in 1974-75 and argued it 'should be possible to secure a further saving on defence expenditure of £72m in 1974-75 [in addition to the £178m cut, December 1973] without doing any severe damage to the capabilities of the Forces.' Ominously he stated there would 'need to be severe restrictions on any new orders and perhaps cancellations of some existing orders.'²⁶

Healey's proposals were greeted with alarm by Hunt. He questioned the desirability of anticipating the Review by announcing a withdrawal from Singapore. Hunt warned Wilson that not only Mason and Callaghan, would have an interest in this but it 'would cause particular difficulties with the Americans'.²⁷ Mason was perturbed at Healey's proposals and his planned announcement. A Budget Speech was not appropriate to announce a major defence policy decision, particularly so soon after returning to office.²⁸ Mason conceded that the proposals incorporated the 1968 decision on East of Suez and implementation was now likely. He explained his intended approach to Healey:

I believe, however, that it would be quite wrong to tackle the "defence review" piecemeal. I intend to make it a principle of my administration of the Ministry of Defence, as it was of yours, that we should look at commitments, capabilities, and resources together; that we should review them carefully and rationally in the light of Britain's economic prospects; and that we should take at the end of the review a series of decisions in which commitments, capabilities, and resources will be properly balanced and tailored to each other. Not only do I wish this complex of problems to be properly examined across the board between the Departments concerned; but I regard it as important for the morale of the Armed Services, who undoubtedly

²⁵ TNA, CAB 129/175, C(74)4, Public Expenditure 1974-75, Memorandum by the Chancellor of the Exchequer, 12 March 1974.

²⁶ TNA, PREM 16/27, folio 3, CHX to SofS, 13 March 1974. TNA, CAB 128/54, CM (74), 3rd Conclusions, 14 March 1974.

²⁷ TNA, PREM 16/27, folio 4, Hunt (Cabinet Secretary) to PM, 13 March 1974.

²⁸ *Ibid.*, folio 5, SofS to CHX, 14 March 1974; CAB 128/54, CC(74)3rd Conclusions, 14 March 1974.

recognise that defence policy must be reviewed against the background of our economic circumstances, that they should clearly see that our eventual decisions result from a fresh and comprehensive examination.²⁹

Mason, sensitive to Wilson's emphasis on the approval of allies, underlined that the manifesto commitment to reduce spending was to be undertaken 'in consultation with our allies'. He called for wide-ranging, considered consultations.³⁰ Callaghan agreed and said the 'review should not be treated piecemeal' and 'early announcements without adequate preparation of the ground with the various Governments concerned will lead to unnecessary damage to our overseas interests'.³¹ Wilson recommended that 'the longer term reductions in the Defence Budget should be considered in the context of the Defence Review which should be pressed ahead as a matter of urgency'.³²

Mason reminded Healey that: 'reductions, whether in manpower or in equipment projects, tended in the short run to entail additional spending on redundancy payments and cancellation charges'.³³ Cancelled projects, delays, lost jobs in Defence industries and damage to Service morale would follow a £72m cut. He offered £30m of savings.³⁴ Wilson got Mason, Healey and Callaghan together on 21 March. Mason repeated that Healey's proposed reduction would mean 'genuine cancellations', with possible serious industrial consequences including unemployment and endangering collaborative projects with other states. Wilson eventually settled on a further £50m cut for 1974-75.³⁵

Adding Healey's reduction to the earlier Conservative cuts announced in May, October and December 1973, the House of Commons Expenditure Committee Defence and External Affairs Sub-Committee estimated Defence faced cuts of £346m at 1974 prices, a 16% reduction of planned spending in 1974-75. The Committee described such short-term cuts as 'disruptive'; any further substantial cuts would require a reduction in the roles, major equipment, activities or commitments of the armed forces and be concentrated in certain areas rather than

²⁹ TNA, PREM 16/27, folio 5, SofS to CHX, 14 March 1974.

³⁰ *Ibid.*

³¹ *Ibid.*, folio 9, Foreign Secretary to CHX, 18 March 1974.

³² *Ibid.*, folio 13, Note of a Meeting held at 10 Downing Street, 21 March 1974.

³³ TNA, CAB 128/54, CM(74)^{3rd} Conclusions, 14 March 1974.

³⁴ TNA, PREM 16/27, folio 10, SofS to CHX, 19 March 1974; no folio, SofS to PM, 19 March 1974; folio 11, CHX to PM, 20 March 1974.

³⁵ TNA, PREM 16/27, folio 13, Note of a Meeting held at 10 Downing Street, 21 March 1974.

spread across the board.³⁶ However, the three-day week had caused widespread slippage across the equipment programme. Fairly early in the financial year, the Chiefs assessed the £178m savings (December 1973) for 1974-75 could be met by slippage.³⁷

The Chiefs warned that slippage was not a painless method to secure short term savings. Increased purchase in later years of a programme might not be possible because the contractor may have insufficient capacity to accelerate production to achieve the original order or the increased spending required to complete the programme may be unavailable in the later years. Slippage involved real cuts and inefficiency. The task of finding Healey's £55m (at 1974 prices) of additional savings fell to the three Service departments and the Procurement Executive 'in proportion to their allocated shares of their general expenditure in 1974/75 on works and procurement'. Equipment programmes faced immediate cuts, though uncertainty arising from the commencement of the Defence Review had already led to reduced expenditure. To identify savings, the basis of selection incorporated the relationship to Defence priorities, largely related to the strategic priority of the UK's defence commitment to NATO. Comparative assessments were less applicable as the military value of widely dissimilar equipment and the military damage arising from the cancellation, deferment or reduction of an equipment order was difficult to readily establish. However, other factors such as potential R&D wastage, cancellation charges, industrial and employment implications and the effect on collaborative projects required consideration.³⁸ Healey announced the £55m cut in his Budget Speech and added, 'a thorough-going review of our defence commitments and capabilities' had commenced.³⁹ The balance of savings required

³⁶ 'Expenditure committee reports on defence cuts', *Flight International*, 22 August 1974, p. 213. See also TNA, DEFE 13/1005, folio 36/1 Omand (APS/SofS) to SofS, 5 November 1974, short note on defence expenditure.

³⁷ TNA, TNA, DEFE 4/280, COS 7th Meeting/74, 30 April 1974; DEFE 5/198, COS 12/74, 'Defence Expenditure Savings of £55m in 1974/75 Final Report', 3 May 1974; AIR 6/191, AFB, (74)13, 'Defence Expenditure Savings of £55m in 1974/75', Note by DUS (Air), 10 June 1974.

³⁸ *Ibid.* The cut was calculated on the agreed basis of shares in the Defence Budget relating to the works and equipment programmes. The Air Force Board (AFB) share was initially £20.8m of £55m or £23.78m of the £61m incorporating a flexibility factor. It was finally decided that all savings should come from the procurement votes and the RAF share of this was eventually £21.5m. See also AIR 6/188, AFB, 8(74), Secret Annex B, 17 June 1974; 9(74), Secret Annex A, 1 July 1974. The PUS, Sir Michael Cary, later told the Chiefs of Staff that the 1974-75 budget was forecast to be underspent by £30m. DEFE 4/280, COS 22nd Meeting/74, 30 July 1974.

³⁹ David Greenwood, 'Why fewer Resources for Defence? – Economics, Priorities and Threats', *The Royal Air Forces Quarterly*, Volume 14, Number 4, Winter 1974, pp. 273-284, see p. 273. Similarly, Healey observed in a memorandum to Cabinet colleagues that, 'It has been agreed that the defence

from the Air Force Department's (AFD) share of the cuts for 1974-75 was eventually met without further specific cuts because of the extent of the underspend (slippage in procurement).⁴⁰

Defence Review: Process

The Defence Review was already public knowledge. Mason announced it on 21 March in accordance with the manifesto pledge and Queen's Speech commitment, to 'reduce the proportion of the Nation's resources devoted to defence'.⁴¹ In a written Parliamentary Question answer, Mason said: 'I have initiated a review of the current defence commitments and capabilities against the resources that, given the economic prospects of the country we can afford to devote to defence.' He emphasised that NATO remained the linchpin of the UK's security with first call on the country's available resources, though the Review would consider the UK's level of contribution:

We consider that the burden which we bear in support of the common NATO interest should be brought into line with that of our major European allies.

Outside Europe we shall examine the contribution made in each case by our military presence to the maintenance of peace and stability, recalling the decision taken by Her Majesty's Government in 1968 that our forces should be withdrawn from South-East Asia. There will be full consultation with our allies wherever their interests are involved.⁴²

Mason opposed enormous unilateral cuts or disruptive short-term measures. He told the House of Commons in May: 'The review will be conducted calmly and rationally' with 'sufficient time for adequate consultation with allies, both inside and outside Europe, whose interests are involved'. Every aspect of defence activity was to be examined. This process was concurrent with various talks with the Soviet

programme should be the subject of separate and urgent consideration, to establish the possible reductions for each year of the forward period.' TNA, CAB 129/175, C(74)23, 4 April 1974, Public Expenditure 1975-76 to 1978-79, Annex 2, Memorandum by the Chancellor of the Exchequer.

⁴⁰ TNA, AIR 6/188, AFB, 11(74), Secret Annex A, 29 July 1974.

⁴¹ HC Deb 21 March 1974 vol 870, cc153-4W, http://hansard.millbanksystems.com/written_answers/1974/mar/21/expenditure; HC Deb 12 March 1974 vol 870, cc43-7, <http://hansard.millbanksystems.com/commons/1974/mar/12/queens-speech>

⁴² HC Deb 21 March 1974 vol 870, cc153-4W, http://hansard.millbanksystems.com/written_answers/1974/mar/21/expenditure; Defence

Correspondent, 'Britain will cut back on spending on Nato', *The Times*, 22 March 1974.

bloc, including the Conference on Security and Co-operation in Europe (CSCE), the Strategic Arms Limitations Talks (SALT) and discussions on Mutual and Balanced Force Reductions (MBFR). Mason hoped for genuine and meaningful détente but underlined the continued growth of Soviet military expenditure, pointing to vast numbers of new nuclear submarines, ships and aircraft and significantly greater spending than NATO on military R&D.⁴³

Key milestones in the Review process were:

- 21 March 1974: Announcement of Defence Review
- 21 June 1974: DSWP Defence report submitted to Steering Committee
- 16 July 1974: Steering Committee report submitted to DOPC⁴⁴
- 3 December 1974: Defence statement to the House of Commons
- 16 December 1974: Defence debate in House of Commons
- 6 March 1975: Cabinet approved Defence Review
- 19 March 1975: Publication of Defence Review within *Statement on the Defence Estimates 1975*

Unlike 1964, when the incoming Labour Government initially put a budget ceiling of £2,000m (at 1964 prices) on Defence spending, the review had no arbitrary financial limit in mind. A wider, more flexible remit of guidelines and options was central to the tasking for planners, premised on the manifesto commitment. Over ten years, defence spending as a share of GNP was to fall to a level similar to that of European allies. No fixed savings figure was set. There was, however, a minimal obligation to get spending down to around 4.5% of GNP.⁴⁵

The machinery for conducting the Review moved into action. The Steering Committee – MISC 16 in Cabinet Office committee parlance – considered a draft note to the DOPC on 25 March. A substantial body of work was needed from the MoD to ascertain the impact across defence of proposed reductions. Following this, various policy options would be considered by the DSWP which would produce a draft report for the Steering Committee by 21 June. Significantly, the Committee

⁴³ House of Commons, Parliamentary Debates (Hansard) 13 May 1974 vol 873, no 38, cc 912-913, 914-918, 920.

⁴⁴ The Steering Committee report OPD(74)23 took as its starting point the report of the DSWP (DC/P(74)2), itself based largely on the Chiefs of Staff report (COS 15/74, circulated as DC/P(74)1).

⁴⁵ David Greenwood, 'The 1974 Defence Review in Perspective', *Survival*, Volume 17, Number 5, September/October 1975, pp. 223-229.

noted the Review was a product of a 'firm Ministerial decision to reduce defence expenditure rather than the existence of constraints on public expenditure generally'.⁴⁶ Guidelines were given to officials to consider the consequences of reducing Defence spending from the Long Term Costings (LTC) 1974 level to (i) the minimum military level, (ii) the first level, (iii) the baseline level and (iv) the fourth level:

- (i) 4½% of GNP (about £3,600m) by 1983-84
- (ii) 4½% of GNP (about £3,200m) by 1978-79
- (iii) 4% of GNP (about £3,200m) by 1983-84
- (iv) 4% of GNP (about £2,800m) by 1978-79

The figures compared with the 1974-75 level of £3,612m (5½% of GNP) and a Defence Budget forecast in the 1974 LTCs of £4,300m in 1978-79 and £4,500m in 1983-84 (at 1974 prices). The most severe variant, the reduction to 4% by 1978-79, was considered so damaging to capabilities that Ministers were unlikely to find it acceptable. Nevertheless, it remained an option, though an annex, to be produced by the MoD in consultation with the Treasury, was recommended to show the financial and percentage savings for the four levels. The Steering Committee hoped DOPC Ministers would eliminate the most severe option.⁴⁷

A Steering Committee paper was discussed at the DOPC meeting on 4 April, where approval was sought for the Review. Hunt observed the projected Labour manifesto savings; Healey had mentioned a target of £500m. Hunt cited NATO figures which said Britain spent 5.9% of GNP on defence, compared to 4.25% for France and 4% for West Germany, though both actually spent more because of their larger, faster growing economies. Hunt advised Wilson that all four proposed models would lead to annual reductions of £1,000m by 1983, three of them leading to this saving by 1978-79. These would inevitably mean deep cuts to Britain's NATO contribution and were larger reductions than envisaged by Healey. Hunt agreed there should be 'one extremely severe model', adding in brackets 'the Chiefs of Staff would argue that they all are!' He wanted to assemble sufficient 'building blocks' of reductions to provide options, if the final reductions package was less than anticipated or if certain cuts were unacceptable.⁴⁸

⁴⁶ TNA, CAB 130/732, MISC 16(74) 1st Meeting, 25 March 1974.

⁴⁷ Ibid.

⁴⁸ TNA, PREM 16/27, folio 15, Hunt (Cabinet Secretary) to PM, 'Defence Review (OPD(74)7)', 3 April 1974.

The importance of the interdepartmental DSWP, chaired by Arthur Hockaday, Deputy Under-Secretary (Policy and Programmes) at the MoD, in the Steering Committee's work was underlined. From a MoD standpoint, the CDS, the new PUS Sir Michael Cary, and Hockaday were Steering Group members. The DOPC, where the final decisions would be reached, included Mason and the Chiefs. Between April and mid-June work was to encompass an MoD study of the consequences of various levels of financial constraint and policy options. The FCO would examine international political priorities. The Joint Intelligence Committee was to provide a current threat assessment. These inputs were to be co-ordinated inter-departmentally by the DSWP, referring to the Steering Committee as necessary to produce a draft report. Between mid-June and mid-July, the Steering Committee would consider the DSWP draft. The Steering Committee was to clarify options for Ministers before submitting its report [draft Defence Review] to the DOPC in mid-July 1974.⁴⁹

For each of the four levels, officials were detailed three tasks by the Steering Committee. First, to identify the nature of changes in commitments, forces, capabilities and support required to reach these thresholds. Secondly, to review the military, political and industrial implications of such changes and thirdly, to assess the potential for reduction in support activities, including the UK's industrial base for defence with attendant reduction in R&D and maintenance facilities. The study avoided 1974-75 as decisions had already been taken. Instead, the focus was on '1975-76 to the extent that major changes in the following years affect expenditure in that year; this may arise particularly in regard to research and development and the placing of new orders'. At CDS's behest, the thrust was to maximise savings outside NATO. The Steering Committee encouraged officials to consider commitments and forces in the following ascending order of importance:

- (i) in the Far East and South East Asia; including the related reinforcement capacity;
- (ii) to CENTO (Central Treaty Organisation) and otherwise in the Middle East;
- (iii) in the South Atlantic and Caribbean;
- (iv) in the Allied Forces South (AFSOUTH) area of Allied Command Europe (ACE) and the Mediterranean generally;
- (v) for reinforcement and/or assault, together with associated sea and air lifts, including the function of responding to the unforeseen;

⁴⁹ TNA, CAB 148/145, OPD(74) 7, 1 April 1974. CDS assured his fellow Chiefs, suspicious that the machinery undermined them, by emphasising MoD input would originate with the Defence Policy Staff and required Chiefs of Staff Committee clearance at every stage. Carver, *Out of Step*, p. 445.

- (vi) the major United Kingdom contribution to NATO in no order of priority:
- to ACE, excluding AFSOUTH
 - to SACLANT (Supreme Allied Command Atlantic) and CINCHAN (Commander-in-Chief Channel)
 - to the Alliance strategic deterrent
 - to the security of the United Kingdom base in both peace and war.⁵⁰

Mason emphasised that Ministers were not committed to reduce Defence spending to a specific level. He confirmed that percentage of GNP should underpin the studies, though attempted, unsuccessfully, to remove the models based on a reduction to 4% or 4½% of GNP by 1978-79. Mason and Dunnett thought them ‘so clearly unacceptable that it would be unrealistic to include these two models in the study’ and suggested officials should only investigate reductions to 4% and 4½% to 1983-84. However, DOPC colleagues noted that while some proposed reductions may well be unacceptable, this should not be assumed in advance.⁵¹ Wilson told officials to examine all four models. He also stressed the need to ‘maintain strict secrecy’ about the scale of the reductions being examined to avoid alarming allies.⁵²

The Steering Group next met on 21 June when it discussed the DSWP’s final draft report. The DOPC discussed the Review again on 18 July, when it considered the Steering Committee’s report. Ultimately, the Steering Committee Report (OPD(74)23) took as its starting point the Report of the DSWP (DC/P(74)2) which was heavily based on the Chiefs of Staff report (COS 15/74⁵³ circulated as DC/P(74)1). Both were considered by Mason at the Defence Council, a body Mason

⁵⁰ TNA, CAB 148/145, OPD(74) 7, 1 April 1974.; Carver, *Out of Step*, pp. 446-447. The UK was the only member to declare forces to CENTO – 16 Vulcans stationed in Cyprus and eight Canberras and three Nimrods in Malta.

⁵¹ TNA, CAB 148/145, OPD(74) 3rd Meeting, 4 April 1974. T 225/4161, folio 82B, Dunnett (PUS) to Allen (PUS, HMT), 22 March 1974. Dunnett told the Treasury that the reducing Defence spending to 4 or 4½% of GNP by 1978-79 was ‘totally unrealistic even as a basis for study’ and added, ‘We cannot sensibly consider a reduction of 12%-15% of the Defence Budget in the very first year, rising in one case to over 33½% and in the other to over 25% in the fifth year. I cannot believe that we could preserve viable forces under the impact of such drastic and rapid reductions; certainly we should have to cut deeply into our NATO forces, and in a timescale which would make nonsense of any attempt at a planned reorganisation.’

⁵² TNA, CAB 148/145, OPD(74) 3rd Meeting, 4 April 1974.

⁵³ The AFBSC agreed that studies into the implications of reducing the RAF to the Critical Level, as per COS 15/74, should be carried out under the supervision of the 2-star LTC steering group. TNA, AIR 6/190, AFBSC, 5(74), Secret Annex A, Item II, Defence Review Economics, 26 June 1974.

eventually opted to reconstitute in its existing top-heavy format to consider official studies on the Defence Review, before assessing its operation longer term at a later date [after the expected autumn General Election].⁵⁴ Thus key to the formulation of the Defence Review was a process which involved its transition from the official fora of the DSWP and the Chiefs of Staff Committee to the Whitehall mandarins of the Steering Committee and finally to the political forum of the DOPC.

Meanwhile, Treasury ministers sensed potential savings. Joel Barnett, the Chief Secretary, complained the toughest option - to reduce Defence spending to 4% of GNP by 1978-79 - was not taken seriously by officials. They said it was taken seriously enough for the MoD to be appalled by it. Barnett was told if cuts were pushed too far it would require starting from scratch to ascertain what sort of Defence policy could be salvaged from what remained. Officials cautioned that deep cuts would endanger UK membership of NATO. Treasury officials believed withdrawals from the Mediterranean and Far East might generate savings of £200-£300m. They considered it unwise to set expectations for further savings too high, as some £1bn would have to be taken off defence spending to reduce it to 4½% by 1983-84.⁵⁵ Treasury officials also produced purchasing power parity studies claiming Britain spent more on defence than France or Germany in 1972 and 1973.⁵⁶

Although the preliminary draft of the Defence Policy Staff (DPS) report, produced from the three Service departments input, was considered by CDS to be a 'useful source document,' Carver wanted it split into two parts before formal input to the DSWP. Part I was to show what savings could be achieved with a variety of options, compatible with UK and NATO defence requirements. The second part was to

⁵⁴ The Defence Council was formed in 1964 when the integrated MoD was formed to take over the powers of command and administrative control previously exercised by the individual Service Boards, with the expectation it would deal with major defence policy issues. Meetings had steadily declined in number over the years and the Board had not met since November 1970. The main shortcoming of the Defence Council was it was too large – with a membership of 13 – comprised of the SofS, Minister of State, three Service Ministers, CDS, three Service chiefs, PUS, CSA, CPL, CE(PE). As a result, rather than promoting a central view of defence problems, it was more likely to see the voicing of single-Service preoccupations and worries. Lord Carrington had held meetings of a smaller, informal 'Defence Board' comprising the SofS, Minister of State, CDS, PUS and CSA but this fizzled out within nine months, before the formation of the PE, whose Chief would have been a member. Nevertheless, the difficulties of forming a smaller body and likely objections from those excluded from it were also appreciated by officials. TNA, DEFE 13/1001, Mumford (PS/SofS) to SofS, 'Defence Council', 14 May 1974; PS/SofS to SofS, 'The Defence Council', 25 July 1974; DEFE 24/621, Mayne (Head, DS 22) to PS/PUS, 'The Defence Council', 26 June 1974; PUS to SofS, 'The Defence Council', 23 July 1974; PS/SofS to PS/PUS, 'The Defence Council', 26 July 1974.

⁵⁵ TNA, T 225/4161, folios 216-217, Note for the Record, 3 May 1974.

⁵⁶ TNA, DEFE 25/221, DSWP (P) 35, Purchasing Powers Parities, 15 May 1974.

examine the measures necessary to achieve the various financial levels set out. However, it was made clear that as these measures would mean the UK would be unable to meet national and NATO defence requirements, the military and political consequences needed to be detailed. ACM Sir Andrew Humphrey, CAS, agreed with this approach. He believed in the first part DPS should concentrate primarily on studies of the correct defence solution. In part II he suggested considering only two levels of savings - the most lenient level of 4½% by 1983-84 and the MoD base line of 4½% by 1978-79, reducing to 4% by 1983-84. The Chiefs agreed these options should guide DPS's future work.⁵⁷

Carver advised Mason that initial studies illustrated the measures required to reach the various levels of savings were more severe than anticipated. All possible savings short of cutting into the hard core of the UK's contribution to NATO would not even get near the first level - 4½% by 1983-84. Instead, the Chiefs recommended a different approach geared to achieving 'maximum economies without undermining either NATO strategy or fundamental UK Defence interests'. Carver repeated that although cuts below this level made no military sense, the Chiefs would illustrate the consequences of achieving the various spending levels proposed. As time prevented detailed discussion, they proposed to show:

- a. The savings which could be achieved without undermining NATO strategy and fundamental UK Defence interests.
- b. The consequences of reducing to two lower levels of expenditure; 4.5% of GNP by 1983/84 and the MOD base line of 4.5% by 1978/79, reducing to 4% by 1983/84.

Carver added that in detailing the options designed to achieve a policy compatible with a credible NATO strategy and showing the results of opting for resource levels below that needed to achieve it, the Chiefs would outline a number of different courses within set resource levels.⁵⁸ Mason agreed that the MoD proceed on these lines.⁵⁹ This decision signalled the adoption of the 'Critical Level'. The idea either originated in the DSWP or from the Chiefs but certainly required the latter's agreement, as they had sole authority to approve strategic concepts.⁶⁰ It was based on military and strategic criteria, being fixed on the premise that no alternative

⁵⁷ TNA, DEFE 4/280, COS 8th Meeting/74, 10 May 1974. The Chiefs thought a reduction to 4.5% would involve unacceptable reductions and feared a 'shopping list' of reductions. Carver, *Out of Step*, p. 448.

⁵⁸ TNA, DEFE 25/221, CDS to SofS, 'Defence Review', 13 May 1974.

⁵⁹ *Ibid.*, folio 30, Mumford (PS/SofS) to PSO/CDS, 17 May 1974.

⁶⁰ David K Boren, 'Britain's 1981 defence review', PhD thesis, King's College London, September 1992, p. 78.

existed to NATO's current strategy and there was no credible UK Defence policy other than contributing to the Alliance. The country's security was bound into NATO. It was vital to national interests that NATO remained a strong, effective body and imperative for the UK to maintain its quality of equipment and status as a significant NATO partner contributing fully to the three major concepts underpinning NATO strategy – deterrence, flexibility of response and forward defence. The Critical Level was personified and championed by Carver. His measuring stick for commitments was how essential they were to the integrity of the NATO alliance and the security of the UK.⁶¹ An initial basic assumption in arriving at the Critical Level was the abandonment of all non-NATO and Mediterranean commitments.⁶²

Carver sent Mason the conclusions from the DPS preliminary draft report. It made disturbing reading. Not only did abandoning all overseas commitments outside NATO produce insufficient savings; for political and economic reasons, it was virtually impossible to abandon Hong Kong, Oman, Gibraltar, Belize and the Falkland Islands. Scaling down garrisons produced relatively small savings. Nevertheless, it was not militarily justifiable to retain any overseas commitment if cuts impacted adversely on the UK contribution to NATO in vital areas, and thus on its own defence. Various reductions were postulated, particularly in reinforcement aspects for NATO's Northern and Southern flanks, involving reducing the RAF element to the UK Mobile Force (UKMF) and cutting around 75% of the RAF's Air Transport Force.⁶³

A reduction to 4½% by 1983-84 for the RAF meant disposing of all forces withdrawn from outside the NATO area. All RAF reinforcement forces allocated to NATO in the AMF, UKMF and UK Joint Airborne Task Force (UKJATFOR) would be abandoned. Similarly, all RAF forces allocated to NATO in the Southern Region of ACE and some front-line forces allocated to NATO in the UK would be disbanded. Consequently, the transport force would be cut by 75% [112 to 27], the tanker force halved, and strike/attack/reconnaissance forces cut by 20%. The damaging impact of such drastic cuts on NATO and likely US dissatisfaction was

⁶¹ TNA, DEFE 25/277, folio 66 (i), The 1974 Defence Review: Presentation to US Authorities, 12 November 1974; Carver, *Out of Step*, p. 448.

⁶² Even the complete abandonment of non-NATO geographical commitments only produced savings of £150m per annum so cuts would have to be made to Britain's NATO commitments. TNA, PREM 16/29, MoD Briefing Background Note for Prime Minister for Parliamentary Question, 19 November 1974.

⁶³ TNA, DEFE 25/221, folio 25, CDS to SoFS, 'Defence Review', incorporating Annex A Defence Review - Conclusions of DPS Paper (Preliminary Draft), 13 May 1974. The draft report was too long and based on a pro-rata attribution between the Services, deemed unlikely to be the eventual Defence answer.

emphasised. It was feared that reductions on this scale would trigger the unravelling of NATO. The doomsday option, the final level of 4% by 1978-79, involved major force restructuring and abandoning capabilities. This entailed abandoning Long Range Maritime Patrol (LRMP), removing flexibility in air defence (including the associated tanker force), scrapping remaining VC 10 aircraft and further inroads into the MRCA programme. As a result, the RAF would have less than half the combat aircraft [429] as its French and West German counterparts and be smaller than the Italian air force. The closure of 30 RAF stations was forecast. Moreover, the unemployment implications of deep cuts when the labour market and economy were already weak were underlined. The resultant loss of confidence in the Armed Forces as a viable career would threaten the collapse of voluntary recruitment.⁶⁴ The DSWP expressed support for the Critical Level, provided the implications of the options they considered to be unacceptable in military terms were clearly displayed.⁶⁵

RAF Input and Impact

Ewen Broadbent, Deputy Under-Secretary (Air), told the Air Force Board (AFB) in January 1974 about Treasury warnings of further substantial budget reductions – £245m at 1973 prices being mooted for 1975-76.⁶⁶ When details of the Defence Review became clearer, Broadbent produced a paper for the Board which covered Air Force Department (AFD) assumptions of possible RAF savings compiled since mid-March. It also discussed AFD input to the comprehensive studies of MoD savings being undertaken by the DPS.⁶⁷

It was envisaged the standing machinery would follow the usual lines with AFD making an initial input of its own programme and priorities to the DPS and then participating in the central consideration of the wider programme. DPS was to complete its study by 4 June. Broadbent highlighted the compressed timetable. All provisional inputs would be made to the DSWP before definitive views were formed in the MoD. Initial input to the DPS was required by 26 April. To smooth this complex, wide-ranging process, a special Defence Review Project Team (DRPT) was created in AFD, reporting in the first instance to Assistant Chief of the Air Staff

⁶⁴ Ibid.

⁶⁵ TNA, DEFE 25/221, folio 25(IV), DSWP (M) 17, 13 May 1974.

⁶⁶ TNA, AIR 6/191, AFB, (74)3, 16 January 1974, AFB, (74)4, 18 January 1974, LTC 1974, Notes by DUS(Air).

⁶⁷ Ibid., AFB, (74)7, 'Defence Review', Note by DUS(Air), 4 April 1974.

(Policy) (ACAS (Pol)) and the Assistant Under-Secretary (Air Staff) (AUS (AS)).⁶⁸ The AFD's approach to this first round of studies was to provide a range of assumptions for force levels, capabilities and administrative support which experience suggested would produce sizeable economies. Broadbent warned that an 'even wider ranging and more radical analysis' was likely to be required and further refinement was essential prior to submission to the DPS, including placing the studies of proposed savings in ascending order of severity. The largest savings were in Air Transport.⁶⁹

The extent of the challenges facing the RAF was underlined at the AFB meeting on 8 April, Humphrey's first as CAS.⁷⁰ Humphrey observed the reductions proposed were most serious. The minutes stated:

Over the last few years there had been a programme of measures aimed at streamlining the RAF and to this extent the Service had been psychologically prepared for the situation which had now arisen. However, he felt bound to point out that the magnitude of the figures now under discussion was such that in the event of a leak they were likely to have a serious impact on morale.⁷¹

Humphrey added that in an increasingly dangerous world, 'The aim must be to ensure that the Service which emerged from the Defence Review was a properly balanced and well-trained force capable of reacting to whatever emergencies it might be confronted with.'⁷² As the work involved examining the four models could not be completed within the timescale, the initial output of the Service departments was a compromise model, postulating to a reduction to 4½% by 1978-79 and subsequently to 4% in 1983-84. LTC 74 set out the RAF forces and future programme and was the base line for the Review. The initial savings identified by AFD fell £1,700m short of the target reductions in the compromise model over the costings period. Humphrey insisted that the scale of potential reductions meant everything required examination, including the MRCA.⁷³

⁶⁸ Ibid. However, the embargo placed on the discussion of Defence Review measures precluded consultations with Commands and therefore the preparation of an agreed plan.

⁶⁹ Ibid.

⁷⁰ Ibid., 5(74), 8 April 1974.

⁷¹ Ibid., Confidential Annex A, p. 2.

⁷² Ibid.

⁷³ TNA, AIR 6/188, AFB, 5(74), 8 April 1974, Secret Annex B, p. 3. The Procurement Executive had already recommended slowing down of MRCA production rate irrespective of the Defence Review.

By invoking much more radical assumptions, the financial targets of the compromise model were almost met, though the military consequences were ‘most severe’.⁷⁴ Brynmor John, Parliamentary Under-Secretary of State for the RAF, observed that a reduction to below 4½% of GNP by 1983-84 would prevent the RAF from fulfilling a realistic role. Humphrey said it placed ‘considerable doubts about whether an effective and viable Air Force could be maintained in relation to our national needs and military needs’.⁷⁵ The RAF’s principal measures emphasised savings from withdrawal from non-NATO commitments, support area savings, economies in equipment spending, including slowing MRCA deliveries, and as a last resort, cuts to the front line committed to NATO. However, the residual front-line force would be ‘pitiful in modern terms’.⁷⁶

The ‘package of illustrative measures’ submitted on 25 April to achieve RAF savings required for the compromise model produced startling headline consequences by 1976:

- (1) A reduction of RAF front line strength by almost half (46%).
- (2) A reduction in the number of RAF squadrons from 65 to 34.
- (3) A drastic reduction of the future effectiveness of the UK’s air defence system.
- (4) A drastic curtailment of the RAF’s operational capabilities provided for ACE and Allied Command Atlantic (ACLANT).
- (5) The complete withdrawal of RAF forces overseas, with the exception of those in the Central Region of ACE.
- (6) The elimination of the RAF’s reinforcement capability by front line squadrons.
- (7) A drastic reduction in the RAF’s transport aircraft capabilities.
- (8) The closure of some 30 RAF stations.
- (9) The reduction of RAF manpower by some 28,000 men and the reduction of civilian manpower in Air

⁷⁴ TNA, AIR 6/188, AFB, 6(74), 22 April 1974.

⁷⁵ *Ibid.*

⁷⁶ TNA, AIR 6/191, AFB, (74)9, ‘Air Force Board Defence Review’, Note by VCAS and DUS(Air), 19 April 1974.

by over 8,000. More than 11,000 Servicemen would be made redundant.

- (10) These measures would prejudice the maintenance of certain international and UK-national capabilities in the longer term.
- (11) These measures would call into question the UK's aerospace industrial base.⁷⁷

In cumulative terms, the reductions to the front line, the loss of capabilities and impact of redundancies would 'prejudice Service morale and the confidence of the Service in itself'.⁷⁸ It was stressed that this package was not the RAF's final word. The AFB would 'reserve its position on what final package of savings would be appropriate as the RAF contribution to the Defence Review.'⁷⁹ The RAF submission rejected the view expressed in DSWP's interim report that the reduction in Defence expenditure since the Korean War must continue, to avoid the 'acute problems of priorities' elsewhere in the economy. It doubted this trend could continue. Most savings over the previous 20 years arose from withdrawals from non-NATO commitments. Now reductions would mean a major decline in the UK's contribution to NATO, weakening the Alliance. Almost all the RAF's varied front-line units were deployed in the UK, RAF Germany and in the Mediterranean, to support the UK's primary defence commitment to NATO.⁸⁰

At the DSWP meeting on 6 May it was stressed the cancellation of RAF commitments outside Europe provided only 17% of required savings. Substantial cuts were needed from the Service's NATO commitments at an early stage. Moreover, a 46% reduction in total front-line strength only produced savings of 26% of total spending.⁸¹ The Treasury also commented on the AFD's proposals. It noted that the planned cuts fell proportionately on each target heading, although equipment, which represented 60% of the target provision would endure 76% of the cuts, whereas manpower, 20% of the target provision, provided 15% of cuts. The suggested savings were broadly in keeping with the measures described. The Treasury observed that the proposed equipment savings would reduce the LTC Vote

⁷⁷ TNA, DEFE 25/331, folio 2, Defence Review 1974 – Royal Air Force input, Air Commodore P.D.C. Terry, DRPT, 25 April 1974.

⁷⁸ Ibid.

⁷⁹ Ibid.

⁸⁰ TNA, DEFE 25/331, folio 2, AF/DRFT(RAF)/83, Royal Air Force: Policy, 25 April 1974.

⁸¹ TNA, DEFE 25/221, folio 19 (iii), DSWP(M)15, 6 May 1974.

10 provision for aircraft and armaments by 42% in 1976-77 and 55% from 1982-83 onwards. Their major proposed equipment savings were set out:

- Reduce MRCA completion to 40 aircraft per annum. This would defer completion of the IDS version by two years to 1985-86 and the AD version to 1988-89.
- Reduce the air transport fleet and abandon the Hercules replacement. This was a logical consequence if the army and the RAF withdrew from all overseas bases except Germany. Greater reliance could be placed on the charter, or requisition of high capacity commercial aircraft.
- Withdraw the Harrier from service and abandon the Advanced Harrier projects. This reflected the low-cost effectiveness of the Harrier as an aircraft and dispersed vertical/short take-off and landing (VSTOL) tactics in general.
- Cancel the remaining 32 Gazelle helicopters for the Army. Reduce the Lynx order by 62 to 100 and cancel the Medium Lift Helicopter; neither of these would be unexpected.
- In respect of Royal Navy helicopters, cancel the Lynx Phase II equipment fit and cut Sea King Mark 2 procurement by 25% to 16 helicopters. It was proposed to abandon the Wessex/Sea King multi-role replacement programme and buy a cheap Sea King replacement.
- Delete provision for Air Staff Target (AST) 396 – the Jaguar/Harrier replacement programme. This would imply extending the life of the Jaguar to 1993. This was one of the few major new projects in the LTC period. With the withdrawal of the Harrier force there would remain only the issue of replacing Jaguars which were only then [1974] entering service. It was also noted that in any case the project was likely to be delayed because of controversy over exchange ratios of aircraft against Surface to Air Missiles (SAMs).
- Maritime surveillance and AEW aircraft, involving the cancellation of the Nimrod avionics refit and the deletion of the LTC 1974 provision for AST 400 – the new AEW aircraft. The cancellation of the Nimrod refit was considered slightly unexpected having previously been given a high

priority as a means of countering Soviet submarines. It was highlighted that the refit involved a combination of new and very advanced equipment and the MoD may have felt that either the technical solutions were not available or too costly.⁸²

The Treasury noted that the AD Variant (ADV) of the MRCA was to be retained but the deployment of Bloodhound (SAM) in the UK and the development of the next generation of AEW aircraft were abandoned. In Treasury minds, it seemed valid to consider (a) continuing with Phantoms – whose numbers would be increased following the closure of overseas stations – perhaps armed with a new missile, (b) considering SAM defence and (c) assessing the MRCA AD Variant. It was mentioned that the withdrawal of the RAF Harriers involved the cancellation of further purchases, potentially increasing the production costs of a naval Harrier.⁸³

The proposed measures reduced the RAF front line from the planned 689 aircraft to 429 – a 38% reduction. However, the Treasury dubbed it as ‘misleading’ that in squadron terms this represented a 46% reduction. The RAF retained existing Buccaneer and Phantom aircraft and the planned force of 200 Jaguars – although the proposed purchase of 12 additional Jaguars was deleted. The MRCA force of 385 aircraft (220 IDS and 165 AD) would still be realised, although delivery would take longer. In addition, the RAF had Bulldog and Jetstream trainers and the Hawker Siddeley 1182 jet trainer (Hawk) was retained, with delivery of 210 to be spread over seven years to 1981-82. Finally, a reduced LRMP force comprising Shackletons and Nimrods would continue, without the Nimrod refit.⁸⁴ The AFD argued the cuts would accelerate UK aerospace industry’s decline, eliminating capacity to develop advanced military aircraft projects. The Treasury responded that a smaller but effective airframe industry could be maintained for the next decade but encouraged rationalisation in military design work and a greater emphasis on finding new export markets.⁸⁵

From the outset Humphrey underlined the Chiefs had to take an agreed line and stand together.⁸⁶ On 20 May, he told the AFB they had decided in line with

⁸² TNA, T 225/4163, folio 75, Matthews (HMT) to Perry (HMT) and Scholar (HMT), ‘Air Force Target and Vote 10’, 23 May 1974.

⁸³ Ibid.

⁸⁴ Ibid.

⁸⁵ Ibid. Westland in Somerset was particularly vulnerable, a single product [helicopter] company heavily reliant on defence sales.

⁸⁶ TNA, DEFE 25/221 folio 14, PSO/CDS to CDS, ‘Defence Review’, 8 May 1974.

Ministerial thinking, 'the main emphasis should be on seeking to ensure that the hard core of Britain's contribution to NATO should remain unimpaired'. As a result, the projected level of spending would be somewhat higher than the level produced by lowering the Defence budget to 4½% of GNP by 1983-84. He underlined the importance of clearly demonstrating the impact of cuts, such as the serious implications for NATO of a significant reduction to the air transport fleet. In the meantime, the DSWP was tasked with producing the draft of a comprehensive paper by 6 June.⁸⁷ This would be considered by the Chiefs on 18 June and the Defence Council on 20 June.

Carver placed quality above quantity. The review was to highlight the rationale behind the choice of quality equipment options, even if only to show that alternatives had been fully considered. He stressed that despite severe reductions in resources, there remained sound reasons for through-deck cruisers and the MRCA to be retained.⁸⁸ Carver also thought the Chiefs needed to consider the significance of UK strategic and tactical nuclear forces and nuclear technology when faced with the prospect that conventional defence might dip below the Critical Level. The Critical Level had to be made watertight to have more chance of acceptance.⁸⁹

There were still difficulties with the shape of the DPS report, with greater clarity of the levels applying and the range of alternatives requiring examination. The Critical Level also needed to have stronger justification before the DPS report was released to the DSWP as the MoD's input to the review. Cary emphasised the right presentational framework for Ministers. He agreed the section on the baseline level should concentrate on strategic arguments rather than listing numerous damaging illustrative savings. Hockaday argued that when considering reductions below the First Level, the political consequences, as well as strategic arguments, were necessary. It was recommended that details of the forces remaining at the Critical Level and First Level should be shown.⁹⁰

The Chiefs' wanted to show that many ways of reaching the First Level had been examined on a defence basis but they made no military sense, although would be

⁸⁷ TNA, AIR 6/188, AFB, 7(74), Secret Annex, 20 May 1974.

⁸⁸ TNA, DEFE 11/642, folio E25, CDS to Chiefs of Staff, 21 May 1974.

⁸⁹ TNA, DEFE 25/221, folio 39 (i) SCDS briefing for Chiefs of Staff Committee Meeting, 23 May 1974.

⁹⁰ TNA, DEFE 4/280, COS 9th meeting/74, 23 May 1974. CAS observed that specialised forces in all three Services should be examined, such as the CA fleet of aircraft. He also suggested identifying UK roles which could be taken over by allies.

included in Appendices to the Draft Defence Review. Indeed, further consideration may show them to be options at the Critical Level. The appendices covered:

- a – cancellation or reduction of the MRCA programme
- b – cancellation of the Cruiser and/or Maritime Harrier programme
- c – the more convincing alternatives included in the present draft
- d – a more thorough examination of roles which could be undertaken by Allies (specialisation/rationalisation)
- e – an examination of the case for a predominantly submarine Navy or a Navy with no submarines at all
- f – the substitution of tanks by other anti-armour weapons
- g – the abolition of the CA's aircraft fleet
- h – the abolition of Specialist Forces, e.g., Royal Marines, SAS, Parachute Force, RAF Regiment, RAF Marine Branch
- i – an examination of the BAOR as an unaccompanied station
- j – a 30% reduction in R&D costs
- k – the case for the maintenance of Reserves of equipment which could be made operational in one to two years.
- l – an examination of such other options as may be suggested by DPS and the Service Departments.
- m – the implications of producing in the MC (including R&D) only equipment which cannot be bought off-the-shelf elsewhere.⁹¹

Certain RAF cuts were identified which were less damaging to NATO. These included disbanding two Hunter squadrons (18 aircraft), reducing communications

⁹¹ TNA, DEFE 25/211, folio 44, ACDS, '1974 Defence Review – DP 12/74 (A) Revised Draft, 23 May 1974.

aircraft from 46 to 18 and cancelling the planned replacement of two Andovers of the Queen's Flight. The reduction of ECM training, flight checking and target facilities aircraft from 73 to 21 was proposed. It was suggested cancelling the planned purchase of Medium Lift helicopters, Sea King search and rescue helicopters and Jetstream training aircraft. Further provision for satellite communication after Skynet II was to be cancelled, while HQ No. 46 Group and all RAF Regiment Field squadrons were to be disbanded. Finally, the substitution of US for British ECM pods for offensive aircraft was proposed.⁹² The DSWP noted that below the 'critical' level, numerous reductions to individual programmes were suggested. This risked an imbalance in overall strategy as Ministers had little guidance on alternative force structures.⁹³

The RAF Critical Level was justified by its role in NATO defence policy. AFD's DRPT submission underlined that virtually the whole of the RAF front-line was involved in the maintenance of NATO's defensive capability. Even RAF forces in Cyprus, not formally committed to NATO, served NATO's political and strategic purposes and the Cyprus strike force was targeted by NATO. There was no way of constructing a military justification for RAF cuts below the Critical Level and UK measures geared to minimising damage to NATO required harmonisation with NATO allies. Assuming overseas commitments were removed or significantly reduced it was possible in terms of UK military interests to considerably cut air transport. It had sought maximum savings, first by withdrawing from overseas commitments in the agreed order of priority and then by seeking maximum savings alongside the minimum loss of operational capability; particularly seeking to maximise savings in the support area. The RAF reductions would achieve major savings of £189m per annum between 1976-77 and 1983-84 and produce a 'reasonably well-balanced' force. The reaction in NATO was viewed as more problematical. Halving air transport forces hampered SACEUR's theatre mobility resources, while there were also difficult factors affecting NATO's Mediterranean position.⁹⁴

Various options were mooted to reach the First Level. The notion of placing half the ASW Force in reserve was not deemed practical. The Nimrod was a complex aircraft, required in periods of tension. Similarly, abandoning all air transport

⁹² TNA, DEFE 25/221, folio 51, DSWP(P)42, 'Draft – "Options" Section, 23 May 1974.

⁹³ *Ibid.*, folio 47 (iii), DSWP(M)18, 23 May 1974.

⁹⁴ TNA, DEFE 25/331, AF/DRPT (RAF)/84, Alternative ways of reaching the first level of Defence saving, 29 May 1974.

capability was dismissed because of inescapable national and NATO peacetime tasks which required the availability of specialised military transport. In contrast, there was strong endorsement for reducing R&D spending and more off-the-shelf purchases, subject to certain provisos, including support factors, assured delivery and the retention of some UK capability. In respect of quality or quantity, there were some serious inadequacies in RAF quality, although in other areas – such as AST 396 (Harrier/Jaguar replacement), Standard Weapon Loads, MRCA production rate and the re-organisation of flying training – the emphasis had already been placed on quantity. The abolition of specialist forces was also considered, with the disbandment of all RAF Regiment Field Squadrons deemed necessary by AFD to achieve savings at all levels. The loss of specialist ground defence forces would degrade airfield security and any overall savings through civilianisation or by deploying other RAF personnel or the Army would generate minimal savings. The RAF Marine Branch's tasks could be transferred to the Royal Navy, but this only shifted costs to another part of the MoD budget. Savings from maintaining reserves of equipment at one to two years notice were also dismissed as this involved assuming at least two years warning of a situation likely to lead to war. The option of Tri-Service Aviation was deemed worthy of greater study to ensure maximum savings from further rationalisation.⁹⁵

Similarly, likely manning issues were considered by the AFBSC. The PUS formed a Committee to reduce the MoD by 10% by 1 April 1979 and 20% by 1 April 1984, these reductions in AFD concurrent with anticipated cuts to uniformed RAF personnel arising from the Defence Review. On personnel issues, the AFBSC was advised: 'In short, the opportunity should be taken to extract from this unpleasant exercise as much sensible rationalisation, and correction of anomalies and of various balances, as possible'.⁹⁶

As well as the military and political dangers of cutting Defence, even to the Critical Level, there was the risk of a major row with NATO which feared Alliance strategy would be undermined.⁹⁷ The contemporary Dutch defence cuts had earned them a public rebuke from NATO.⁹⁸ London paid close attention. Mason met Dr Joseph Luns, NATO Secretary-General, on 30 May. He told him a long-term appraisal of

⁹⁵ Ibid.

⁹⁶ TNA, AIR 6/190, AFBSC, (74)12, 'Personnel Issues Arising out of the Defence Review', Note by AVM D.J. Furner (Assistant Air Secretary, AFD), 24 June 1974.

⁹⁷ TNA, DEFE 25/275, folio 2(i), Brief for Secretary of State for Defence Council Meeting, 16 July 1974.

⁹⁸ TNA, DEFE 11/642, folio E27, UKDEL NATO tel 230, 22 May 1974; 'Dutch defence white paper...and Nato reacts', *Flight International*, 18 July 1974, pp. 59-60.

UK capabilities and commitments was overdue and insisted the previous Government's ad hoc cuts were the wrong approach. Mason acknowledged the need for adequate consultation with NATO. There would be considerable dialogue with Luns and NATO. It became increasingly strained.⁹⁹

Hockaday warned that time constraints meant the DSWP could only produce an incomplete report by mid-June.¹⁰⁰ Subsequent DSWP drafting of the 'Options' section noted the 'exhaustive' MoD examination and analysis of the minimum level. For the RAF it involved cutting the front-line by some 115 aircraft by 1979, a 15% reduction, including 46 strategic transport aircraft, 12 tactical transport aircraft and 26 transport helicopters. The other figures purported were reductions, excepting a very small increase in air defence aircraft and more search and rescue aircraft.

Aircraft/Manpower	1974	1979
Strike attack/reconnaissance aircraft	327	309
Long Range Maritime Patrol aircraft	31	24
Tanker aircraft	31	19
Air Defence aircraft	120	124
Search and Rescue aircraft	20	29
Service manpower	97,900	80,900
Civilian manpower	40,000	33,000 ¹⁰¹

⁹⁹ TNA, T 225/4163, folio 13, Record of a Conversation between the Defence Secretary and Secretary General of NATO, Ministry of Defence, 30 May 1974.

¹⁰⁰ TNA, DEFE 25/221, folio 52 (i), DSWP(M)19, 3 June 1974.

¹⁰¹ TNA, DEFE 25/222, DSWP(P)42 (Revised Draft), 5 June 1974. A senior Treasury official noted in mid-July there was 'no relatively painless way of securing the substantial further savings which would be necessary to approach the first level'. T 225/4165, Henley (2nd PUS, HMT) to PPS/CHX, 'OPD (74)24, 'Defence Expenditure - Note by the CPRS', 17 July 1974.

Critical Level Concerns

Carver still questioned whether the Critical Level was sufficiently justified and the relationship between the Critical and First Levels was properly established. Although the financial gap between the two levels was not large, the report suggested it led to disproportionate military repercussions. A gap of £150m annually between the Critical and First Levels amounted to £1.5bn over 10 years. Cary said the Critical Level was the minimum acceptable level of defence capability according to the Chiefs. The First Level was an arbitrary financial assumption. Hockaday observed that Mason must ensure if defence spending was cut to 4½%, this must not happen until the early to mid-1980s when the First and Critical Levels coincided. He noted the difficulties of going below the Critical Level in the early years and pointed to the necessity of being more specific when dealing with the base-line level in the DSWP, using the Appendices for this purpose. These showed the options to be unreasonable individually and if grouped into blocks they unbalanced NATO strategy. Humphrey thought the report was too defensive about the Critical Level, which was very low and likely to cause significant military harm to NATO. As the Critical Level would ultimately be containable within the First Level within a decade, he asserted it should be politically acceptable to Ministers and militarily defensible in NATO. They should not go below it, otherwise NATO would claim UK cuts had seriously weakened alliance capability in particular areas. CDS had specific concerns about the ex-Cyprus Vulcan squadrons, not previously included at the Critical Level. Carver had misgivings about their inclusion because of the low priority previously placed on AFSOUTH. However, their retention was recommended because of their NATO role and importance to SACEUR.¹⁰² Hockaday believed that extensive coverage of the detrimental impact of options below the Critical Level was necessary to convince the DSWP, Steering Committee and ultimately Ministers that the MoD had considered them seriously.¹⁰³

Carver wanted a robust rebuttal of the damaging short-term impact of the First Level; whilst also stressing the Critical Level would be within 4½% of GNP from the mid-1980s. The Chiefs emphasised there was no military justification for cutting the UK contribution to NATO and even the Critical Level had a serious impact. They could not recommend any military solutions below it. Critical Level

¹⁰² TNA, DEFE 4/280, COS 10th Meeting, 6 June 1974. The Critical Level would eventually be contained within the First Level by the mid-1980s because of the Relative Price Effect.

¹⁰³ TNA, DEFE 11/643, folio E24/1, Hockaday (DUS(P&P)) to PSO/CDS, 7 June 1974.

reductions involved major reorganisation in the armed forces. Any additional reductions impacted on teeth arms and would necessitate a direct cut to the UK's contribution to NATO's key areas. The DSWP was to be told of the 'severe and abrupt consequences' of going below the Critical Level.¹⁰⁴

The Chiefs of Staff Committee paper focused on the Critical Level and pointed to the limitations of the First Level (4½% of GNP by 1983-84). It barely considered the Baseline Level (4½% by 1978-79 and 4% by 1983-84), already the subject of detailed examination. The report highlighted the primacy of NATO for UK defence and security. There was no justification for retaining overseas commitments at any of the spending levels considered. The Critical Level would be unwelcome to allies but would hopefully avoid invalidating NATO strategy. Although it would diminish the UK, it would produce considerable savings. Three major reservations were mentioned. First, unilateral or premature reductions in stationed forces would undermine NATO's negotiating position in the MBFR talks. Secondly, reductions to the First Level would involve such deep cuts to force levels to make it virtually impossible for NATO to preserve a credible strategy. Finally, a cut to the Baseline Level would destroy the basis of NATO strategy and necessitate a complete change of policy for the UK and the Alliance.¹⁰⁵

The Critical Level hurt the RAF. It involved a reduction of more than 100 aircraft or 16% on the front-line costed in LTC 74 - mainly in air transport and slowing MRCA production. Training, communications and miscellaneous aircraft would be cut by 140. Despite the 'inevitable military damage', the resultant force would be reasonably balanced, prioritising the security of the UK base, the Central Region of Europe and the eastern Atlantic. Aside from modest forces in Singapore and Hong Kong and resources allocated to support purposes, the RAF front-line was geared to maintaining NATO's defensive capability. Even the Vulcan strike force in Cyprus, which was not formally committed to NATO and declared to CENTO, served the Alliance's political and strategic purposes and was targeted by NATO. However, there was no guarantee that UK views of what measures minimised damage to NATO coincided with Alliance partners. Moreover, despite the enhanced importance of the security of the UK base, the size of the Air Defence Force remained based on the earlier 'tripwire' philosophy, the budget having not yet provided for increasing the size of the force. The reduction in overseas commitments and reduction of UK reinforcement commitments to NATO allowed significant cuts to air transport. A residual force for peacetime and contingency needs, to support

¹⁰⁴ TNA, DEFE 4/280, COS 11th Meeting, 10 June 1974.

¹⁰⁵ TNA, DEFE 5/198, COS 15/74, 'The 1974 Defence Review', 11 June 1974, pp. A-95-96.

the redeployment of troops in wartime and possible tactical tasks in Europe, was postulated at the Critical Level.¹⁰⁶

Reductions to the First Level were even more damaging to front-line strength, cutting deeper into teeth arms. All reinforcement forces allocated to AMF and the UKMF would be disbanded, except for offensive support aircraft which had separate deployment options. The Air Transport Force would be reduced by 67% rather than 51%, including all Belfasts and a further 10 Hercules. Tactical helicopters would be cut by 58% instead of 26%. Strike/attack and reconnaissance aircraft would be reduced by 12% compared to 3½% at the Critical Level. LRMP and tanker aircraft, unchanged at the Critical Level, would be cut by 23% and 39% respectively at the First Level. The Wessex helicopter replacement would be cancelled, and the purchase of various weapons and airborne equipment cancelled, reduced or deferred. RAF manpower was projected to drop by 20,000 at the First Level or 17,000 at the Critical Level.¹⁰⁷

Brynmor John expressed his concerns about cuts below the Critical Level. He pointed to the RAF's significant contribution to savings in the early years and earlier manpower reductions arising from the Economy Project. Broadbent observed that even if Ministers accepted the Critical Level savings, they might want larger cuts in the early years. He doubted if AFD could make any further savings without reducing frontline capabilities which the Board categorically rejected. More generally the Board acknowledged that Cyprus had first priority in any possible add-backs, although retaining facilities at Masirah depended on British involvement in Oman for a limited period while the retention of a nominal presence in Singapore required urgent examination.¹⁰⁸ Military bands costs exceeded the expense of forces in

¹⁰⁶ *Ibid.*, pp. A-51-55, A-62-63. As compared with the front-line costed in LTC 1974, by 1979 some 117 front-line aircraft would be removed, a 15% cut, largely arising from the air transport force. By 1984, the reduction would rise to 122, a 16% cut to the front-line at that time, the slightly larger reduction arising from the slower rate of MRCA delivery. The 'tripwire' philosophy reflected NATO's wider strategy of massive retaliation and Britain's attempt to shift away from expensive large-scale conventional forces in the Sandys Review (1957). This concept was replaced after a decade in December 1967 when a strategy of flexible response was adopted by NATO. This provided the Alliance with varied military options, ranging from conventional defence to full-scale nuclear war.

¹⁰⁷ *Ibid.*, p. A-80.

¹⁰⁸ TNA, AIR 6/188, AFB, 8(74), Secret Annex A, 17 June 1974.

Singapore.¹⁰⁹ The RAF's capabilities and roles were underlined in the Defence Review document forwarded to MoD Ministers in June 1974:

To provide the wide range of operational capabilities necessary to meet the UK's commitments over land and sea, the Royal Air Force provides valuable ready air forces and, whereas the USAF has plans to reinforce Europe in numbers, their augmentation forces are not committed to any specific NATO Alert State, neither are they trained to cover the spectrum of operations which the RAF provides in the demanding European environment.

Additionally, the RAF provides at immediate readiness tactical nuclear forces which are essential to the complete deterrent posture below the strategic level and which can operate from the UK base, itself less vulnerable than the Continent to attacks by WP [Warsaw Pact] tactical aircraft. It also provides aircraft for the Air Defence of the UK base – an important sovereign responsibility; and against WP aircraft operating against shipping targets in the sea areas around the UK or attacking the Northern and Central Region of ACE from the West behind the SAM belt.

No other European nation even if they were able would be willing to replace any capability given up by the Royal Air Force; nor can augmentation air forces be trained to the same level of efficiency as theatre-stationed forces.¹¹⁰

Similarly, Ministers were warned of the ramifications if Defence cuts were excessive:

Any reduction in the UK's military contribution to NATO must be halted at a level short of that which leads to the invalidating of its strategy and consequently to the destruction of the military basis of the Alliance. There is therefore a "critical level" of capability below which defence cannot be reduced without the gravest consequences to the nation's security.¹¹¹

¹⁰⁹ TNA, DEFE 11/566, folio E1, Gray (APS/Minister of State) to Head of AG Sec, 5 July 1974. At that point there were 95 Service bands and 4,303 bandsmen. There were six RAF bands and 319 RAF bandsmen.

¹¹⁰ TNA, DEFE 5/198, COS 15/74, 'The 1974 Defence Review', 11 June 1974, p. A-16.

¹¹¹ *Ibid.*, p. A-25.

Considering Cutting Commitments and Force Levels

Reductions in commitments and force levels were considered according to their impact on NATO's military strategy and cohesion. These wider-NATO factors governed the Services' views on the minimum size and shape of the forces the UK should maintain. Decisions as to what constituted the Critical Level of forces were difficult to justify in quantitative terms. As noted, the Review guidelines, framed by the DOPC were clear that overseas commitments or defence arrangements were lower priority than the UK's contribution to NATO and UK security. There was thus no military justification for maintaining them in view of the considerable damage reduced Defence expenditure would have closer to home. Nevertheless, complete withdrawal from certain overseas commitments posed problems. Some had military and political implications for NATO while political or economic factors precluded withdrawal from others during the Defence Review's timeframe. UK forces and facilities in the Mediterranean, including Cyprus, Malta and Gibraltar supported NATO and CENTO, with the intelligence facilities in Cyprus particularly significant for NATO and the US. Similarly, varied military, political and economic sensitivities pointed to a continued UK presence in Hong Kong, Oman, Belize and the Falkland Islands.

The UK role in the provision of reinforcement forces was also important. As well as contributing to the deterrent and combat capability of permanent forces, they strengthened the political determination of flank countries, particularly Norway and Denmark in the Northern Region. There were concerns at US reaction towards NATO and the UK, as UK levels of support and protection for US forces and the transiting of US and British reinforcements particularly at shared facilities already stood at a critically low level. The military requirements to meet the Critical Level for the Royal Navy was sub-divided into five areas of anti-submarine warfare, surface warfare, anti-air warfare, mine warfare and amphibious warfare. The Critical Level could not be maintained for maritime operations if the UK removed any major part or capability from its maritime forces. The only alternative was to reduce force levels and thus spread maritime forces more thinly. The Army outlined its military requirements needed for the Critical Level under the sub-divisions of BAOR, Berlin, reinforcement capability, MBFR, the security of the UK including the Northern Ireland Commitment, the threats to the UK and General War Tasks. In June 1974, 15,500 men were engaged in Northern Ireland, down from a peak of

22,500 in 1972,¹¹² but still ‘the largest and closest live commitment which the Services now have’.¹¹³

In respect of the RAF, a determined tone can be observed. The importance of air power in NATO’s overall defence policy, was measured in the current and predicted threat emanating from the Warsaw Pact and NATO’s flexibility in response. In view of its roles in NATO and continued improvements in Warsaw Pact capabilities, ‘the present size and shape of the RAF, and the associated plans for its re-equipment in future, can fairly be said to represent a critical level below which any reduced force would involve risks to the military strength and political solidarity of the Alliance’.¹¹⁴ It went on to warn: ‘There is no possibility of constructing military justification for cuts in the RAF below the critical level, and ... any UK judgement of what measures might minimise damage to NATO may well not coincide with that of the NATO allies.’¹¹⁵

The RAF’s range of roles was detailed in four sub-divisions on the Review. These were Offensive Forces, the defence of the UK Air Defence Region, LRMP aircraft and Air Transport. Concerns included the shortages of interceptors and surface to air missiles, the need to modernise the air defence environment, including AEW Shackleton-replacement and the maintenance of a viable tanker force. The UK-based Nimrod force was already viewed by NATO as insufficient to meet peacetime commitments and operations during tension or war. Cuts seemed to be possible in only one area. If non-NATO overseas commitments were removed or considerably reduced and UK reinforcement commitments to NATO were also reduced, significant reductions to RAF transport forces would be possible.¹¹⁶ Humphrey had told the AFB the Chiefs ‘felt obliged’ to redirect the Review studies to focus on the Critical Level with capability compatible with the maintenance of NATO strategy and UK security. Humphrey asserted the balance of the RAF frontline at the Critical Level was the best which could be achieved in the circumstances.¹¹⁷

The report ‘The 1974 Defence Review’ was sent to Ministers and the DSWP on 13 June. Carver repeated the Chiefs’ intention was to adopt a different approach based on possible savings without undue risk to NATO strategy and UK defence, as well

¹¹² Ibid., p. A-42.

¹¹³ Ibid., p. A-47.

¹¹⁴ Ibid., p. A-52.

¹¹⁵ Ibid., p. A-52.

¹¹⁶ Ibid., pp. A-51-55.

¹¹⁷ TNA, AIR 6/188, AFB, 8(74), Secret Annex A, 17 June 1974.

as the repercussions of cutting to two lower levels of Defence spending. No military solution was available at the lower levels of spending. Even the Critical Level required major reorganisation in the Services and in support.¹¹⁸ The Chiefs' paper was used extensively in the DSWP report, which was in general accord with the MoD approach.

The DSWP circulated an outline draft report to the Steering Committee on 31 May.¹¹⁹ On 17 June it submitted a Final Draft Report to the Committee.¹²⁰ In assessing the DSWP report's implications, the DPS observed the MoD Defence Review had concentrated mainly on the effects of UK defence reductions on NATO strategy. The DSWP had explored the economic, industrial and political consequences. It noted that the Treasury, whilst seeking to maximise savings, broadly accepted the Critical Level principle. However, it questioned the scale of the Warsaw Pact threat, believing this was overplayed by the MoD, FCO and the JIC Assessment Staff. The FCO was alarmed at the likely withdrawal from some overseas commitments but supported NATO solidarity. The DPS observed that although the Critical Level would be contained within 4½% of GNP in 1985-86, it produced annual savings against LTC of £600m by 1978-79 and £770m by 1983-84. The yardstick for selecting the reductions had been to minimise further damage to the most important NATO capabilities. Reductions beyond the Critical Level would cut directly into the teeth arms of Services' commitment to NATO. Meanwhile, reduction of the Air Transport Force to 56 aircraft was viewed as an 'informed estimate' requiring clarification following Review decisions.¹²¹

The Treasury wanted to reappraise the UK contribution to NATO. The economic future was bleak. Even reports produced before the October 1973 Energy Crisis predicted a continued divergence in growth rates between the UK and France and West Germany: 'On this basis, from the mid-1950's to the mid-1980's we shall have moved from a position of comparative affluence to relative poverty.'¹²² The Treasury asserted that GNP percentages provided the best single measure of relative defence burdens, though in volume terms spending was similar: 'To attempt to go on maintaining absolute parity with a widening gap in resources would put us at an increasing disadvantage in the management of our economy.'¹²³ Moreover,

¹¹⁸ TNA, DEFE 11/644, folio E12, CDS to SofS, 'The 1974 Defence Review', 13 June 1974.

¹¹⁹ TNA, CAB 130/732, MISC 16(74)1, 'Defence Studies Working Party – Draft Report, 31 May 1974.

¹²⁰ *Ibid.*, MISC 16(74)3, 'Defence Studies Working Party – Final Draft Report, 18 June 1974.

¹²¹ TNA, DEFE 11/644, folio E18, Note by the Directors of Defence Policy, '1974 Defence Review', 18 June 1974.

¹²² TNA, DEFE 25/221, folio 54, DSWP(P)44, 'Note by the Treasury', 4 June 1974.

¹²³ *Ibid.*

assumptions on economic growth used in the Defence Review also lacked clarity. The Treasury hinted at 'gratuitous...confusion'. The original guidance assumed a somewhat optimistic rate of 3% up to 1978-79, though the MoD had until recently been working on a rate of 3½%.¹²⁴

Meanwhile, Defence circles doubted Treasury claims that Defence savings would allow resources to be re-directed to investment and improving the balance of payments. The Treasury had cited similar arguments during the 1965-66 review. There was no evidence that such a redeployment of resources had happened. The Treasury section on Resources in the DSWP Interim Report failed to examine how Defence spending had contributed to poor economic performance. Moreover, arms sales were projected to earn £400m for the UK in 1974-75. If the military/industrial capacity to win such orders was reduced, an economic asset would be lost. The notion that a redundant arms sector could automatically switch to the production of commercially viable civilian alternatives was a 'somewhat fanciful assumption'.¹²⁵

For Carver and Cary, the main task was getting the Steering Committee to accept the Critical Level. It was also important to confirm MoD Ministers' support for it.¹²⁶ When the Defence Council met on 20 June, the Chiefs' report and the DSWP draft report were examined. Mason described reductions to the Critical Level as 'frightening', as 'all aspects of our fighting capabilities would be affected, some very significantly'. Mason hoped Cabinet colleagues would be convinced by the arguments against reductions even to the Critical Level, let alone below it. The Critical Level savings identified were considerable - £480m in 1978-79, rising to £615m in 1979-80 and £750m by 1983-84. He hoped this would satisfy all but his most hostile colleagues, though highlighted five major challenges. First there was the gap between Critical and First levels of savings. Secondly, Mason thought the FCO would resist withdrawals from non-NATO commitments. This led to his third concern, that certain Ministers would want to cancel or scale back expensive equipment projects, including the MRCA and other R&D, to close the gap between the Critical and First levels. A fourth worry was the reaction of NATO allies, particularly the US and West Germany, to Critical Level cuts. Fifthly, Mason highlighted the considerable number of likely job losses among Service personnel,

¹²⁴ TNA, T 225/4161, folio 124, Berrill (Director, CPRS) to Pliatzky (DUS, HMT), 'Defence Review – Assumptions on Growth of the Economy', 1 April 1974; T 225/4164, folio 37, Pliatzky to Henley (2nd PUS, HMT), 'Defence Review – the Growth Rate', 24 June 1974, CAB 148/145, OPD(74)7, 1 April 1974.

¹²⁵ TNA, DEFE 11/644, Brigadier Bagnall (Secretary, Chiefs of Staff Committee) to PSO/CDS, 'Defence Review', 18 June 1974.

¹²⁶ TNA, DEFE 4/280, COS 12th Meeting/74, 20 June 1974.

MoD civilians and in Defence industries. In the MoD, cuts would accentuate earlier economies in support areas, such as the rationalisation of R&D establishments, and exacerbate difficulties, including the dispersal of MoD civil servants from London.¹²⁷

Carver and Cary argued if Defence expenditure was reduced for general economic reasons alongside other spending, then the Services and Allies would accept this. It was harder to get them to accept the Critical Level if savings were simply shifted to other general spending programmes rather than into economic investment. In Carver's view UK security was almost entirely dependent on NATO. It could not follow the French path: 'NATO could not survive another major defection'. UK contributions to NATO thus constituted its top priority. The Review was not a pro-rata sharing of cuts between the Services or a paring down of force levels. Instead, 'Lower priority items have been ruthlessly pruned in favour of our retaining our basic front-line contributions to NATO in accordance with NATO strategy'. Total financial savings of £4,450m were envisaged, service manpower would fall by 53,000 and 35,000 civilians would be cut. Reductions to the revised First Level would involve further savings of £1,550m over the period, not an inconsiderable amount and ever more stringent in terms of force numbers.¹²⁸

CAS emphasised growing Soviet air strength and recounted the damage done to UK air defence by previous concentration on the 'tripwire' and overseas strategies. He also outlined the RAF role in NATO's strike plans, air transport and Berlin supply commitments. The Critical Level involved RAF reductions of 120 frontline and 140 miscellaneous, training and communications aircraft. Air transport would be halved, tanker forces cut by 40% and anti-submarine warfare and tactical helicopters reduced by a quarter. As well as worries about operational efficiency, training and equipment standards, he envisaged the closure of 20-25 stations and a 10% reduction of flying time. Cuts below the Critical Level would fall very heavily on frontline aircraft. Humphrey noted the Critical Level reduction to MRCA deliveries from 60 to 40 but insisted cancellation was impossible unless something else replaced it. He doubted this would be cheaper, particularly in the earlier years, or would provide the MRCA's standardisation or collaboration with allies. It was pointless purchasing a cheaper, unsophisticated aircraft.¹²⁹

¹²⁷ TNA, DEFE 11/644, folio E26, DC 1st Meeting/74, 20 June 1974.

¹²⁸ Ibid.

¹²⁹ Ibid.

Cary thought the Treasury argument that resources in defence could be diverted into other more beneficial forms of economic activity was 'weak', particularly in a recession. Mason wanted Carver and Cary to press the Steering Committee to agree the Critical Level represented the maximum reduction acceptable on military terms. Mason anticipated a push to the First Level through cutting some big-ticket items and told the MoD to improve the case for not going below the Critical Level by highlighting the overall implications on a range of levels. He remained 'gravely disturbed' at reductions to the Critical Level.¹³⁰

The DSWP draft was discussed by the Steering Committee on 21 June. It examined the consequences of reductions to the four levels. The Critical Level was also costed. This assumed total withdrawal from non-NATO overseas commitments, significant reduction in reinforcement forces and major cuts to the three Services. It exceeded the First Level by £150m in 1983-84 but would be contained within 4½% of GNP by the mid-1980s. The perils of going lower were conveyed starkly, involving front-line reductions which the MoD considered incompatible with an acceptable contribution to NATO.¹³¹ Cuts to the Critical Level were forecast to produce savings of £4.5bn over the decade, reducing uniformed manpower by 52,000 and civilians by 36,000. In the assumptions annual GNP growth was 3.1% while it was assessed that total withdrawal from overseas non-NATO commitments was unlikely to be acceptable to Ministers. Hunt requested greater concentration on establishing the validity of the Critical Level programme.¹³² The MoD was also asked to define and cost the minimum non-NATO Overseas Force Level. Carver repeated there was no military justification for retaining non-NATO overseas commitments at the Critical Level. Extra spending arising from this political decision would be additional to it.¹³³ The Chiefs hoped Mason would resist this. However, Carver later considered that even if Mason convinced DOPC colleagues of the Critical Level it may be necessary to consider further economies in support to meet additional spending required for continued non-NATO commitments. Cary added that Critical Level costs would be queried and the minimum non-NATO overseas force level of £70-80m per year would fall within accepted estimating error for the LTC period.¹³⁴

Carver advocated the Critical Level at the Steering Committee on 28 June. It involved major reductions to all three Services but the vital contribution to NATO

¹³⁰ Ibid.

¹³¹ TNA, CAB 130/732, MISC 16(74), 2nd Meeting, 21 June 1974.

¹³² Ibid.

¹³³ TNA, DEFE 4/280, COS 14th Meeting/74, 28 June 1974.

¹³⁴ Ibid., COS 16th Meeting/74, 16 July 1974.

was largely preserved. Cuts to the First Level meant major inroads into the central contribution to NATO, damaging the credibility of Alliance strategy.¹³⁵ Briefing indicated the scale of reductions. The RAF front line in March 1979 under LTC 74 was 767 aircraft, falling to 650 aircraft at the Critical Level and only 558 aircraft at the First Level. For March 1984, the figures were 758 aircraft under LTC 74, 636 at the Critical Level and 562 at the First Level. All levels of AFD savings assumed reducing MRCA delivery rates from 60 to 40 aircraft per annum.¹³⁶

Ministers hoped the Hong Kong government would make a larger contribution to the cost of the garrison and major reductions could be found at Gibraltar. Reductions to MoD Head Office and intelligence staff came under scrutiny to narrow the gap between the Critical and First levels. The Steering Committee's first draft report discussed the political and military consequences of reductions and who would make up the shortfall in NATO. Clearer explanations of the rationale underpinning the Critical Level and the implications of further cuts were deemed essential. It was considered advantageous to identify significant programmes which would attract Ministerial attention and explain their inclusion at the Critical Level.¹³⁷ A confidential annex detailed the case for Polaris as an independent national deterrent and the need to improve the system.¹³⁸

A report had been approved by the Chiefs on 12 June on the nuclear aspects of the Defence Review and sent to Mason and Hunt.¹³⁹ In addition to the Polaris force, the UK had nuclear weapons and delivery systems covering both strategic and tactical purposes. Some 132 RAF offensive aircraft were dual capable and equipped with UK weapons. A few US weapons under custodial arrangements equipped the RAF Germany Phantom force until transfer from strike/attack to air defence, planned for 1976. LRMP aircraft had US ASW weapons, Royal Navy ships and helicopters carried UK ASW nuclear weapons and Navy dual-capable carrier-borne aircraft were equipped with UK weapons. The Army had battlefield nuclear delivery

¹³⁵ TNA, CAB 130/732, MISC 16(74) 3rd Meeting, 28 June 1974.

¹³⁶ TNA, DEFE 25/331, folio 10, Royal Air Force Front Line at the Critical and new First Levels by Role and Type, June 1974. The pain of First Level reductions for the RAF was detailed in revised MoD figures submitted to the Steering Committee. The planned strength for 1978-79 under LTC 74 and the First Level differed considerably. For Strike/Attack/Recce there would be 50 fewer aircraft – 287 instead of 327, the tanker fleet would be reduced from 31 to 19, strategic transport would be cut by nearly two-thirds and helicopters by almost 60%. CAB 130/733, MISC 16(74)5, 'Military Implications of the First Level', 28 June 1974.

¹³⁷ TNA, CAB 130/732, MISC 16(74), 4th Meeting, 4 July 1974.

¹³⁸ Ibid.

¹³⁹ TNA, DEFE 5/199, COS 16/74, 'Nuclear Aspects of the 1974 Defence Review', 12 June 1974.

systems and ADMs, for which the US provided a stockpile of warheads under custodial arrangements. Polaris gave the UK a special position in NATO. Ending this would result in UK target commitments to NATO no longer being met and be viewed by allies as indicative of a lack of UK determination to defend itself in an era of nuclear proliferation.¹⁴⁰

Abandoning the 'Super Antelope' improvement to Polaris would save £170m over the LTC period. Scrapping Polaris would save the annual average running cost of £50m. Possible savings were suggested from cutting or abandoning the RAF's nuclear strike role. However, the 32 UK-based and 16 Cyprus-based Vulcans had a key role in SACEUR planning, having the deepest penetration capability into Warsaw Pact territory. The Chiefs rejected cancelling 'Super Antelope' or scrapping Polaris. They recommended the tactical weapon programme for the Navy and RAF should be completed and battlefield nuclear systems retained. The only possible Critical Level savings involved abandoning provision for future UK tactical weapons and the Navy's MK 24N torpedo, saving only £21m over the LTC period.¹⁴¹

Substantive and presentational issues arose when the Steering Committee discussed their draft Report to Ministers on 10 July. Importantly, in seeking savings in support to bridge the gap between the Critical and First levels, it was argued that such savings were factored into the Critical Level. Additional savings were unlikely. Efforts to close the financial gap would fall heavily on teeth arm units. The Committee also sought Ministerial guidance on the acceptance of existing NATO strategy, retaining the deterrent, the acceptability of the Critical Level, areas for further savings if needed, outside NATO commitments and consultation procedures.¹⁴²

The AFB discussed the Steering Committee report and Humphrey deemed it 'generally satisfactory'. However, under economic aspects, the Treasury concentrated on the four models postulated in April and ignored the Critical Level, although this involved major cuts.¹⁴³ The Critical Level also incorporated measures to improve the UK air defence system. In addition to the MRCA AD Variant, it included the run on of two Lightning squadrons, the modernisation of the air defence

¹⁴⁰ Ibid., pp. A-1-A-10.

¹⁴¹ Ibid., pp. A-11-A1-1.

¹⁴² TNA, CAB 130/732, MISC 16(74), 5th Meeting, 10 July 1974.

¹⁴³ TNA, AIR 6/188, AFB, 10(74), 15 July 1974.

ground environment, airborne early warning [with a marked Board preference for the US AWAC system] and the airfield protection programme.¹⁴⁴

Following Steering Committee amendments, the revised report was circulated to the DOPC on 15 July.¹⁴⁵ It was the sole topic for discussion at the Defence Council meeting on 16 July. Mason required decisions from ministerial colleagues on the broad level of spending on NATO's key areas, the timescale to reach any new level and their broad approach to Mediterranean and non-NATO commitments. It was underlined there was no credible or cheaper alternative to NATO's current strategy which would be agreed in the Alliance. The report also supported retaining, maintaining and improving the strategic nuclear deterrent. The MoD's minimum goal remained the Critical Level. The whole concept of the Critical Level entailed there was 'no scope for significant savings below it'. Residual non-NATO and Mediterranean commitments were additional to it. Mason was warned colleagues may seek reductions to the First Level by 'spectacular individual cuts'. Provided Ministers endorsed the Critical Level, Mason was advised to agree to examine certain major programmes. He should reject cuts to the First Level, as there was no justification for this in view of the Soviet threat and must not contemplate even deeper reductions.¹⁴⁶

Mason told the Defence Council he thought the Steering Group's report was 'in general satisfactory', particularly the stress that non-NATO commitments should be viewed as additional to that needed to maintain the Critical Level. When Mason mentioned that some colleagues on the Overseas Policy Committee would want to go lower, CDS underlined the Critical Level was 'not guesswork' and was critical in relation to NATO, although acknowledged this was not wholly accepted by the Treasury. He recommended Mason avoided detailed discussion of certain issues including MRCA, Sea Harrier, the size of the residual Air Transport Force,

¹⁴⁴ Ibid., AFB, 16(74), 2 December 1974. Following worrying JIC assessments about the increased Warsaw Pact conventional threat, to bolster the air defence of the UK, the AFB approved the Lightning run-on [two squadrons, 24 aircraft] to 1984-85 at both the First and Critical Levels in November 1974. The UK airfield protection programme, including the provision of Hardened Aircraft Shelters at UK stations, the deployment of Bloodhound in the UK, UKADGE improvements and Shackleton AEW replacement under ASR 400 were similarly approved. TNA, AIR 6/192, AFB, (75)24, 'Improvements to UK Air Defence', Note by VCAS, 14 July 1975.

¹⁴⁵ TNA, CAB 130/732, MISC 16(74), 6th Meeting, 12 July 1974; DEFE 25/275, The 1974 Defence Review – Report by the Defence Studies Working Party DSWP (P) 51 (Final Revise), Ministry of Defence, July 1974.

¹⁴⁶ TNA, DEFE 11/566, folio E12. Defence Council, 1974 Defence Review DC/P(74)4, Brief for Secretary of State, Annex A, Background Note, no date. DEFE 25/275, Brief for Secretary of State for DOPC, 18 July 1974; DEFE 25/332, folio 10, brief for Secretary of State, 29 July 1974.

remaining Vulcans and the assumption they would be replaced by MRCA on a one-for-one basis. The PUS highlighted the potential damage to the Alliance from reductions below Critical Level and was concerned about the accuracy of estimates and forecasts over the coming decade. He said it may be best accepting a broad ministerial decision to reduce defence spending to 4½% of GNP by the mid-1980s, even if this meant risks with the precise size and shape of forces and extent of commitments at that rate. Mason summed up by stressing the Critical Level had been constructed with NATO's priorities in mind and would reject any pressure from the Chancellor for a return to the 'tripwire' strategy. He also underlined the 'relative cheapness' of maintaining the nuclear deterrent but also wanted the Foreign Secretary to help justify each Mediterranean and non-NATO commitment and wanted a greater contribution from Hong Kong and study of possible savings in Cyprus.¹⁴⁷

The DOPC met on 18 July. Mason emphasised the Warsaw Pact's growing strength, repeating there was no military justification for reducing UK forces. He stressed the Critical Level involved major cuts to the MoD's LTC for 1974. The Committee said the Review should assume the UK would spend nothing on defence outside Europe. The Critical Level assumed abandoning the UK's NATO contribution in the Mediterranean and cutting the contribution to the Northern Flank. However, some argued the resultant level of forces remained too costly and wanted more cuts. The Critical Level was based on maintaining the existing NATO strategy, but changes were anticipated following the MBFR talks. Wilson said the Government could only make Defence decisions based on existing NATO strategy. He stressed non-NATO commitments, possible early bilateral consultations with the Americans and reaching a swift decision on the Critical Level.¹⁴⁸

The Critical Level meant real cuts in personnel, equipment and commitments, reducing defence as a percentage of GNP. However, there was no reduction in the absolute level of resources taken by defence because of escalating real costs of new equipment. However, the second, third and fourth levels were 'not on'. The First Level impacted heavily on commitments and teeth arms. The Critical Level was the

¹⁴⁷ TNA, DEFE 24/621, DC 2nd Meeting/74, 16 July 1974. Mason also wanted to mention proposals to improve the deterrent over the lifetime of the LTC but would not press hard for a decision as this was not urgent until October. Mason added that the Prime Minister wanted the Cabinet to consider the future of the strategic nuclear deterrent at the conclusion of the Defence Review.

¹⁴⁸ TNA, CAB 148/145, OPD(74) 11th Meeting, 18 July 1974. The Chiefs of Staff commentary for Mason on the Steering Committee Final Report underlined the escalating Warsaw Pact threat: 'In this situation there is no military justification whatever for making any reductions at all in our current force levels, rather the reverse.' DEFE 25/275, folio 7, CDS to SofS, 16 July 1974.

minimum contribution to a credible NATO strategy; the least the UK could offer allies. If Ministers wanted to retain non-NATO commitments these were political decisions. There was no military justification for any of them.¹⁴⁹ Hunt said the Critical Level was the 'heart of the matter'. The general view at DOPC was that spending should reflect NATO strategy and plans. The Steering Committee report suggested retaining forces in Hong Kong, Cyprus and Gibraltar meantime, though seeking savings and ending other non-NATO commitments. Paragraph 55c posed the key question:

Do Ministers agree that if we are to provide an adequate contribution to meet NATO's military and political requirements there is no scope for significant savings below the Critical Level, as defined; and if this is not accepted, which aspects would Ministers wish to examine in further detail?¹⁵⁰

Hunt explained the Steering Committee believed they had already got down to the 'minimum practicable'. If Ministers still questioned the Critical Level, they needed to request specific information rather than demand additional reductions.¹⁵¹

Meanwhile, the Treasury thought that for the RAF, 'the additional costs necessary to reduce expenditure to the First Level (from the Critical Level) are small in comparison with the major reductions for the Critical Level'. Further reductions would fall mainly on 'Strike/Attack/Recce' (Canberras and Vulcans), Transport and Helicopters. The impact of further cuts, numerically concentrated on helicopters, was not 'very great'. It was suggested there were few major alternatives to the reductions proposed in RAF expenditure – involving the retention of some Canberras and Vulcans at the expense of even deeper cuts to the transport fleet. An 'obvious omission' from the MoD proposals, picked up by the Treasury, was the Maritime Harrier. Though most of the aircraft's cost (£75m) remained unspent, it argued it was not essential for the Navy's new through deck cruisers which were viable with helicopters.¹⁵² Moreover, in the midst of these deliberations, in July-August 1974, the Cyprus crisis flared up and led to the rapid deployment of RAF

¹⁴⁹ TNA, PREM 16/27, folio 33, undated minute.

¹⁵⁰ *Ibid.*, folio 35, Hunt (Cabinet Office) to PM, 'Defence Review (OPD(74)23)', 30 July 1974.

¹⁵¹ *Ibid.*

¹⁵² TNA, T 225/4165, folio 129, Perry (HMT) to Scholar (HMT), 23 July 1974.

transport aircraft and some 360 sorties by Hercules, Britannia, VC10, Belfast and Comet aircraft airlifted over 22,000 people out of the island.¹⁵³

While there was DOPC agreement to withdraw from non-NATO and Mediterranean commitments as soon as practically possible, political and security problems precluded leaving Gibraltar, Hong Kong, the Falkland Islands, Belize and Cyprus. It was suggested the Americans might contribute towards certain non-NATO commitments to which they attached particular significance. The importance allies placed on elements of the UK contribution was also factored into the Critical Level, with corresponding changes to the size of the land/air contribution in the Central Region vis-à-vis reductions in the maritime contribution. Worries were also expressed about the Critical Level's sustainability for a decade, otherwise further short-term cuts would follow. It was also hoped the Federal Republic would contribute more towards British forces in Germany. Wilson's focus remained on reducing non-NATO commitments. On the contribution to NATO, he emphasised the views of allies, particularly the US, alongside the relative importance of the various elements of the UK contribution. He called for models of alternative force mixes within the Critical Level. Consultations with allies should wait until DOPC considered these options.¹⁵⁴ The DOPC requested further studies on force levels and reinforcement capabilities in Hong Kong and the value of intelligence from Cyprus to the UK and US. Significantly, Ministers agreed the Critical Level could be the basis for the UK contribution to NATO, pending final decision.¹⁵⁵ Meanwhile, Healey called for quicker consultations and a faster rundown of non-NATO commitments, whereas Callaghan prioritised the importance of considered negotiations with the Americans, wanting to develop relations with Gerald Ford's new administration.¹⁵⁶

¹⁵³ A.G. Trevenen James, *The Royal Air Force: The Past 30 Years* (London: Macdonald and Jane's, 1976), p. 177.

¹⁵⁴ TNA, CAB 148/145, OPD(74) 13th Meeting, 1 August 1974.

¹⁵⁵ TNA, CAB 130/732, MISC 16(74), 7th Meeting, 5 August 1974.

¹⁵⁶ TNA, PREM 16/28, folio 1, CHX to PM, 8 August 1974; folio 4, Alexander (PS/Foreign Secretary) to Butler (PS/PM), 23 August 1974; folio 7, PM to Foreign Secretary, 30 August 1974. Barnett (CST) pointed out to Healey in late July the net result of the Review would be no savings in 1975-76 under the First Level or an increase in expenditure of £150m if the Critical Level was accepted. If this was the case there would be political ramifications arising from the failure to live up to clear commitments. T 225/4165, folio 144, CST to CHX, 25 July 1974. Healey was 'very sympathetic' to Barnett's line. T 225/4165, folio 146, Robson (PPS/CHX) to PS/CST, 26 July 1974. Healey advised Wilson in early May that although 1975-76 may need to be a transitional year, it was important to 'make a substantial start on the necessary savings in that year'. T 225/4162, folio 11, CHX to PM, 7 May 1974.

Emphasising Four Pillars

The Chiefs placed the emphasis on four elements of the UK's contribution to NATO deemed essential for UK security – namely, the strategic nuclear deterrent, the land/air contribution to the Central Region (BAOR and RAF Germany), the sea/air element in the Eastern Atlantic/English Channel and the security of the UK base. Support for NATO's Northern Flank was of great importance for the UK, although withdrawal from the Mediterranean would not involve unacceptable damage.¹⁵⁷ The Critical Level involved: 'Severe impact on NATO nevertheless and therefore no military justification for retaining any non-NATO overseas commitments at the expense of further reductions in the critical area of NATO'.¹⁵⁸ Seven models at the Critical Level were suggested. They were:

- (i) Placing half of anti-submarine warfare forces in Reserve;
- (ii) Retaining BAOR stationed forces in Germany and compensating with UK-based forces;
- (iii) Further reduction in the Army's UK-based forces;
- (iv) Total abolition of Specialist Reinforcement Forces
- (v) Reduction of RAF Strike Aircraft
- (vi) Reduction of the Air Defence Force
- (vii) The retention of a military presence in the Mediterranean¹⁵⁹

The difficulties arising from these models were evident. No other state could fill the vital gap of combatting the Soviet nuclear submarine threat in model (i). Similarly, model (ii) required renegotiation of the Brussels Treaty (1948) and be undertaken within the framework of the ongoing MBFR talks. No other state would assume this role. In respect of model (iii) risks were already being taken with home defence. Further cuts would make it harder to put the BAOR onto a war footing, more difficult to maintain home defence and impossible to meet even a reduced Northern Ireland remit. The abolition of all Specialist Reinforcement Forces, model (iv), would impact on the cohesion and reinforcement of the Northern Flank and Central

¹⁵⁷ TNA, DEFE 25/275, folio 77(i), Bagnall (Secretary, COS Committee) to Roberts (Cabinet Office), 30 August 1974, '1974 Defence Review: Summary of Presentation by CDS to the DOPC on [] September 1974', Attachment to COS 1334/1301/2.

¹⁵⁸ Ibid.

¹⁵⁹ Ibid.

Region respectively and hamper the dispersal of strike aircraft for the ACE Mobile Force. The rapid deployment of forces for national tasks would be impossible.¹⁶⁰

The imposition of model (v) would hamper the RAF's dual-capable offensive aircraft, central to NATO's deterrent stance. The savings from an early phase-out of the Vulcan were outweighed by the military damage to NATO. The replacement of existing aircraft by the MRCA was essential to maintain NATO's offensive capability, though extending deliveries was considered acceptable. The risks attached to model (vi) were abundantly clear. The growing Soviet conventional air threat provided solid grounds for strengthening air defence, but little was possible at the Critical Level. Delays in delivering the AD Variant of the MRCA would follow the slowdown of the IDS version. Model (vii) was considered much less important. Maintaining existing force levels in Cyprus, Malta and Gibraltar alongside a naval presence and specialist reinforcement forces was expensive. There was no military justification for cutting into more important Critical Level capabilities to retain this Mediterranean presence.¹⁶¹

Various possible cost reductions in the RAF were considered in detail. Foremost was the cancellation or reduction of the MRCA, due to replace half of the Service's entire combat strength in the first half of the 1980s. Cancelling the purchase of 385 aircraft would cause the collaborative programme to collapse. Even cancelling the AD Variant (165 aircraft) was likely to be fatal. Slowing the programme reduced the quality and quantity of the RAF's frontline for years and aggravated West German and Italian partners. Reducing the planned annual production rate from 60 to 40 aircraft was estimated to save £295m over the costings period. It also postponed by up to three and a half years the qualitative improvement essential to maintain the relative capability of the RAF front line, a Priority One Force Goal for NATO. Meanwhile, there was also the issue of maintaining in service existing

¹⁶⁰ TNA, DEFE 25/275, folio 77(i), Bagnall (Secretary, CofS Committee) to Roberts (Cabinet Office), 30 August 1974, '1974 Defence Review: Summary of Presentation by CDS to the DOPC on [] September 1974', Attachment to COS 1334/1301/2. The point re the Brussels Treaty was reinforced in the Defence Review draft: 'Agreements under the Brussels Treaty require the UK to maintain BAOR at a peacetime level of 55,000 men (reflecting reductions of nearly 30% made in 1957/58 from the four divisions agreed in 1954). The authorised establishment stands at 58,000.' DEFE 5/198, COS 15/74, The 1974 Defence Review, 11 June 1974.

¹⁶¹ TNA, DEFE 25/275, folio 77(i). When the Vulcan went out of service, the RAF for the first time in decades would not be able to strike at the Soviet Union, although the notion of one way missions was mentioned in certain circumstances such as a short nuclear war. AHB, AFBSC, 6(77), 30 June 1977.

Vulcan, Buccaneer and Canberra aircraft for this extra time in their strike/attack/reconnaissance roles.¹⁶²

Wilson tried to accelerate matters at the DOPC meetings on 9 and 18 September. He hoped to take deliberations far enough so officials could draft a Cabinet submission following the General Election. On the vexed contemporary issue of Cyprus, Callaghan acknowledged the 'strong case for total withdrawal'. The Committee agreed that withdrawal following a satisfactory settlement to the Cyprus conflict was the preferred solution but overriding US objections to complete withdrawal was possible. It also recommended the Hong Kong government should pay three-quarters of the garrison's cost. Meanwhile, the MRCA came under the spotlight following a memorandum by Mason. The first IDS prototype had flown, in Germany on 14 August. It was retained in the RAF programme at all spending levels. Even if delivery rates were reduced, the decision on the next stage was unaffected and it was agreed it should be undertaken.¹⁶³

Carver's presentation to the DOPC on 18 September attempted to convince Ministers of the military case for the Critical Level and explain why alternative levels were not militarily acceptable. The principal Critical Level RAF reductions were the 30% to Tanker/Maritime Patrol, 51% to Fixed Wing Transport, 25% to Support Helicopters, a 25% cut to new equipment and the closure of 10-13 UK stations. Hunt called it 'difficult and complicated stuff'.¹⁶⁴ Crucially, in the context of this Review, was the recognition that the four main elements of the UK defence contribution were of equal importance and could not be placed in an order of priority, although they were not of equal [financial] magnitude. The Chiefs remained united on this. Carver's presentation explained the reasoning for capabilities being set at the Critical Level, incorporating arguments for and against any differences of force levels.¹⁶⁵

Hunt briefed Wilson on the Critical Level, highlighting the importance of the four pillars. He emphasised it assumed a reduction in the BAOR from 58,000 to 50,000 men, subject to MBFR agreement and amendment of the Brussels Treaty. Hunt doubted whether reductions below the Critical Level were compatible with Britain's maritime roles in NATO. The cost of Polaris-improvement was relatively small. On

¹⁶² TNA, DEFE 25/222, Annex B to DP Note 207/74 (Revised Final).

¹⁶³ TNA, CAB 148/145, OPD(74) 14th Meeting, 9 September 1974; OPD(74)30, 'The Multi-Role Combat Aircraft', Memorandum by the Secretary of State for Defence, 3 September 1974.

¹⁶⁴ TNA, PREM 16/28, folio 9, Hunt (Cabinet Secretary) to PM, 4 September 1974. DEFE 25/276, 'The 1974 Defence Review: Presentation to the DOPC by CDS - Slides.

¹⁶⁵ TNA, CAB 130/732, MISC 16(74) 9th Meeting, 11 September 1974.

the UK base, Hunt noted most cuts to the UK-based RAF fell on transport aircraft, though air defence was already 'very thin'. He noted the argument that the strike-reconnaissance Vulcans in Cyprus could be disbanded but savings would be small and their replacement by the MRCA need not be settled immediately.¹⁶⁶

The Treasury still pushed for cuts below the Critical Level. Officials remarked that British troops constituted a small proportion of the total NATO force whereas the Navy was a more important component of NATO capability in the Atlantic. Stationing forces in Germany involved an annual foreign exchange cost of £300m. Nevertheless, Healey asserted that ground forces in Germany gave the UK political influence and ordinary people could clearly see their role in deterring the Soviets, more clearly than the Navy.¹⁶⁷ Healey argued the contribution to NATO at the Critical Level was not acceptable in public expenditure terms, as it meant increasing the 1975-76 Defence budget in excess of the growth limit of 2.75% in real terms agreed for public spending. The major contributions in Germany and the Eastern Atlantic were inconsistent with the country's economic position. Healey believed maritime forces at the Critical Level were insufficient to meet their requisite tasks and emphasised the credibility of the UK force contribution should be judged on political and not just military considerations. Other DOPC members noted allies expected the UK to make a major military contribution and would be angry if this was cut too much and too soon.¹⁶⁸

Wilson planned after the General Election to report to Cabinet the results of the Defence Review, before starting international consultations. He requested officials produced briefings for international consultation based on:

- Force contribution to NATO defined at the Critical Level
- Forces being wholly withdrawn from Cyprus

¹⁶⁶ TNA, PREM 16/28, Hunt (Cabinet Secretary) to PM, 'Annex A: Defence Review – Critical Level', 17 September 1974.

¹⁶⁷ TNA, T 225/3905, folios 57-58, Pliatzky (DUS, HMT) to PPS/CHX, 16 September 1974. Treasury officials listed possible programme reductions hoping their Ministers might get the MoD to accept spending ceilings below the Critical Level. RAF programmes under the spotlight included slippage of the Jaguar/Harrier replacement and the new AEW aircraft. Slippage of the Nimrod refit was also suggested. For the MRCA either slippage or the cancellation of two aircraft in 1978-79 and three in each year thereafter, at £3.5m per aircraft, was proposed. T 225/3905, folio 192, Fitchew (HMT) to Hall (HMT), 10 October 1974.

¹⁶⁸ TNA, CAB 148/145, OPD(74) 15th Meeting, 18 September 1974. Healey queried the balance of the UK contribution to NATO, specifically the validity of the maritime contribution, DEFE 11/719, Hunt (Cabinet Secretary) to CDS, 20 September 1974.

- The Hong Kong Government contributing three-quarters of the cost of a reduced garrison on the colony
- Other non-NATO and Mediterranean commitments being reduced as proposed in OPD(74) 23, subject to minimum required provision for the internal security of the Falkland Islands and Belize as dependent territories.

Importantly, officials were asked to consider accommodating remaining non-NATO and Mediterranean commitments from within the Critical Level estimate rather than additional to Critical Level costings. Two models were subsequently produced for the Chiefs, projected on differing levels of commitments, involving differing levels of reductions, but requiring reductions below the Critical Level on aspects of NATO spending and affecting front-line capability. Case A was predicted to cost £46m annually but a less favourable set of circumstances, based on differing assumptions for Hong Kong, Masirah (Oman) and Cyprus, in Case B would cost £72m. Both were within the margin of financial error for the Critical Level. It was acknowledged this was ‘tantamount to accepting military tasks over and above those envisaged at this level without a commensurate increase in resources’.¹⁶⁹

Following Healey’s comments, DOPC also requested a paper on further consideration of NATO strategy and the balance of the UK contribution to it. Essentially, the focus was on whether other forces, specifically American or French, might support the UK contribution. However, the COS paper forwarded to Mason and Hunt in mid-October made clear: ‘A reduction in the United Kingdom contribution by land, sea and air to NATO below that postulated at the Critical Level would undermine the credibility of NATO strategy. No other nation could replace it.’¹⁷⁰ Similarly, a report was also commissioned on the UK contribution to maritime strategy in the Eastern Atlantic and Channel Commands of NATO. It underlined that the maritime component of the deterrent strategy of NATO was ‘inescapably

¹⁶⁹ Ibid.; DEFE 4/280, COS, 28th Meeting/74, 24 September 1974; COS, 29th Meeting/74, 15 October 1974. DEFE 5/199, COS 22/74 ‘1974 Defence Review – the Accommodation of Non-NATO and Mediterranean Commitments within the Critical Level’, 15 October 1974; DEFE 25/277, CDS to SofS, 15 October 1974; CAB 130/733, MISC 16(74) 18, ‘Accommodation of Non-NATO and Mediterranean Commitments within the Critical Level’, 16 October 1974; CAB 148/145, OPD(74) 36, ‘Defence Review - Accommodation of Non-NATO and Mediterranean Commitments within Critical Level’, 18 October 1974.

¹⁷⁰ TNA, DEFE 5/199, COS 23/24, ‘The 1974 Defence Review: NATO Strategy and the United Kingdom’s contribution to the Alliance’, 15 October 1974; CAB 130/733, MISC 16(74) 19, ‘NATO Strategy’, 16 October 1974.

bound' to the security of the UK and there was 'no credible alternative' and stressed: 'Our maritime pre-eminence in Europe is our most distinctive contribution to the Alliance (apart from our possession of strategic nuclear power).'¹⁷¹

In the interim, the AFBSC met with Commanders in Chief on 19 September for a Defence Review seminar.¹⁷² DUS(Air) observed there was little prospect of an improved budgetary outlook for Defence, whoever won the Election. He underlined the Critical Level had evolved in the MoD, praising it for this 'courageous act' and saluting the cohesion of the Chiefs. Despite the Critical Level involving 'heavy and difficult' reductions it still meant considerably higher spending than the most favourable framework proposed by Ministers. They had not hacked away at the RAF programme to produce a given level of spending but sought a 'slimmer but none the less effective force with the essential components of its operational strength largely unimpaired'.¹⁷³

Full savings at the Critical Level from the RAF programme for the period to 1983-84 amounted to £1,450m. Despite deep cuts elsewhere, at the Critical Level it was forecast the RAF would have 90 additional modern combat aircraft on the inventory by 1984 than in September 1974.¹⁷⁴ Humphrey observed: 'Necessary to stop doing some things and do other things in different ways. A small Air Force must be an Air Force of high quality.'¹⁷⁵ He mentioned Healey's desire for deeper cuts and anticipated the new Government would require a further series of discussions and negotiations before taking final decisions. Worries were also expressed about whether the post-Review Defence budget would be immune from future pressures. It was also thought likely the RAF might soon concentrate on three Commands – Strike, Support and RAF Germany, with Training Command's functions being re-allocated.¹⁷⁶

October 1974 General Election

The Labour Party's October 1974 manifesto *Britain Will Win With Labour*, emphasised the Government was conducting 'the widest ranging defence review to

¹⁷¹ TNA, DEFE 5/199, COS 24/24, 'The 1974 Defence Review: The United Kingdom contribution to the Eastern Atlantic and Channel Commands of NATO', 15 October 1974.

¹⁷² TNA, AIR 8/2637, 'Presentation of the Defence Review to the Air Force Board Standing Committee and Commanders in Chief', 19 September 1974.

¹⁷³ Ibid., Proposed DUS(Air) presentation at AFBSC meeting with Cs-in-C, 12 September 1974.

¹⁷⁴ Ibid., 'Presentation to AFBSC and Cs-in-C, 19 September 1974, Illustrative RAF Measures, by VCDs'.

¹⁷⁵ TNA, AIR 8/2638, CAS, 19 September 1974.

¹⁷⁶ TNA, AIR 6/190, AFBSC, 7(74), 19 September 1974.

be carried out in peacetime'. Details of savings remained sketchy, although job losses in Defence establishments would be mitigated by contract work and research for industry. There was an emphasis on détente. On the nuclear front, the removal of US Polaris bases from Britain was prefaced by the more reassuring 'Starting from the basis of the multilateral disarmament negotiations'. Meanwhile, Wilson quietly instructed the Chevaline Polaris-improvement programme to proceed.¹⁷⁷

Defence was raised sporadically during the campaign. The Defence Committee of the Air League stressed Defence spending was insufficient, highlighted superior Warsaw Pact forces and aimed to 'reverse the process of stripping Britain bare before her antagonists'.¹⁷⁸ Speculation in the *Daily Telegraph* and *Daily Express* claimed Labour would axe 'thousands of servicemen'. The Royal Marines, Parachute Regiment, RAF Regiment and Gurkhas were mentioned, as was the closure of dockyards and withdrawals from overseas bases, excepting Hong Kong and Gibraltar. Mason insisted no decisions had yet been taken and echoed the manifesto promise to reduce the defence burden.¹⁷⁹ Despite it being a close election, possible job losses at Plymouth, Portsmouth, Chatham, Preston, Bristol and Derby remained local issues.¹⁸⁰

Review Resumed

Work on the Review accelerated after the General Election. The idea of retaining some non-NATO and Mediterranean commitments within Critical Level costs also gained credence.¹⁸¹ The Review was to go to Cabinet by 31 October so Ministers could view it before discussing public expenditure and commencing consultations with allies. Hunt gave Wilson a draft memorandum for DOPC on 23 October, stating Defence spending remained unaffordable. A stringent approach was essential, requiring a planned programme and major reductions for a decade. Reduced spending in 1974-75 was due to slippage, building up future problems and complicating the task of achieving reductions. Savings could only be made by

¹⁷⁷ Labour Party manifesto for October 1974 General Election, Britain Will Win With Labour <http://www.politicsresources.net/area/uk/man/lab74oct.htm>

¹⁷⁸ Defence Committee, The Air League, The Defence Situation 1974, *The Royal Air Forces Quarterly*, Volume 15, Number 1, Spring 1975, pp. 7-8.

¹⁷⁹ TNA, DEFE 25/276, folio 48, FCO Guidance tel no 132, 4 October 1974; Staff Reporter, 'Dispute growing over "secret" reductions in defence spending', *The Times*, 3 October 1974.

¹⁸⁰ Staff Reporter, 'Dispute growing over "secret" reductions in defence spending', *The Times*, 3 October 1974; Tim Jones and Henry Stanhope, 'Seats at risk in defence dispute', *The Times*, 9 October 1974. At Preston the British Aircraft Corporation worked on the MRCA and Jaguar, Rolls-Royce engines for the MRCA and Harrier were made in Bristol, and Derby was home to the Rolls-Royce works.

¹⁸¹ TNA, CAB 130/732, MISC 16(74) 10th Meeting, 17 October 1974.

cutting commitments and capabilities. The minimum essential level of defence consistent with savings would bring the figure down to 4½% of GNP by 1984. A small rise in monetary terms was anticipated until 1976. However, in comparison with existing plans there would be savings of £475m by 1978-79 and £750m annually by 1983-84. The Transport Force would be reduced by more than 50%, helicopters by a quarter, maritime patrol aircraft by 20% and RAF Regiment Field Squadrons would be disbanded. Some 12-15 RAF stations in the UK would close.¹⁸² It was also stressed to the Cabinet that DOPC had concluded the strategic nuclear deterrent should be maintained and improved. The cost of Polaris only equated to 2% of the defence budget.¹⁸³

Hunt observed the cuts already agreed were large and officials had established the cost of remaining non-NATO commitments could be found from within the cost provisionally assumed for the Critical Level. This was a gain for Healey but tougher to sell to allies. Hunt hoped Wilson would persuade Healey this was as far as the Government could go meantime. Healey thought another review would soon be needed 'and he may well be right', though it was a serious issue to reject the Chiefs of Staff viewpoint on what constituted a credible military strategy.¹⁸⁴ Hunt hoped Mason would 'accept this further pruning', which would involve loss of capability.¹⁸⁵ Hunt worried the Review would be harder to sell to the US 'whose help we may need in other ways over the next two or three years'. Although not discounting another Review, Hunt considered it an achievement to reduce Defence spending from 6% to 4½% of GNP, whilst maintaining credibility and avoiding the unravelling of NATO.¹⁸⁶

Arguments continued at DOPC over the viability of the Critical Level. Some argued it was better to plan for a lower level than make more cuts later. The bid for the 1975-76 Defence Estimates dropped from £3,750m to £3,700m at 1974 prices. Wilson directed Mason and Healey to consider the Defence Estimates for 1975-76 and agreed the Steering Committee's recommendations on arrangements for

¹⁸² TNA, PREM 16/28, folio 22B, Hunt (Cabinet Secretary) to PM, 17 October 1974.

¹⁸³ *Ibid.* Healey and Treasury officials wanted the case for the nuclear deterrent to be adequately set out, viewing it as one of the most cost-effective pieces of Defence expenditure. Officials reckoned that with the decline in conventional capacity after the Defence Review, there was an even better argument for retaining the deterrent, at any rate for the effective life of Polaris. TNA, T 225/3907, folio 26, Hall (HMT) to PPS/CHX, 19 November 1974.

¹⁸⁴ TNA, PREM 16/28, folio 29, Hunt (Cabinet Secretary) to Armstrong (PPS/PM), 21 October 1974.

¹⁸⁵ *Ibid.*, folio 31, Hunt (Cabinet Secretary) to PM, 22 October 1974.

¹⁸⁶ *Ibid.*

international consultations.¹⁸⁷ Hunt reminded Wilson that despite projected savings over the decade, rising equipment and manpower costs necessitated a 'modest' rise in costs over the next two years before levelling off. The budget for 1975 would be within the 2.75% growth limit, at £3,700m. Hunt forecast strong criticism inside and outside Parliament and difficult discussions with NATO and non-NATO allies. The bulk of savings would come from contributions to NATO, just as Warsaw Pact forces grew. Hunt added MBFR reductions would not be obtained if the Soviets thought that NATO was embracing unilateral cuts.¹⁸⁸

Wilson told the Cabinet that above inflation rises to equipment costs, meant savings could only be made by reducing commitments and capabilities.¹⁸⁹ Some Ministers worried the reduction to commitments and capabilities would damage the UK's standing as an ally and its influence overseas. Others still insisted that the relatively high level of Defence spending contributed to the UK's low rate of growth, underlining its unique NATO contribution and warning that further savings may soon be sought.¹⁹⁰ Privately, Hunt told Wilson: 'everyone accepts that another Defence Review may become necessary in a few years' time.' However, he argued against Healey's notion of a 'one bite at the cherry' approach as allies would reject larger reductions and speed was vital to secure worthwhile savings in the early part of the period.¹⁹¹

Agreement of the Americans and Germans was crucial in getting the proposals through NATO without major problems.¹⁹² Consultation by senior officials rather than by ministers was less likely to attract attention or lead to leaks.¹⁹³ Prior to Hunt and Carver's visiting Washington, Wilson advised President Ford the Defence Review arose from Britain's economic situation.¹⁹⁴ The delegation had two meetings on 12 November. Hunt observed: 'The Americans were understanding of our problems but many of our proposals were clearly most unwelcome to them.'¹⁹⁵ The American focus was on Diego Garcia and a continued UK presence in Cyprus.

¹⁸⁷ TNA, CAB 148/145, OPD(74) 16th Meeting, 23 October 1974.

¹⁸⁸ TNA, PREM 16/28, folio 34, Hunt (Cabinet Secretary) to PM, 29 October 1974.

¹⁸⁹ TNA, CAB 129/179, C(74)116, Memorandum by the Prime Minister, 28 October 1974. It noted, 'successive generations of equipment necessary to match the greater sophistication of the equipment possessed by potential enemies inevitably cost more in real terms'.

¹⁹⁰ TNA, CAB 128/55, CC(74)41st Conclusions, 31 October 1974.

¹⁹¹ TNA, PREM 16/28, folio 35, Hunt (Cabinet Secretary) to PM, 31 October 1974.

¹⁹² TNA, CAB 148/145, OPD(74) 35, 18 October 1974.

¹⁹³ *Ibid.*

¹⁹⁴ TNA, PREM 16/28, folio 38, Tel No 2239 to Washington, 31 October 1974.

¹⁹⁵ TNA, DEFE 25/224, folio 12, Hunt (Cabinet Secretary) to PM, 13 November 1974; CAB 148/155, OPD(74), 17th Meeting, 14 November 1974.

Secretary of State Henry Kissinger strongly opposed a UK withdrawal. He accepted a reduction in British forces provided the Sovereign Base Areas (SBA) were retained. Kissinger was particularly concerned about cuts to the NATO contribution outside the Central Region and lamented the loss of the UK's intervention capability, describing it as 'disquieting' to think the US would be the only Western state capable of intervention. The Americans also wanted the UK to retain its nuclear deterrent.¹⁹⁶ On aircraft projects, the Americans were told no decision had been taken on advanced Harrier development. The MRCA would go ahead, albeit with a slower rate of delivery.¹⁹⁷ Hunt reckoned the Americans would not be too unhelpful in the NATO context provided they were given Diego Garcia and no unilateral decisions were made concerning the SBAs.¹⁹⁸

Hunt and Carver visited Bonn on 13 November. The proposed reductions were explained, though the nuclear capability would be maintained. Giving up non-NATO commitments produced insufficient savings. Hunt highlighted the 'divergence' between the UK's growth rate and that of its main partners, observing that Ministers could have hardly gone for smaller cuts.¹⁹⁹ The Germans were told the proposals incorporated a halving of air support and a 15% cut in helicopters. There would be no reduction to the UK contribution to the 2nd Allied Tactical Air Force. This would be increased by 1978 because of the re-equipment programme from 106 to 132 aircraft in a strike/attack reconnaissance role. UK aircraft assigned to SACEUR would rise from 84 to 108 by 1977. The remaining Vulcans were to be replaced by the MRCA. The Germans were warned the planned rate of MRCA delivery would probably be slowed. Carver asked them not to tell the Italians. Maritime air capability would be maintained through Buccaneer and Phantom shore-based support to SACLANT. These would be augmented from 1978 onwards

¹⁹⁶ TNA, PREM 16/28, folio 46A, Note of a meeting with Dr Kissinger and Dr Schlesinger, State Department, Washington, 8.00 am, 12 November 1974. Ford and the US response both called for the UK to retain a reinforcement and intervention capacity. PREM 16/29, folio 1, President Ford to Prime Minister, 16 November 1974; folio 3, Washington tel no 3744, 18 November 1974; Carver, *Out of Step*, pp. 454-455.

¹⁹⁷ TNA, PREM 16/28, folio 46, Note of a Meeting at the Pentagon, Washington, 10.00 am, 12 November 1974.

¹⁹⁸ *Ibid.*, folio 47, Hunt (Cabinet Secretary) to PM, 13 November 1974. The British Ambassador in Washington reported Pentagon disquiet that they had been advised too late to influence the main decisions and added: 'We have also picked up some signals from [Defense Secretary] Schlesinger's staff that he is becoming fatalistically resigned to a declining British role in the Alliance and is thinking more in terms of a German-American axis.' DEFE 25/279, folio 69, Ramsbotham (British Ambassador, Washington DC) to CDS, 2 December 1974.

¹⁹⁹ TNA, PREM 16/28, folio 49A, Note of a Meeting held at the Federal Ministry of Defence, 13 November 1974.

by squadrons available following the withdrawal of service of the aircraft carrier *Ark Royal*. Maritime patrol aircraft strength in the Atlantic and North Sea would be maintained with a refit to a higher standard, using eight aircraft from Malta to maintain front-line strength during the conversion period. Carver highlighted the cost of UK forces in Germany and the cost of caring for Service families, problems the Germans did not have. Hunt added there was no question of Britain 'going soft' and NATO remained the linchpin of western defence.²⁰⁰ In public, Wilson underlined the theme of burden-sharing. Although NATO would 'remain the first charge on the resources available for defence', he warned that the UK contribution 'must be a reasonable one'. It could not continue to carry a disproportionate Defence burden.²⁰¹

Healey still wanted more savings. Treasury officials told him that unless he wished to challenge the concept of the Critical Level there was no scope for further savings within it, especially as this had to absorb remaining non-NATO commitments. He claimed to want a 'stringent view' of the Critical Level, maintaining there remained scope for reductions. He suggested a 'really drastic' pruning of support but did not exclude cuts to the front line apparently 'relatively unaffected' at the Critical Level.²⁰² Healey's arguments regarding MoD underspending and repeated claims that there was scope for 'prunings' in the UK's NATO contribution, within the broad concept of the Critical Level, led to a renewed insistence in Defence that the Critical Level of Forces was irreducible, otherwise the Alliance might unravel.²⁰³ In November 1974 the forecast underspend for 1974-75 was £56m, equating to 1.5% - the shortfall for Air Systems of £62m more than accounted for this.²⁰⁴

²⁰⁰ Ibid. MRCA cost doubled from £2m to £4m per aircraft; the potential bill for this procurement for the MoD was estimated at £1.5bn by September 1974. Henry Stanhope, 'How the RAF could be strangled by its own purse-strings', *The Times*, 19 September 1974. The foreign exchange costs of stationing forces in West Germany virtually doubled between 1971 and 1974 to £300m. West German offset payments were only around £18m annually. TNA, T 225/4165, folios 15, 18, Scholar (HMT) to Hall (HMT), 5 July 1974. The Anglo-German Offset Agreement expired on 31 March 1976. The Government hoped for a much bigger direct budgetary contribution from Germany in any successor agreement, producing a balance of payments saving of around £60m per annum from 1976-77. The Treasury was pessimistic about getting German agreement for anything like that figure. T 225/4166, folio 24, Fitchew (HMT) to Hall and Bailey (HMT), 16 October 1974.

²⁰¹ David Wood, 'Defence cut pledge to Nato by Mr Wilson', *The Times*, 15 November 1974.

²⁰² TNA, PREM 16/28, folio 49, CHX to SofS, 13 November 1974. TNA, T 225/4166, folios 76, 77, Hall (HMT) to Pliatzky (DUS, HMT), Henley (2nd PUS, HMT) and PPS/CHX, 22 October 1974. Healey raised the probable rise in Defence spending in 1975-76 with DOPC colleagues in his letter of 8 August.

²⁰³ TNA, DEFE 13/1005, PS/SofS to SofS, 19 November 1974.

²⁰⁴ Ibid., PUS to SofS, 18 November 1974.

Mason was irate. The MoD said Healey's proposed reductions equated to £480m for 1976-77 to 1978-79. Mason pointed to 'the careful analysis that has gone into the Defence Review and our efforts to ensure an orderly transition to the Critical Level'. He was 'surprised that you should, at this late hour, suggest further large reductions' and added:

Your suggestion, therefore, that we might go further and make additional reductions in the front line are quite unacceptable, bearing in mind the serious concern in the minds of our Allies which Sir John Hunt has reported after his discussions in Washington and Bonn, particularly the former. To propose further reductions at this stage would, in my opinion, create serious difficulties for us with our Allies of a kind which on general grounds we can ill afford.²⁰⁵

Healey doubted whether it was possible to sustain spending at the MoD's Critical Level costings, particularly during the early years.²⁰⁶ Wilson reminded Healey that, following extensive deliberations, they had concluded in military and political terms the Critical Level reductions were as far as they could go; a point the Americans made clear. However, he did not dismiss further consideration of Defence spending levels: 'This would not of course preclude our taking a further look at defence expenditure levels in the course of next year's Public Expenditure Survey if you felt this was necessary. Indeed, you warned your colleagues that you might have to return to them in two- or three-years' time, to ask for further savings on defence.'²⁰⁷

At Cabinet it was noted that Kissinger was 'emphatic' the UK should retain the SBAs on Cyprus.²⁰⁸ A reduction of UK forces on Cyprus was deemed permissible, withdrawal was not. Wilson also agreed to 'the modest extension of facilities at Diego Garcia which the US would carry out at their own expense and which Britain could use.' Wilson emphasised these concessions were Ford's price for American agreement 'not to make serious difficulties for us' at NATO and 'the reductions proposed represented the limit of what the Americans would regard as tolerable'.²⁰⁹

²⁰⁵ TNA, AIR 8/2639, folio 1, SofS to CHX, 'Defence Expenditure 1976/77-1978/79', 14 November 1974. The MoD calculated the further reductions to be £220m in 1976-77, £140m in 1977-78 and £120m in 1978-79.

²⁰⁶ TNA, PREM 16/29, folio 2, CHX to SofS, 18 November 1974.

²⁰⁷ *Ibid.*, PM to CHX, 19 November 1974; folio 3, Hunt (Cabinet Secretary) to Armstrong (PPS/PM), 19 November 1974.

²⁰⁸ TNA, CAB 128/55, CC (74) 47th Conclusions, 20 November 1974.

²⁰⁹ *Ibid.* The outgoing Heath government agreed in principle to an American request to expand the facilities at Diego Garcia, 'including improvements to the anchorage and to the airfield'. The use of these

Meanwhile, the timetable began to slide. Wilson did not want the Parliamentary Statement to be delivered during the Labour Conference at the end of November. He settled on 3 December, when consultations with NATO could also start and wanted the statement to stress his intention to narrow Britain's global role and concentrate on NATO, specifying the end of some non-NATO commitments.²¹⁰

Defence Review Statement

The provisional conclusions of the Review were announced by Mason in a Commons statement on 3 December. Carver made a concurrent presentation to NATO's Defence Planning Committee (DPC) in Brussels.²¹¹ Mason addressed the DPC on 10 December, described the basic principles guiding the Review and highlighted his 10 February 1975 deadline for comments.²¹² Consultation also began with non-NATO partners. The review was published on 19 March 1975 as the first chapter of the *Statement on the Defence Estimates 1975*.²¹³

Mason described the 'most extensive and thorough review ever undertaken by a British Government in peace time'. Defence, political, industrial and financial

facilities would be decided jointly by the two governments. Parliament was informed about this development. CAB 128/53, CM(74)8th Conclusions, 7 February 1974. Initial American comments on the Defence Review consultation were passed to Hunt by the US Embassy, with a recognition that decisions still required final Cabinet approval. They agreed with British Defence's top priorities. However, the proposed cuts reduced Alliance capabilities to reinforce, particularly the southern flank, risking further upsetting the political situation in the eastern Mediterranean. They would intensify public and Parliamentary pressure across NATO and especially in the US, to reduce armed forces and Defence spending and result in the US being the only Western power with capabilities to act militarily in crisis situations outside NATO. The US emphasised all NATO members faced similar hard choices and said pressure to cut Europe-based American forces would harden. Although some reductions in Malta and Cyprus might be possible, the Americans felt strongly that bases should not be closed and British commitments maintained. The Americans still hoped Britain would retain a greater residual presence and intervention capability east of Suez than envisaged, otherwise the US would constitute the only obstacle to Soviet ambitions outside the immediate NATO area. T 225/3907, folio 17A, US Embassy to Hunt (Cabinet Secretary), 19 November 1974.

²¹⁰ TNA, DEFE 13/1005, folio 38, SofS to PM, 6 November 1974; folio 50, PM to SofS, 11 November 1974. Carver gave another presentation to Ministers on 2 December, similar to the one provided for DOPC in September, although highlighting changes such as the need to accommodate retained overseas commitments within Critical Level funding. DEFE 25/279, folio 65, 'The 1974 Defence Review: Presentation to Ministers by CDS, 2 December 1974'.

²¹¹ TNA, DEFE 25/333, CDS briefings to NATO Military Committee and DPC, 3 December 1974.

²¹² TNA, DEFE 13/974, folio 8, speech SofS to NATO Defence Planning Committee (DPC), 10 December 1974.

²¹³ *Statement on the Defence Estimates 1975*, Cmnd 5976, March 1975. Copies of the White Paper were not on sale through Her Majesty's Stationery Office (HMSO) because of an unofficial strike by industrial civil servants. Henry Stanhope, 'Defence cuts eased on Nato fears', *The Times*, 20 March 1975.

considerations had framed it.²¹⁴ The four pillars of this policy were underlined and proved to be central to UK defence for the remainder of the Cold War. In terms of force levels and effects, the Review was geared to ‘maintaining as far as possible the level and quality of our front-line forces’.²¹⁵ There were no proposals to reduce forces in Germany. Mason highlighted Soviet strength, asserting that alongside the need to bring ‘economic reality’ to defence was ‘the continuing threat to Western security posed by the massive and growing military power of the Warsaw Pact’.²¹⁶ The press highlighted the savings to be achieved by abandoning bases and commitments in Singapore and the Mediterranean alongside cutting re-equipment programmes and major manpower cuts. It was noted that the RAF was the Service hit hardest, with an 18,000 cut to manpower, loss of half the transport fleet and closure of 12 UK stations. However, it was underlined that Mason had announced a series of compromises and it was ‘a far cry from the cuts that cause resignations among the top brass’. Nevertheless, he was praised for achieving more than ‘inter-service balancing act’ and for finding ‘a good deal of spare military fat’ finding real savings over the next decade – although the sharp eyed noted ‘they represent a saving only in the sense that defence spending will increase more slowly than would otherwise have been the case’.²¹⁷ Political sweeteners soothed Labour MPs. The Review provided an opportunity to scrap the Simonstown Agreement. Callaghan was instructed to proceed with the termination of the naval treaty.²¹⁸

Mason’s envisaged that over the coming decade defence spending would be reduced from 5.5% to 4.5% of GNP, more in line with the NATO average.²¹⁹ Overall,

²¹⁴ HC Deb 3 December 1974 vol 882, cc1351-69, <http://hansard.millbanksystems.com/commons/1974/dec/03/defence-review>

²¹⁵ TNA, CAB 129/180, C(74)133, ‘Defence Review – Parliamentary Statement’, Note by the Secretary to the Cabinet, 18 November 1974.

²¹⁶ HC Deb 16 December 1974 vol 883, cc1147-297, <http://hansard.millbanksystems.com/commons/1974/dec/16/defence>

²¹⁷ David Fairhall, ‘Mason carves kindest cuts over 10 years’, *Guardian*, 4 December 1974; Comment, ‘Ships go, dockyards stay’, *Guardian*, 4 December 1974.

²¹⁸ TNA, CAB 128/55, CC 74)42nd Conclusions, 31 October 1974; CAB 129/179, C(74)119, memorandum by the Secretary of State for Foreign and Commonwealth Affairs, 29 October 1974. As requested by Callaghan, Mason advised the Cabinet of the military consequences of leaving Simonstown, see CAB 129/180, C(74)131, Memorandum by the Secretary of State for Defence, 11 November 1974. On the termination of the Simonstown agreements see CAB 148/155, OPD (75) 11, ‘Termination of the Simonstown Agreements’, Memorandum by the Secretary of State for Foreign and Commonwealth Affairs, 6 March 1975; CAB 148/154, OPD (75) 3rd Meeting, 21 March 1975.

²¹⁹ *Statement on the Defence Estimates 1975*. However, as Opposition politicians pointed out, this figure was misleading as the US, France and West Germany all spent considerably more overall on defence and per head on defence than Britain. See Peter Walker, ‘The Opposition’s View of British Defence Policy’, *Journal of the Royal United Services Institute for Defence Studies*, June 1975, pp. 1-6. This was

savings of £4.7bn were to be made by 1983-84. Commitments outside Europe were cut to the bone. The UK commitment to alliances underpinning regional security was maintained at CENTO and SEATO (South East Asia Treaty Organisation) but without declaring specific forces to either. Forces stationed under the Five Power Defence Agreement in South East Asia would be removed, excepting a small contribution to the Integrated Air Defence System.²²⁰ Mason described the Review, ‘as part of the process through which Britain adapted itself politically, psychologically and economically to a new role as an influential middle-rank Power without post-Imperial pretensions’.²²¹

The Review anticipated a 38,000 cut in manpower, equating to an 11% reduction by April 1979, as well as a 30,000 cut in directly employed civilians, half of these locally engaged overseas. Naval dockyards remained safe meantime, with all Royal Navy ship refitting work to be placed with them. Indeed, while the Navy faced a 6% manpower reduction, from 79,000 to 74,000 and the Army a cut of 8%, from 180,000 to 165,000, it was the RAF, to be reduced from 100,000 to 82,000, an 18% cut, which faced the toughest manpower settlement. This was attributed to withdrawals from many non-NATO commitments and the consequent reduction to the transport fleet. Though the Review sought reductions by natural wastage, compulsory redundancies were unavoidable to retain a balance of ranks, ages and skills in an adequate career structure. The 4,000 (including 800 [around 600 general duties and 200 ground] officers) RAF redundancies over two years were to be largely compulsory.²²²

By anticipatory measures, such as restricting recruitment and extensions of service, the RAF had, by the end of November, reduced its manpower reductions from 18,400 to 17,000.²²³ Moreover, during a five year period more than 50,000 men flowed through the RAF, so much of this process could be managed by normal exits and some reduction to recruitment; though some redundancy was

recognised in Cabinet, where it was minuted on 31 October: ‘although our defence expenditure was greater than that of our major European allies when measured as a percentage of GNP, this reflected our low rate of growth, and in absolute terms we were falling behind both France and Germany’. TNA, CAB 128/55, CC(74)41st Conclusions, 31 October 1974.

²²⁰ TNA, CAB 129/180, C(74)133, ‘Defence Review – Parliamentary Statement’, Note by the Secretary of the Cabinet, 18 November 1974.

²²¹ HC Deb 16 December 1974 vol 883, cc1147-297, <http://hansard.millbanksystems.com/commons/1974/dec/16/defence>

²²² *Statement on the Defence Estimates 1975*, pp. 20-21.

²²³ TNA, DEFE 25/279, folio 24, CDS to SofS, 28 November 1974.

‘regrettably...inevitable’.²²⁴ Initially, the AMP, AM Neil Cameron, had predicted 5,000 redundancies and noticed it would be simpler, quicker and in the interests of the RAF if this was achieved by compulsion.²²⁵ The AFB thought it should be compulsory in a narrow focus although preference should be given to volunteers within the selected bands.²²⁶ Cameron was keen to convey that the likely field for redundancy was a narrow one and the rest of the Service ‘could get on with the job unworried’, thus allaying speculation and rumour. The RAF was the first Service to announce its redundancy programme. In contrast, the Navy redundancy programme was small, and the Army programme was not expected to start until mid-1976. The RAF was standing by Mason’s pledge that the number to be made redundant would be kept to a minimum but wanted to demonstrate to the doubters that the defence cuts were genuine and had a significant impact on the Service.²²⁷

Cameron wanted redundancy terms to be offered at least on the terms in force since 1967, any deviation being a breach of Mason’s promise of ‘fair and reasonable’ terms. The economic situation also provided a case for ‘moderate though not excessive generosity’. He told Brynmor John, ‘In blunt terms, we are being asked to sack some thousands of officers and airmen. Some will be content to leave the Service and seek other careers but many, perhaps the majority will go against their will.’ Cameron wanted to see, ‘adequate recompense for a forced to leave, as adequate recompense for a forced and painful termination of a worthwhile career’.²²⁸ Humphrey told Mason they wanted to disclose the broad outlines before the White Paper’s publication in March. Ministers agreed there was ‘no useful purpose’ in waiting and the AFD could proceed with this as soon as possible.²²⁹ It

²²⁴ TNA, DEFE 11/721, PS/VCAS to PSO/CDS, 22 November 1974.

²²⁵ TNA, DEFE 71/145, AFB(74)38, ‘Officer and Airmen Redundancies’, Note by AMP, 16 December 1974. AM Cameron underlined, ‘I and my military colleagues believe that morale would be less endangered by redundancy by selection and nomination than by a scheme which would tend to raise expectations, either of release or retention, which might in the event be denied. A compulsory scheme, moreover, proclaims and ensures the paramountcy of the interests of the Service.’

²²⁶ Ibid., AFB17(74) Conclusions, 19 December 1974.

²²⁷ Ibid., AMP to PUSofS (RAF), ‘Release of Information to the Service of Redundancy’, 8 January 1975.

²²⁸ Ibid., AMP to PUSofS (RAF), ‘Redundancy Terms for Service Personnel’, 15 January 1975.

²²⁹ TNA, DEFE 13/974, folio 61, Young (PS/Minister of State) to PS/Secretary of State, 29 January 1975; folio 48, PS/Secretary of State to PS/Minister of State, ‘Defence Review: Manpower Implications’, 16 January 1975; DEFE 71/145, AFB 1(75) Conclusions, 16 January 1975; DEFE 71/145, PUSofS (RAF) to Minister of State, ‘Redundancy Terms for Service Personnel’, 17 January 1975; The Redundancy Scheme for 1975-77 was drawn up by AMP, AM Sir Neil Cameron, AIR 6/192, AFB, (75)3, ‘Royal Air Force Redundancy Programme 1975-77’, Note by AMP, 27 January 1975. Cameron was immersed in the three Rs – ‘reductions, redundancy, resettlement programme’ – though was conscious that ‘people

was stressed to Mason that three-quarters of RAF strength cuts would be achieved by natural wastage, recruitment restrictions and other manning regulators with a high proportion of Chief Technicians among the redundancy programme.²³⁰ Mason appreciated the manner the RAF had undertaken the exercise:

Your report reflects much credit on the Air Force Department and the RAF for the speed and thoroughness with which they have faced up to and tackled the formidable task of carrying through the large manpower reductions flowing from the Defence Review. This is a good piece of work.²³¹

The Review also marked a major shift in the proportionate shares of the three major areas of defence expenditure. Manpower, 47% of spending in 1974-75, was to be reduced to 43% for 1979-80 to 1983-84. In contrast, equipment spending was to rise from 35% to 40%. The remainder, buildings and miscellaneous stores and services, was predicted to fall from 18% to 17%.²³² The review also altered the respective services' share of the overall defence budget, as outlined below:²³³

Service	1974-75 Percentage of Defence Budget	1979-80 to 1983-84 Annual Average Percentage
Royal Navy	25	28
Army	34	33
Royal Air Force	31	30
Procurement Exec	8	7
Miscellaneous	2	2

have feelings and people have morale'. He observed: 'We knew we would have to cut stations and personnel, and that the sooner we did it, the sooner the scars would heal.' Neil Cameron, *In the Midst of Things*, (London: Hodder and Stoughton, 1986), pp. 180-182.

²³⁰ TNA, DEFE 71/145, PUSofS (RAF) to SofS, 'RAF Redundancy Programme', 31 January 1975.

²³¹ *Ibid.*, SofS to US of S(RAF), 'RAF Redundancy Programme', 4 February 1975.

²³² *Statement on the Defence Estimates 1975*, p. 24.

²³³ Boren, *Britain's 1981 Defence Review*, p. 90.

The White Paper illustrated the Royal Navy was entering a period of re-equipment, though this was mitigated by cutting the new construction programme, notably not replacing amphibious lift with purpose-built ships. Significant savings in army equipment were planned but despite the reduction, manpower levels and combat capacity would still enable the army to undertake its primary tasks, particularly in Germany. Mason said although the RAF faced large reductions to transport aircraft this was 'offset by the decision to retain, and in some cases improve, the strike, attack and air defence air forces committed to NATO'.²³⁴

Humphrey had doubted the Review would have serious impact on RAF morale, excepting of the rundown of the transport force, the restructuring of the RAF Regiment and heavy redundancies among Chief Technicians.²³⁵ However, the RAF was worst hit. The withdrawals from the Mediterranean and from most non-NATO commitments meant significant reductions to transport and maritime patrol aircraft. The fixed-wing element of the transport fleet would fall from 115 to 57 aircraft by early 1976; the Comet and Britannia squadrons and the Andover tactical transport force were to be disbanded, accounting for a further 39 aircraft. Operational VC10 and Hercules aircraft were reduced from 66 to 47. Overall, the size of the planned RAF helicopter tactical support was to be cut by a quarter. The number of Whirlwinds in Cyprus was cut, the Wessex squadron in Singapore was disbanded and plans to purchase medium-lift helicopters to support the army were abandoned. The Nimrod force was cut by a quarter. On the ground, 12 stations were earmarked for closure.²³⁶ The role and size of the RAF Regiment was also to be reduced.

The impact of Critical Level deployments was set out in a paper to the AFB which observed that by 1978-79 a saving (at constant prices) of £343m, compared with the provision made in LTC 74. The main savings were through reductions in capital and logistic spending on operational aircraft, cuts to training and to the communications and miscellaneous aircraft fleets, reducing personnel costs in line with the 17,000

²³⁴ HC Deb 3 December 1974 vol 882, cc1351-69, <http://hansard.millbanksystems.com/commons/1974/dec/03/defence-review> ; *Statement on the Defence Estimates 1975*, chapter one.

²³⁵ TNA, AIR 6/188, AFB, 16(74), 2 December 1974.

²³⁶ *Statement on the Defence Estimates 1975*, p. 19. The 12 stations the RAF proposed to vacate were Bicester, Biggin Hill, Chessington, Colerne, Driffield, Hullavington, Leconfield, Little Rissington, Medmenham, Tern Hill, Thorney Island and West Raynham, though enclaves were to be retained at Leconfield and West Raynham. Biggin Hill, Hullavington and West Raynham remained RAF stations into the 1990s.

cut in RAF manpower and reducing overheads by closing 12 stations. The latter involved the concentration of units at major bases with good facilities. Brize Norton, Lyneham and Finningley were to be cornerstones of the 'concentration' concept.²³⁷

More positive was the commitment to maintain planned numbers of combat aircraft committed to NATO in the UK and Germany. Combat capacity would be improved by the replacement of Phantoms in strike, attack and reconnaissance capacities, by increased numbers of Jaguars and the introduction of the MRCA, allowing Phantoms to be shifted to an air defence role. However, the downside was the MRCA slowdown to 40 aircraft per annum. The only loss of front-line aircraft involved the Nimrod maritime patrol aircraft on Malta at the planned withdrawal from the island in 1979.

The UK avoided the kind of criticism levelled by NATO at the Dutch defence cuts. Secretary-General Luns expressed disquiet at a Parliamentary Press luncheon on 16 December, just before the Commons Defence debate, about the progressive withdrawal of British forces from NATO's southern flank and the growing Soviet presence in the Mediterranean, Indian Ocean and South Atlantic. He added the decision was bound to have 'a contagious effect on other countries of the alliance.'²³⁸ Luns' letter of 10 February 1975 cited cuts 'on a scale considerably larger than that proposed by any other ally in recent years'.²³⁹ Mason's interpretation was, 'In effect NATO wished us to reconsider the level of defence expenditure to which Ministers were committed or, failing this to undertake certain measures which would mitigate the effect of our proposed reductions particularly on the flanks.' Mason refused to reconsider Review decisions. To placate NATO, some minor measures were suggested by Mason and approved by DOPC on 19 February. These included bringing forward the conversion of *HMS Hermes* to an anti-submarine role from 1978 to 1976, earmarking for assignment to CINCHAN the Royal Fleet Auxiliary *Engadine*, carrying helicopters in the anti-submarine role. In addition, some additional aircraft were to be allocated from existing resources to SACLANT/CINCHAN for reconnaissance purposes, and also as part of national deployments to take part in periodic NATO maritime exercises and in the NATO

²³⁷ TNA, AIR 6/191, AFB, (74)40, 'Critical Level Deployments', Note by AMSO, 17 December 1974; AIR 6/192, AFB, (75)4, 'Critical Level Deployments', Note by AMSO, 29 January 1975; AIR 6/192, AFB, 2(75), 30 January 1975. The deployment package was to produce annual savings of £13.5m in station operating costs, involved manpower reductions of 2,000 RAF and 1,050 civilians. The savings were of the same order assumed for station closures at the Critical Level.

²³⁸ Political Correspondent, 'Dr Luns is disquieted by effect of the cuts', *The Times*, 17 December 1974.

²³⁹ TNA, CAB 148/155, OPD(75)3, 'The Defence Review – Consultations with Allies', Memorandum by the Secretary of State for Defence, 17 February 1975, Annex B, Luns to Mason, 10 February 1975.

Naval On-Call Force in the Mediterranean. As a fifth measure, it was agreed to continue reinforcement options for the SAS Regiment in the Southern Region of ACE. The total cost was minimal – less than £1m annually.²⁴⁰ It was also agreed to study with NATO some limited options for temporary reinforcement to the Northern and Southern Flanks, though without incurring commitments or significant peacetime costs.²⁴¹

Mason underlined that nearly all Britain's defence effort was committed to NATO and covered all regions of allied defence. The intentions announced on 3 December remained valid: 'it was necessary to make choices; for the decision which the British Government had taken on the level of resources which could be devoted to defence over the next 10 years was firm'.²⁴² Wilson observed NATO's concerns about cuts on the flanks and in the Mediterranean and agreed to subsequent minor measures as 'a largely cosmetic gesture'. Privately, he accepted NATO allies were unhappy and agreed NATO would be weakened on the flanks by the UK's reductions. However, 'we have stopped short of undermining the credibility of NATO and of giving others a justification for cutting their own forces'.²⁴³

Nevertheless, within the Treasury, Mason's review was increasingly viewed as provisional. Sir Douglas Henley, Treasury 2nd PUS, wrote on 30 January: 'I think it is essential to bear in mind that the present agreed limits for defence spending may well come under further pressure ... If we have to go for a further attempt to cut expenditure in the short term, I do not believe that defence will be exempt.'²⁴⁴ Hunt told the Steering Group that at Cabinet on 27 February, Ministers suggested the Government should describe the review as provisional, implying further reductions were likely. Healey repeated the reductions were insufficient and thought a further

²⁴⁰ TNA, CAB 148/154, OPD (75) 2nd Meeting, 19 February 1975; CAB 148/155, OPD (75)3, 'The Defence Review – Consultations with Allies', Memorandum by the Secretary of State for Defence, 17 February 1975; PREM 16/329, folio 6, Hunt (Cabinet Secretary) to PM, 26 February 1975.

²⁴¹ TNA, CAB 148/154, OPD (75) 2nd Meeting, 19 February 1975; CAB 148/155, OPD (75) 3, 'The Defence Review – Consultations with Allies', Memorandum by the Secretary of State for Defence, 17 February 1975. The four limited options were: 'a. to deploy additionally two existing Royal Marines Commandos that are not trained in mountain and arctic warfare to reinforce the Northern Region of ACE, except for Northern Norway in winter, and the Island Commands in the Atlantic; b. to make temporary deployments of aircraft to the Southern Region; c. to deploy limited offensive air support to North East Italy; d. to deploy a small land force in North East Italy.'

²⁴² TNA, CAB 148/155, OPD (75) 3, 'The Defence Review – Consultations with Allies', Memorandum by the Secretary of State for Defence, 17 February 1975, see Annex C.

²⁴³ TNA, PREM 16/329, PM to SofS, 4 March 1975.

²⁴⁴ TNA, T 225/4169, Henley (2nd PUS, HMT) to Hall (HMT), 'Defence Review – Next Steps' 30 January 1975.

major review might be required in another year or two but meantime reportedly accepted the agreement which had been reached.²⁴⁵ Barnett dismissed MoD claims that a £1,000m spending cut, even by 1978-79, 'would wreck our forces'. The industrial implications cited by the MoD were 'rubbish'.²⁴⁶

As consultations with allies were concluded, Mason thought the Budget figures from 1976-77 onwards shown in the *Defence Estimates* for 1975 need not be labelled 'provisional'. The inference was, as he told Wilson, despite the consultations, the Government had still not taken final decisions on the Defence Review. This had the potential to further dent the confidence of the Armed Forces, defence industries and allies.²⁴⁷ Wilson agreed to this interpretation.²⁴⁸ Similarly, in a handwritten personal note to Wilson, Callaghan insisted he did not want the Review revisited and wished its recommendations to stand, otherwise it would damage relations with the US and NATO. He added, 'Frankly I don't want to see it cut any further next year either, but that is another story for later on.'²⁴⁹ Hunt advised Wilson 'it is important to bring this Defence Review to a firm conclusion now'. However, Healey underlined this did not mean Defence could be exempted from further public spending cuts, as the programme was in the same position as all other public expenditure programmes.²⁵⁰ The Treasury did not want to 'imply that the Defence Review figures are immutable for the next five years, let alone the next 10, irrespective of the state of the economy'. The Treasury recalled Wilson's assessment in November 1974 that 'a further look at defence expenditure levels' was possible in 1975 if Healey believed it was needed.²⁵¹

Mason told Ministerial colleagues in February that non-NATO allies had generally accepted the reductions with 'resignation and subject only to minor changes'. He still hoped for a complete withdrawal from Cyprus should the political situation improve, and the MoD planned to reduce spending on Cyprus by two-thirds by the end of 1975. However, consultations with the Hong Kong Government on it paying

²⁴⁵ TNA, T 225/4170, folios 124B-124C, Henley (2nd PUS, HMT) to Wass (PUS, HMT), Pliatzky (DUS, HMT), Jones (HMT) and Hall (HMT), 28 February 1975.

²⁴⁶ TNA, T 225/4168, folio 59, Denison (PS/CST) to PPS/CHX, 23 January 1975.

²⁴⁷ TNA, PREM 16/329, SofS to PM, 28 February 1975.

²⁴⁸ *Ibid.*, PM to SofS, 4 March 1975.

²⁴⁹ *Ibid.*, Foreign Secretary to PM, 5 March 1975.

²⁵⁰ *Ibid.*, Hunt (Cabinet Secretary) to PM, 5 March 1975; CHX to SofS, 5 March 1975. Healey was angry at material Mason disseminated to Labour backbenchers, claiming it did not fully incorporate Treasury advice and considerably overstated the implications of defence cuts of £1,000m per annum. PREM 16/328, CHX to SofS, 4 February 1975.

²⁵¹ TNA, T 225/4055, Fitchew (HMT) to Hansford (HMT) and PPS/CHX, 'Statement on Defence Estimates', 3 March 1975; PREM 16/29, PM to CHX, 19 November 1974.

more for defence had not yet taken place, the Americans questioned withdrawal from Oman and the Sultan of Brunei wanted to maintain the Gurkha battalion and remain under the British defence umbrella.²⁵²

NATO's public response to the Review's publication noted the UK had followed Alliance practice over consultation. It welcomed the confirmation that NATO commitments remained first charge on British defence resources, with no redundancies in the forces deployed in the Central Region before an MBFR agreement and confirmation the UK would maintain its strategic and tactical nuclear contribution. However, the cuts caused concern:

The Alliance has nevertheless expressed its disquiet at the scale of the reductions proposed and their effect on NATO's conventional defence vis-à-vis the increasing capability of the Warsaw Pact. The changes of special concern are: the reduction in reinforcement capability in the Northern and Southern Regions; the removal of naval and air forces from the Mediterranean area; and the decline in maritime capabilities in the Eastern Atlantic and Channel areas.²⁵³

Mason admitted when questioned by his Conservative shadow George Younger, 'I agree that our NATO allies were seriously disquieted during the course of our defence review and at its conclusion. They publicly expressed their views.'²⁵⁴

Conclusions for Air

Central to the CAS's vision for the RAF was, 'to preserve the best all-round combat capability that we can with the Budget that we are given'.²⁵⁵ As one RAF participant

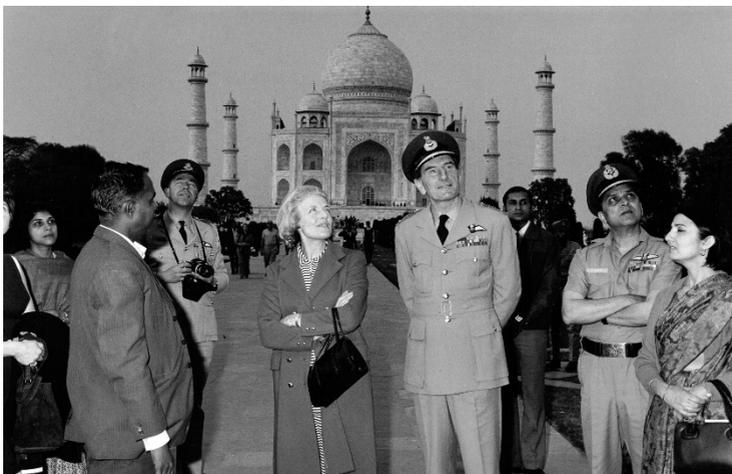
²⁵² TNA, CAB 148/155, OPD (75) 3, 'The Defence Review – Consultations with Allies', Memorandum by the Secretary of State for Defence, 17 February 1975, see Annex C.

²⁵³ <http://hansard.millbanksystems.com/commons/1975/jun/24/royal-air-force> HC deb 24 June 1975 vol 894, cc 249-374.

²⁵⁴ <http://hansard.millbanksystems.com/commons/1975/jun/24/expenditure-reductions> HC deb 24 June 1975 vol 894, cc 218-220.

²⁵⁵ In addition to the stronger external threat from Warsaw Pact forces, the disputes between two NATO members, Turkey and Greece, culminating in the Cyprus crisis of 1974, threatened to unhinge NATO's Southern Flank. The RAF had performed numerous roles on the island. The CAS was extremely impressed, noting that the evacuation of tourists, refugees and Service families had been well publicised but was keen to highlight lesser known developments such as 'armourers who defused unexploded bombs; men who had never been under fire before working coolly and efficiently during air attacks on Nicosia airfield; a Phantom squadron which moved in about 12 hours from first warning late one evening in England to first aircraft on readiness in Cyprus'. TNA, AIR 8/2723, Draft script for CAS's speech to RAF staff in Washington, 19 November 1974.

in the Review wrote, other than the loss of one Nimrod squadron from Malta, there was no reduction to front line combat capability. Forward plans to introduce essential improvements to the RAF's combat capability essentially remained intact. Even taking into account the anticipated reduction in manpower it was considered by some to be a 'good outcome'.²⁵⁶ When the AFBSC met on 13 March 1975 to discuss the Review, Humphrey noted the imminent recognition of C-in-C, Strike Command as a Major Subordinate Commander (MSC) of SACEUR [C-in-C UK Air] was extremely significant and showed what could be achieved by single minded determination. He added; 'In the long run this, not the Defence Review, will be seen as the most important thing for the Air Force which has happened recently.'²⁵⁷



ACM (later MRAF) Sir Andrew Humphrey, CAS (centre right), pictured with Lady Humphrey (centre left) accompanied by Indian officials and Air Force officers at the Taj Mahal during a visit to India in early February 1975. Photograph: AHB (RAF).

CAS insisted the growing Soviet threat and ever tighter financial situation made it essential to frame the RAF's priorities. He highlighted the need for combat strength

²⁵⁶ AVM P.D.G. Terry, 'The 1974 Defence Review – One Man's View', *The Royal Air Forces Quarterly*, Volume 15, Number 2, Summer 1975, pp. 97-101.

²⁵⁷ TNA, AIR 8/2692, folio 8, Speaking Notes for the AFBSC, 13 March 1975; AIR 6/193, AFBSC, 2(75), 13 March 1975. The minutes stated diplomatically: 'Finally, he [Humphrey] considered it important that everything possible should be done to keep the RAF's relationship with the other Services on a positive basis.'

and the reduced importance of transport and support related aircraft. The latter signified the old strategy, only affordable at the expense of the new strategy. Agreement with the Army was required over the deployment of residual transport forces while improvements to the UK air defences system were a priority. The case for the MRCA AD Variant was said to require further detailed study and a decision on Shackleton-replacement was needed soon. Following the Plumtree report decisions were needed on the Command structure in the UK, though Humphrey cautioned against radical changes. He also advocated the merger of the RAF Regiment and the RAF Police as ‘it seemed absurd to divide responsibilities in this vital [security] field between two tiny branches’. Humphrey also discussed relations with the other two Services:

The fact that we have been able to come through the Defence Review with our combat front line virtually unaffected, is in no small part due to the fact that the Chiefs of Staff did not allow the Review to develop into a competition between the Services. Put at its lowest, we could have sunk a significant part of the Navy, but in return I am sure we would have lost more, not less, of the Air Force. The only real loser would have been the security of the country.²⁵⁸

The military, budgetary and political challenges made maximum inter-service cooperation essential.²⁵⁹ The Chiefs had successfully resisted Treasury attempts to establish a hierarchy within the four British Defence priorities in NATO.²⁶⁰

²⁵⁸ Ibid. The Plumtree Report (December 1974) reviewed the RAF’s Command Structure in the UK. Tasking AVM Plumtree, the AFB said to preserve the RAF’s frontline in the face of Defence Review economies, it was essential to obtain the maximum acceptable reductions in the support area, including the UK Command Structure. He made four recommendations:

- No. 38 Group should take over No. 46 Group and be located at Upavon, by 1 January 1976 or thereabouts.
- No. 23 Group should be subsumed into Training Command and disbanded by May 1975 or thereabouts.
- Commander-in-Chief, Strike Command’s operational purity should remain unless unforeseen factors arise. Furthermore, he should have worldwide operational Command and Control of RAF forces outside RAF Germany.
- Training Command and Support Command should remain separate, until the scale of their respective tasks had reduced to a level where one Commander-in-Chief could encompass both tasks and the staffs reduced to a size which would allow them to fit into one location – Brampton. TNA, AIR 2/19008, folio E131, ‘Review of the Royal Air Force Command Structure in the United Kingdom’ by AVM E Plumtree, December 1974.

²⁵⁹ TNA, AIR 8/2692, folio 8, Speaking Notes for the AFBSC, 13 March 1975

²⁶⁰ Boren, *Britain’s 1981 Defence Review*, p. 90.

Nevertheless, overseas add-backs, including Gibraltar, Malta, Hong Kong, Masirah and Cyprus, would cost around £55m per year, eating into the Critical Level. For the AFD, this meant finding offsetting economies of £17m, by slipping the Wessex helicopter replacement date by two years as well as further adjustments to the Nimrod refit and AEW programmes.²⁶¹ The AFD's assumptions for LTC 75 reflected the Critical Level and assumed the smaller Case A of the two possibilities then under consideration for a continued overseas presence. They factored in proposals for an early reduction of Cyprus force levels. Existing aircraft were to serve for longer. Canberra, Buccaneer and Phantom forces were all extended in service because of the MRCA's slower delivery rate; with the first deliveries of the IDS Variant expected in 1978-79 and deliveries of the AD Variant forecast from 1982-83.²⁶² Humphrey later outlined the RAF's major shortcomings in its approach to the Review:

Some of the weaknesses inherent in the RAF's starting point for the Defence Review were the result of successive over-emphasis on one role at a time – first fighters, then bombers and then transport – coupled with a tendency to concentrate on narrow tactical concepts rather than on the importance of air power as a whole. In prosecuting RAF interests, we had tended to concentrate on destructive criticism rather than on demonstrating, and where possible strengthening, the Air Force case. It had perhaps not been sufficiently emphasised that we were contributing to NATO rather than simply meeting a national requirement. We had disguised from ourselves the extent to which the RAF had already been run down; some of the measures which had been accepted could now be seen to be operationally undesirable, such as running down the strength of squadrons rather than their number. The Defence Review had demonstrated the need for clear thinking about long-term consequences... Nevertheless, the RAF's determination to identify real savings had helped the Secretary of State to defend the Critical Level to Cabinet and the general outcome for Defence had therefore been advantageous.²⁶³

In the shorter term, potential political problems were also forecast. DUS(Air) told the AFBSA that the estimates for 1975-76 were £900m at current prices more than

²⁶¹ TNA, AIR 8/2692, DUS(Air)'s Presentation for AFBSA, 13 March 1975.

²⁶² TNA, AIR 8/2639, folio 21, Minute by M D Tidy (DS9), '1975 Long Term Costings', 29 November 1974.

²⁶³ TNA, AIR 6/196, AFBSA, 3(76), 22 July 1976.

the 1974-75 estimates. While most of this was due to inflation, he thought ‘critics of the effectiveness of the Defence Review will be able to make political capital out of the fact, as the critics will claim, that instead of the expected reduction of £1,000m there is to be an increase of £900m.’ Reductions in the Critical Level were cuts to a rising programme, which effectively flattened the line rather than sending it downhill.²⁶⁴

Wider Assessment

There was some satisfaction among those who conducted the Defence Review at their work. Mason called it ‘the most comprehensive examination of our defence commitments and the resources available to meet them since the post-1945 rundown.’²⁶⁵ He had followed Healey’s reviews, particularly that of 1967-8, and ‘succeeded in the task of matching our forces to a new balance of our defence objectives’. The ‘nostalgia of Empire’ had lingered in the defence establishment long after the country had lost the economic capacity to sustain it. The object of Labour’s Defence policy since the 1950s was to ‘close this gap between illusion and reality’.²⁶⁶

Similarly, the PUS, Sir Michael Cary, said in October 1975 it was ‘the best-managed Review’ he had experienced. He cited three reasons for this. First, there had been sufficient time to consider the options, assess their wider implications and to consult when necessary. Secondly, the timescale of the Review, looking forward to 1983-84 made it possible to plan sensibly for restructuring. Thirdly, ministers accepted the need to avoid damaging short-term cuts which had led to a rise in actual defence expenditure.²⁶⁷ However, Minister of State, Bill Rodgers, was blunter: ‘We are steadily continuing to withdraw from our military role east of Suez, not because we are blind to the existence and growth of the Soviet fleet, complacent about the prospects of stability or self-conscious about flying the flag. We simply cannot afford it, given the priorities we have set.’ He added that: ‘those who believe our savings will be “phoney” cuts should tell that to the 70,000 people who will become

²⁶⁴ TNA, AIR 8/2692, DUS(Air)’s Presentation for AFBSC, 13 March 1975.

²⁶⁵ HC Deb 16 December 1974 vol 883, cc1147-1297, <http://hansard.millbanksystems.com/commons/1974/dec/16/defence>

²⁶⁶ Roy Mason, ‘Britain’s Security Interests’, *Survival*, Volume 17, Number 5, September/October 1975, pp. 217-223.

²⁶⁷ Sir Michael Cary, ‘Britain’s Armed Forces After the Defence Cuts’, *Journal of the Royal United Services Institute for Defence Studies*, March 1976, pp. 1-6. The lecture was given on 15 October 1975.

redundant'.²⁶⁸ Others viewed the Review as a move towards 'minimalism'. It reflected a tacit understanding that Britain could not afford to be a global military power in the circumstances of the Cold War.²⁶⁹ An editorial in *The Times* warned: 'There can now be no room in the armed forces for prestige projects compatible with a defence establishment of a different order.'²⁷⁰

Another interpretation, which gained greater credence later,²⁷¹ was the Review was to placate the Labour Left – a party-political exercise cloaked in economic exigency. If it was, it failed – as Mason doubtlessly intended it to do so.²⁷² Their demands went way beyond what he would accept. Their 'Defence Review' outlined at the 1973 Party Conference – involved a £1 billion budget reduction. Mason insisted this would have cost almost 350,000 jobs (about 140,000 Service personnel, around 100,000 directly employed civilians and an estimated 100,000 jobs in defence industries). Mason remarked, 'All in all, we should be lucky to end the day with more than half the present front line.' The BAOR's equipment standard would have been insufficient for NATO's front line. The MRCA would have been cancelled. This analysis was included in an MoD memorandum to the Commons Expenditure Committee at the time of the review's publication in mid-March.²⁷³ Mason recalled that though the Conservatives opposed his Review, their hearts were not in it. The real challenge came from the 'reckless wrong-headedness' of the Labour Left.²⁷⁴ No other department came under similar pressure to cut costs to this extent. Defence spending would soon be back under the spotlight and deeper cuts would be demanded.

²⁶⁸ HC Deb 16 December 1974 vol 883, cc1147-297, <http://hansard.millbanksystems.com/commons/1974/dec/16/defence>

²⁶⁹ Claire Taylor, *A Brief Guide to Previous British Defence Reviews*, House of Commons Library Standard Note SN/1A/5714, 19 October 2010.

²⁷⁰ Editorial, 'Are They The Right Cuts?', *The Times*, 4 December 1974. At the same time, the Government cancelled prestige projects including the Channel Tunnel and Maplin airport. The Concorde project with France was close to cancellation too.

²⁷¹ Editorial, 'Ill-considered cuts in Defence', *The Times*, 26 February 1976; Editorial, 'The Navy Comes First', *The Times*, 19 May 1981.

²⁷² Despite a Three Line Whip, 54 Labour MPs voted against the Defence Review.

²⁷³ Henry Stanhope, 'Mr Mason rejects call by party conference for bigger defence cut', *The Times*, 4 February 1975; David Fairhall, 'Defence cuts by Left "would cost jobs"', *Guardian*, 18 March 1975.

²⁷⁴ Mason, *Paying the Price*, p. 135. Wilson told Mason, 'I think your defence programme as a whole will be popular with our side, despite arguments about the famous £1,000 million'. TNA, PREM 16/30, PM to SofS, 3 December 1974.

Chapter 3

Continued Cuts, March 1975 - April 1979

‘We’ve been put through the examination and we should not be put through the examination again’ – Field Marshal Sir Michael Carver, CDS, 31 May 1975¹

‘We have reduced our air power very much more severely than our strength at sea or on land. But...the importance of air power has not been reduced. On the contrary, in every important respect the importance of air power has increased’ - ACM Sir Andrew Humphrey, CAS, 15 May 1976²

As the British economy struggled in the mid-1970s, any notion the longer-term vision of the Defence Review signalled an end to short-term economies proved misguided. The four years following the Review were challenging for Defence and the Services. In addition to the planned reductions, Government demands for savings continued unabated and occurred against a bleak backdrop of political, economic and industrial strife. Service chiefs voiced their disquiet at developments. Meanwhile, Service pay fell in real terms because of inflation and declined in relative terms due to the better settlements secured by other sectors or comparable professions. A noticeable dip in morale was evident and the outflow of skilled manpower became a serious concern to both Service Chiefs and eventually to the politicians.

Nevertheless, it was not all doom and gloom. The RAF accentuated the positive. During the Review process and cuts exercises it was ‘more important than ever to put over the image of the RAF as a highly efficient force with major operational capabilities, modern equipment and full career opportunities’.³ At a practical level, in January 1978 James Callaghan’s government agreed to increase Defence spending by 3% per annum above inflation from 1979-80, in line with President Carter’s appeal to NATO in May 1977. The RAF had supportive Service ministers

¹ David Wood, ‘Defence as the Treasury’s scapegoat’, *The Times*, 1 December 1975.

² ACM Sir Andrew Humphrey, ‘The Threat – CAS (now CDS) addresses the RAFA’, *The Royal Air Forces Quarterly*, Volume 16, Number 3, Autumn 1976, pp. 203-207.

³ TNA, AIR 6/192, AFB, (75)2, 22 January 1975, ‘RAF Publicity’, Note by DUS (Air).

in Brynmor John⁴ and James Wellbeloved.⁵ The Government backed the collaborative MRCA programme, supported the Nimrod AEW project and moved to enhance UK air defences.

In the meantime, in December 1974, the MoD initiated a Management Review to start around September 1975 to cut MoD civil service numbers by 10% by 1979, on top of the ongoing Defence Review reductions.⁶ The functions of the MoD were to be carried out effectively but at a lower cost. There were reservations and CDS underlined this must not attempt to 'integrate the three Service departments under the cloak of a management review.'⁷ CAS sent the PUS guidance on conducting a review based on personal experience and wanted the exercise to succeed to generate savings and 'because it is necessary for the morale of the Services to see that the Ministry of Defence is making itself more efficient (cost effective)'.⁸ A top-level Steering Committee, chaired by the PUS, was established to take the review forward.⁹

⁴ Brynmor John (1934-1988), Parliamentary Under-Secretary for the RAF, 1974-76. During his National Service he was an officer in the RAF Education Branch, 1958-60, serving in Cyprus. An MP from 1970, John was credited with proposing the name 'Tornado' for the MRCA at its first public test flight in Bavaria in September 1974. Henry Stanhope, 'Britain dubs warplane "tornado" at test flight', *The Times*, 23 September 1974; 'Obituary: Mr Brynmor John, MP', *The Times*, 14 December 1988.

⁵ James Wellbeloved (1926-2012), Parliamentary Under-Secretary for the RAF, 1976-79 was a Royal Navy boy seaman from 1942 to 1946. He became an MP in 1965. He was 'hands-on' – the first minister for the RAF who within 18 months of his appointment had flown in every one of its operational classes of aircraft. James Wellbeloved, 'First Impressions of the RAF', *The Royal Air Forces Quarterly*, Volume 16, Number 4, Winter 1976, pp. 302-305; 'James Wellbeloved – Obituary', *Daily Telegraph*, 11 September 2012; Tam Dalyell, 'James Wellbeloved', *The Independent*, 11 September 2012; Julia Langdon, 'James Wellbeloved obituary', *The Guardian*, 17 September 2012; 'James Wellbeloved – Obituary', *The Times*, 19 September 2012.

⁶ TNA, DEFE 23/98, 'Management Review of MoD, Record of a Meeting held on Friday 20 December 1974. At that point, the MoD employed one-third of the civil service and this was viewed as an attempt to apply Critical Level criteria to Defence management to match reduced capabilities and commitments. The Review Team's programme consisted of ten studies – Study 1, Top Structure and Policy Formulation; Study 2, Equipment Requirements; Study 3, Research and Development; Study 4 Service Personnel and Logistics; Study 5, Management of Civilian Staffs; Study 6, Financial Planning and Control; Study 7, Manpower Planning and Control; Study 8, Management of Equipment Projects; Study 9, Level of Service Experiment (review of some administrative practices and the implications of abandoning certain tasks or discharging them to a lower level); Study 10, review of planning, development and control of ADP policy and projects.

⁷ *Ibid.*, CDS to PUS, 20 January 1975.

⁸ *Ibid.*, CAS to PUS, 31 January 1975.

⁹ The composition of the Management Review Steering Committee from September 1975 was as follows – PUS (Chair), CDS, CSA, CE (PE), Master General of the Ordnance, AMP, VCNS, PUS (Administration), 2nd PUS Civil Service Department, Sir Derek Rayner, DUS (Civilian Management),

Post-Defence Review Reductions

In early 1975, with inflation around 20% and the economy shrinking, the Chancellor Denis Healey's demands for Defence spending cuts were not satisfied by the Defence Review reductions. The Defence Secretary, Roy Mason, faced an uphill struggle. On the day the Review was published, 19 March 1975, Healey highlighted the Balance of Payments deficit, 5% of GDP. The Government had got by through borrowing from abroad. Healey feared lenders would impose conditions on UK economic policy as a pre-requisite for future loans unless spending was brought firmly under control. He demanded a £1,000m (in 1974 Survey prices) cut in public spending for 1976-77. One-fifth of savings were to come from Defence,¹⁰ which accounted for around one-tenth of Government spending.

Mason rejected a £200m reduction. He threatened to resign if this was agreed.¹¹ Mason later said Healey's proposal 'was a bitter blow and made something of a mockery of all the careful planning I'd done over the past year'.¹² He offered £100m of savings. Mason's rearguard action involved achieving Review savings quicker than envisaged after 1976-77, with decisions within the timeframe of the 1975 Public Expenditure Survey (PES)¹³ In Cabinet it was recalled the US Administration had advised the Review reductions had 'represented the limit of what was tolerable'. To go further would strain this vital relationship.¹⁴ Closer to home, cancelling projects would increase unemployment while the Cabinet had just accepted the concept of a 'Critical Level' to maintain the UK's major Defence roles in NATO. Recommending an overall package of reductions slightly above £900m, Prime

Mr P L Avery (AGSRO – member of the committee in a personal capacity rather than as an official Staff Side representative).

¹⁰ TNA, CAB 129/182, C(75)39, 'Public Expenditure Measures 1976-77', memorandum by the Chancellor of the Exchequer, 19 March 1975.

¹¹ Bernard Donoughue, *Downing Street Diary: With Harold Wilson in No. 10* (London: Pimlico edition, 2006), p. 351, 10 April 1975. Donoughue, Head of Wilson's No 10 Policy Unit, observed that Wilson initially backed Healey but Mason had threatened to resign and was supported by Callaghan, Home Secretary Roy Jenkins and other Cabinet colleagues.

¹² Roy Mason, *Paying the Price* (London: Robert Hale, 1999), p. 139.

¹³ TNA, CAB 129/182, C(75)46, 'Public Expenditure 1976-77', memorandum by the Chancellor of the Exchequer and Annex A, 8 April 1975; CAB 128/56, CC(75)19th Conclusions, 10 April 1975.

¹⁴ Thomas Robb, 'The "Limit of What is Tolerable": British Defence Cuts and the "Special Relationship," 1974-1976', *Diplomacy & Statecraft*, Volume 22, 2011, pp. 321-337. Robb highlighted how economic weakness and Defence cuts combined to hinder Wilson and Callaghan's efforts to re-emphasise the Special Relationship with the US. He maintained that despite some strong American rhetoric, particularly from Defense Secretary James Schlesinger, the cuts had little impact but were another negative factor in American views of Britain's importance when Callaghan's government faced the IMF crisis in 1976.

Minister Harold Wilson decided on a Defence cut of £110m. He instructed Mason to initiate detailed studies to accelerate savings in later years of the Review.¹⁵ The media speculated the Maritime Harrier would be cancelled.¹⁶ It had been deferred by the previous Government pending study of overall Defence resources. The Chiefs endorsed it again in January 1975. The RAF (and Army) was supportive as long as RAF programmes were not cut to pay for it and it was fully funded by the Navy Department.¹⁷ With some fanfare, Mason announced the programme's continuation in May 1975.¹⁸

Meanwhile, the Government's aircraft industry nationalisation plans, alongside the Defence Review measures placed the aerospace industry in a critical position. It was an opportune time to consider future procurement strategy, with the maintenance of a strong indigenous capability a key consideration. In addition to providing security of supply and foreign policy factors, Defence was a major foreign exchange earner, with 35-40% of production exported. However, a greater need for collaboration, and aerospace rationalisation in western Europe was forecast. The most important requirement remained to ensure the RAF secured the right operational equipment, at the right price and within the required timescale. The RAF's interests required the preservation of a national industrial base with a design capability and greater

¹⁵ TNA, CAB 128/56, CC(75)19th Conclusions, 10 April 1975.

¹⁶ Henry Stanhope, 'Accelerated defence cuts may save extra £110m', *The Times*, 16 April 1975.

¹⁷ TNA, DEFE 4/281, COS 2nd Meeting/75, 21 January 1975. Humphrey highlighted the virtues of a healthy aircraft industry for the RAF and Defence, applauding the UK's role in the advance of VSTOL technology. However, like Sir Denis Spotswood, he questioned the operational effectiveness of the aircraft during its period of service and said, 'there should never be any question of Army or Air Force programmes being cut back in order to accommodate a Naval programme which included the Maritime Harrier'.

¹⁸ Mason and his Parliamentary Private Secretary Patrick Duffy MP were flown in two-seater Harriers from RAF Cotteshall to the Hawker Siddeley works at Brough, Yorkshire where the Maritime Harrier was being developed. Workers and apprentices greeted them with placards which read 'Welcome and thank you, Mr Mason'. Mason, *Paying the Price*, pp. 144-146; Henry Stanhope, 'Approval is given for maritime Harrier', *The Times*, 16 May 1975; "'Thank you" flight', *The Times*, 17 May 1975. On Mason's recommendation that the aircraft should proceed to full development, with a programme for 25 maritime Harriers see TNA, CAB 148/155, OPD (75) 16, 'The Maritime Harrier', Memorandum by the Secretary of State for Defence, 7 May 1975. Wilson agreed the operational case for proceeding with development and production was strong. Endorsing the programme, it was noted, 'although future levels of Defence spending were subject to some measure of uncertainty, the Secretary of State for Defence considered that the project would hold its place in the Defence programme.' CAB 148/154, OPD (75) 4th Meeting, 14 May 1975. Healey was sceptical and Mason switched to emphasising the case for employment in the aircraft industry to win the committee's support. See Donoghue, *Downing Street Diary*, p. 379, 14 May 1975. The MoD announced the order of a further 10 Sea Harriers in May 1978. The first flight was in August 1978. See Henry Stanhope, 'Ten more Sea Harriers ordered for the Royal Navy', *The Times*, 25 May 1978; Henry Stanhope, 'First flight by the Navy's Sea Harrier', *The Times*, 22 August 1978.

emphasis on European collaboration.¹⁹ Moreover, the Defence Review decision to slow MRCA deliveries meant Phantoms would be in service longer, necessitating further purchases, including perhaps the Sidewinder missile.²⁰

Senior military figures made clear their frustrations at the prospect of further cuts. Field Marshal Sir Michael Carver, CDS and champion of the Critical Level, told the BBC on 31 July 1975 it was 'pretty close' to the point of 'thus far and no further'. The Services had 'already made...a very large contribution to the reduction of public expenditure. We've been put through the examination and we should not be put through the examination again.'²¹ Elsewhere spending was rising. The Central Policy Review Staff (CPRS) told ministers the economic difficulties arose from a 20% increase in cost terms in public expenditure between 1972-73 and 1974-75 while GDP was unchanged. The Public Sector Borrowing Requirement (PSBR) was 10% of GDP. Financing this debt burden cost £2bn annually.²² In August 1975, the Cabinet noted that further Defence cuts would diminish Britain's standing and weaken its hand in the MBFR talks with the Soviet Union. Moreover, increased expenditure elsewhere aggravated NATO allies already perturbed by the Defence cuts.²³

The Defence Review's foundations were also questioned. It was predicated on the Long Term Costings (LTC) of 1974, assuming annual growth of 3%. In reality, the economy contracted by 1.6% in 1975.²⁴ Wilson was told by his Policy Adviser

¹⁹ TNA, AIR6/193, AFB, 4(75), 20 March 1975.

²⁰ Ibid., Secret Annex.

²¹ David Wood, 'Defence as the Treasury's scapegoat', *The Times*, 1 December 1975. Carver was interviewed by BBC2's *Newsday*. Carver's comments retained their resonance and were cited by George Younger, the Opposition Defence spokesman, in the Commons on 21 October 1975.

²² TNA, CAB 128/57, CC(75)39th Conclusions, Confidential Annex, 4 August 1975. Sir Leo Pliatzky, then a Deputy Secretary at the Treasury, said that the first year or so of the new Government was 'in some ways a period of collective madness'. Public expenditure rose by 12.2% during a period when GDP fell slightly. In 1974 inflation reached 16% and continued to rise. See Andy Beckett, *When the Lights Went Out: What Really Happened to Britain in the Seventies* (London: Faber and Faber paperback edition, 2010), p.172. Donoghue, later described the 18 months from March 1974 as 'a time of honeymoon expansiveness' and added 'The price was spiralling inflation and taxation and a depreciating currency'. Bernard Donoghue, 'Barnett remembers – Minister-mouse who ate the cat', *The Times*, 12 February 1982.

²³ TNA, CAB 128/57, CC(75)39th Conclusions, Confidential Annex, 4 August 1975. There were three main negotiations between West and East in 1975 - the Conference on Security and Co-operation in Europe (CSCE), the continuing negotiations on Mutual and Balanced Force Reductions (MBFR) and the Strategic Arms Limitation Talks (SALT).

²⁴ Peter Jay, 'The classic profile of national bankruptcy', *The Times*, 20 February 1976. Meanwhile, LTC 75 was basically an update of LTC 74 with adjustments to incorporate the Defence Review measures at

Bernard Donoughue that: ‘The Defence Review will result in our spending more on defence than the Conservative Government would have done.’ The savings claimed for the Review were made against the ‘Previous Programme’, the LTCs for 1974, based on the Conservatives’ original plans but higher because of recosting and not incorporating the one-off December 1973 cuts (£178m) for 1974-75.²⁵ Donoughue emphasised the ‘Previous Programme’ was never agreed by any Government, most of the savings were ‘phoney’ and the Government would be open to charges of deception when this was ascertained:

We learn that the Critical Level of expenditure, which was presented as being the indispensable minimum necessary for the maintenance of the credibility of NATO, was in fact MOD’s opening bid for bargaining purposes; the Chiefs of Staff are reported to have been surprised when it went through virtually unscathed.²⁶

Similarly, the Labour left-winger Frank Allaun called the Government’s argument ‘spurious’:

It is similar to a man going home to his wife and saying, “I saved you £2,000.” The man’s wife replies, “But you have just bought a car.” “Ah, yes,” says the husband “but I intended to buy a Jaguar and instead have bought only a Mini. Therefore, I have saved you £2,000.” That is a completely false argument, and there is some parallel with the current situation.²⁷

the Critical Level, including certain addbacks. TNA, AIR 6/192, AFB, (75)8, ‘Long Term Costing 1975’, Note by DUS (Air), 14 March 1975.

²⁵ TNA, PREM 16/329, Armstrong (PPS/PM) to Hunt (Cabinet Secretary), 27 February 1975, covering minute from Donoughue (No. 10 Policy Unit) to PM, 26 February 1975; Political Staff, ‘Labour MPs attack “false” defence cuts’, *The Times*, 21 February 1975.

²⁶ TNA, PREM 16/329, Armstrong (PPS/PM) to Hunt (Cab Sec), 27 February 1975, covering minute from Donoughue (No. 10 Policy Unit) to PM, 26 February 1975. Donoughue claimed the Cabinet had ‘slipped through the Defence Review in three minutes’ and angrily added, ‘The [Whitehall] machine cannot win on Defence for ever. Economic realities will prevail.’ Donoughue, *Downing Street Diary*, p. 324, 6 March 1975. Carver later recalled the ‘great victory’ was to secure acceptance of the concept of the critical level. However, he subsequently had to explain to Ministers the force reductions required to get there. Carver was also conscious of ‘Healey’s self-fulfilling prophecy that the Defence Review and all that had been put into it was not going to be allowed to be the final answer’. Carver, *Out of Step*, pp. 452-457.

²⁷ <http://hansard.millbanksystems.com/commons/1975/jun/24/royal-air-force> HC deb 24 June 1975 vol 894, cc 249-374.

Defence as a percentage of GNP remained stubbornly high, even after the £110m cut for 1976-77 announced in Healey's April 1975 Budget. Measured at constant prices, the 1975-76 Defence budget was higher than the previous year. The target estimate for 1976-77 was higher still, though it was lowered in the Budget – to stand at one-third of one per cent below the 1975-76 level. One Defence commentator remarked: 'That kind of "saving" is emphatically not the same thing as cutting back on actual outgoings.'²⁸ Although the painful parts of the Review were real and encompassed redundancies, a contraction in UK capabilities and the cancellation or 'stretching' of equipment programmes, in resource terms it provided for a similar programme to previous years. Spending was allocated to fewer places but there was no major reduction to the Defence effort.²⁹ Labour Tribune Group MPs voted *en masse* against the Review proposals in December 1974 and the 1975 *Defence Estimates* (incorporating the Review) in May 1975.³⁰

With damaging longer-term consequences, the Review resulted in the redundancy of over 300 RAF pilots by spring 1975.³¹ As the RAF implemented these reductions, the media speculated that RAF flying teams, including the Red Arrows, could close. Their significant impact on recruiting was cited in a Commons answer in May 1975. The Government said there would be no more cuts to display teams.³² At AFB level, the Red Arrows' importance was appreciated – their performances 'enhance the standing of British military aircraft, boost British prestige and earn goodwill'.³³

²⁸ David Greenwood, 'Sights Lowered: The United Kingdom's Defence Effort 1975-1984', *The Royal Air Forces Quarterly*, Volume 15, Number 3, Autumn 1975, pp. 187-197.

²⁹ *Ibid.*

³⁰ In the Defence debate on 16 December 1974, ostensibly a three-line whip, 54 Labour MPs voted against the Government. On 7 May 1975, 56 Labour MPs voted against the Defence estimates in favour of their own amendment demanding larger cuts. George Clark, 'Labour defence rebels vote against the Government', *The Times*, 17 December 1974; Political Correspondent, '56 Labour MPs rebel on defence cuts', *The Times*, 8 May 1975.

³¹ Parliamentary Staff, '300 RAF pilots to go', *The Times*, 15 April 1975; Henry Stanhope, '600 RAF aircrew to lose jobs', *The Times*, 21 March 1975. By early 1977, due to a lack of suitable recruits and training wastage, the RAF was short of 100 fast jet pilots – see TNA, DEFE 4/283, 3rd Meeting/77, 1 February 1977.

³² Defence Correspondent, 'No more cuts in RAF's display team', *The Times*, 14 May 1975. The AFB sought Treasury approval for the Red Arrows to continue until the end of the 1977 display season. TNA, AIR 6/193, AFB, 6(75), 27 May 1975.

³³ TNA, AIR 6/192, AFB, (75)13, 21 May 1975, 'Future of the Red Arrows', Note by AMP. The value of the Red Arrows was underlined in this note: 'It is probably the most effective method of bringing the Royal Air Force to the attention of the general public and the need to keep the RAF before the eyes of the British people is more important than ever, at a time when, following the Defence Review, the impression may grow that defence is a declining activity and the Royal Air Force's role is now unimportant. In these circumstances it makes sense to give prominence to every possible means of

Nevertheless, Mason repeated the Defence Review would cost 78,000 Service and civilian jobs over the next decade and the cuts had ‘perturbed’ Britain’s NATO partners. He had accepted the post-Review cut of £110m cut ‘reluctantly’ but claimed, when defending the White Paper in the Commons, that defence cuts would not reduce efficiency.³⁴

The Chiefs had discussed, in late May 1975, a Defence Policy Staff (DPS) paper on the Defence Budget in the PES period 1976-77 to 1979-80. This showed that despite the non-NATO add-backs, the 1974 PESC cuts and April 1975 cut, Defence would just manage to hold the Critical Level. This was at the expense of some erosion of long term quality but Carver could not envisage further savings beyond 1976-77 without the Critical Level being seriously breached. The Chancellor’s 1976-77 cut involved a level of Defence spending close to the First Level set out in the Defence Review. Indeed, Carver insisted the international situation had deteriorated since the Review and the Critical Level should be somewhat higher.³⁵ The PUS, Sir Michael Cary, identified the point where Defence budget cuts became unacceptable, as dependent largely on NATO and US reactions. While the measures might not seem too painful to Mason and other ministers, they would be viewed differently by the Americans and other NATO allies. Arthur Hockaday, DUS(Policy and Programmes) at the MoD, highlighted four separate criteria against which savings measures had to be judged. These were that they should make good military sense, they should represent real financial saving, they should be acceptable to NATO and be politically acceptable in the UK.³⁶

RAF Debate, 24 June 1975

The rising political tension over Defence was evident at the RAF debate in the Commons in June 1975.³⁷ As well as NATO’s disquiet about the Review cuts, the

showing the Royal Air Force in its natural element practising the art of flying.’ The AFB agreed in September 1976 that the Red Arrows should be maintained as a nine aircraft display team and re-equipped with suitably modified Hawks for the 1980 display season, AIR 6/196, AFB, 6(76), 2 September 1976; AFB, (76)22, ‘The Future of the Red Arrows’, Note by AMP, 25 August 1976.

³⁴ Political Staff, ‘Defence cuts will hit 78,000 over 10 years’, *Guardian*, 1 May 1975; ‘Mason says defence cuts will not impair efficiency’, *Guardian*, 7 May 1975.

³⁵ TNA, DEFE 4/281, COS 10th Meeting/75, ‘The Defence Budget in the Public Expenditure Survey Period’, 28 May 1975.

³⁶ *Ibid.*, COS 12th Meeting/75, ‘Further Study of the Defence Budget in the Period 1977/78 to 1979/80’, 2 July 1975.

³⁷ <http://hansard.millbanksystems.com/commons/1975/jun/24/royal-air-force> HC Deb, 24 June 1975, vol 894, cc 249-374.

Opposition sought assurances that these reductions and the post-Review £110m cut would mark the end of Defence's contribution to wider savings. Mason could not give this.³⁸ The Opposition outlined various issues where they found Government policy for the RAF unacceptable.³⁹ These included reducing the Nimrod force by a quarter, thus damaging NATO maritime capability and the 50% cut in the transport fleet which impacted on NATO's needs for tactical reinforcement and mobility. Thirdly, the reduction of the RAF helicopter tactical support force would seriously impair Army mobility. The Opposition claimed NATO had stated the cuts went beyond the point of credibility.⁴⁰

Brynmor John echoed the Opposition's praise for RAF's role during the Cyprus emergency and recognised the Review overshadowed the debate. Central was the decision to concentrate defence efforts in the UK, the Eastern Atlantic and Germany. John maintained subsequent decisions affecting the RAF were thus logical. Despite the reduction to 57 aircraft, the UK had the largest transport force among NATO's European members. The reduced force could mount the Cyprus operation without significant overstretch.⁴¹ Combat forces in Germany and the UK were not reduced and planning was continuing for an AEW-Shackleton replacement. Any reduction to the Nimrod maritime patrol aircraft only followed the end of the defence agreement with Malta (1979). In the geographical areas identified as crucial in the Review, the Nimrod remained as effective as ever.⁴²

John confirmed the MRCA order remained at 385 aircraft, though 're-phased' from 60 to 40 aircraft annually. The UK AD Variant was still completing its project definition stage. John accepted there had been snags, including concerns about delays in the flight test programme with the availability of flight test Rolls Royce engines being a factor. The Opposition claimed collaboration made MRCA costs 25% higher. John retorted it was 'the most successful international collaborative

³⁸ <http://hansard.millbanksystems.com/commons/1975/jun/24/expenditure-reductions> HC Deb 24 June 1975, vol 894, cc 218-220. At that same session, Mason had already said he was doing his utmost to maintain the military: 'So far I think I have managed, with the public expenditure reductions, to be able to make sure that the military involvement is not impaired.' See <http://hansard.millbanksystems.com/commons/1975/jun/24/policy-assessments> See HC Deb 24 June 1975, vol 894, cc 210-211.

³⁹ <http://hansard.millbanksystems.com/commons/1975/jun/24/royal-air-force> HC Deb, 24 June 1975, vol 894, cc 249-374.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Ibid.

project ever' and cost escalation was minimal.⁴³ He stressed RAF redeployment could not be delayed if Review savings were to be achieved. RAF activity would be concentrated in larger stations. Adjustments to recruitment had reduced numbers from 100,000 to 95,000. He hoped wastage and intake restrictions would comprise 14,000 of the 18,000 manpower cut, necessitating no more than 4,000 redundancies. Some Chief Technician (CT) redundancies might have happened anyway as the RAF was 'overborne' at certain ranks in the technical trades.⁴⁴ Opposition MPs argued the RAF had streamlined earlier in the decade and further reductions cut into the bone.⁴⁵ They highlighted the 'extraordinary state of affairs' that there were more US Air Force fighters and bombers in the UK than operational RAF fighters and bombers.⁴⁶

MRCA Developments

The MRCA was the largest collaborative defence programme in Europe. After the first successful prototype flight on 14 August 1974, flight test work was hampered, mainly by technical and industrial difficulties with the engine. Nevertheless, the tri-national policy group recommended in May 1975 that the project should continue. There was steady progress with the IDS Variant. The key concern was the supply of engines to support the flight programme. Industrial disputes at Rolls Royce had accentuated outstanding technical problems with the engine components (mechanical trouble with the blades of the high-pressure turbine) and delayed flight engine delivery. A decision on full development of the Air Defence Variant (ADV) was expected in 1976.⁴⁷

However, the MoD's Operational Requirements Committee (ORC) declined to endorse the ADV in December 1974 claiming it failed to meet key threats and according to AFD studies was an insufficient advance on existing Phantoms. The

⁴³ <http://hansard.millbanksystems.com/commons/1975/jun/24/multi-role-combat-aircraft> HC Deb 24 June 1975, vol 894, cc 215-217; 'MRCA production rate', *Flight International*, 20 February 1975, p. 278; 'MRCA production rate', *Flight International*, 27 February 1975, p. 329.

⁴⁴ <http://hansard.millbanksystems.com/commons/1975/jun/24/royal-air-force> HC Deb, 24 June 1975, vol 894, cc 249-374. The AMP told the AFBSC in July 1976 the final total of redundancies would likely fall short of the 4,000 originally envisaged. In the decade 1966-76, manpower had been trimmed from 21,000 officers, 105,000 airmen and 18 branches to 16,500 officers, 74,500 airmen and 13 branches, TNA, AIR 6/196, AFBSC, 3(76), 22 July 1976.

⁴⁵ *Ibid.*

⁴⁶ *Ibid.*

⁴⁷ TNA, PREM 16/1558, SofS to PM, 'MRCA', 4 June 1975; Cragg (PS/SofS) to Wright (PS/PM), 'MRCA', 16 June 1975.

US F14 was AFD's preferred option but cancelling the ADV risked the whole MRCA programme and the IDS Variant was the cornerstone of the RAF's future equipment programme. The ORC worried the ADV programme left no money for improvements elsewhere to air defence; though it supported the IDS Variant. Humphrey said cancellation of the ADV should only be considered if it was 'shown to be incapable of meeting the threat sufficiently well to justify its costs'. He called for the second project definition to continue. Detailed evaluation of American alternatives was only be considered if 'further study showed that the MRCA ADV would definitely not meet the requirement'.⁴⁸



The first pre-production Tornado GR. 1, XZ630 at Boscombe Down. Photograph: AHB (RAF).

When the AFBSC met with C-in-Cs on 23 October 1975 the ADV was said to 'adequately meet the postulated threat'. Opting for another AD aircraft threatened the entire programme but worries persisted the threat may alter over the next two decades. The ADV's lack of combat capability was a drawback. However, there was no information on the cost or performance of the mooted strike version of the French

⁴⁸ TNA, DEFE 4/281, COS 1st Meeting/75, 'Item 2 – The MRCA Air Defence Variant', 14 January 1975. By this stage, the estimated average unit production cost of the IDS Variant was £3.9m and for the AD Variant was £4.56m. Healey called for a full evaluation of the AD Variant and suggested the decisions reached on this aircraft and the outcome of the 1975 review of public expenditure could decide the number of aircraft ordered. PREM 16/1558, CHX to PM, 'MRCA', 12 June 1975.

ACF (Avion de Combat Futur) and no guarantee it would ever be built. Humphrey insisted that the 165 aircraft requirement represented the absolute minimum, irrespective of type. Moreover, they could not ditch the MRCA ADV if it jeopardised the whole programme.⁴⁹

The French hinted they may be persuaded to give up development of the strike version of the ACF to purchase an unspecified number of MRCA IDS, in return for the UK agreeing to buy ACF instead of the MRCA ADV. There were also indications the US might manufacture the F15 in Europe, with French companies expressing interest.⁵⁰ Humphrey talked of 'a very complex problem' for which there was 'probably no perfect solution within our available resources'. The IDS would undertake a key role for which no other Western aircraft was suited and provide more than one-third of the UK's total combat front line. A substantial reduction in the RAF order for either variant could cause the programme to collapse. The proposed [ADV] interceptor force, with a front line of 110 aircraft for all purposes, agreed at the Critical Level, was 'dangerously small'. They would be outnumbered by five or six to one in a war situation. The ADV offered lower fuel consumption and suitability for long patrols but had wartime limitations, shared in varying degrees by all possible [alternative] aircraft and missiles.⁵¹

Humphrey said analysis of the ADV led him to accept it as the RAF's next generation interceptor. However, the threat assessment particularly in later years and its 'extremely limited development potential' made him favour a higher performance aircraft. This was subject to obtaining it without destroying the MRCA programme or making it prohibitively costly and getting at least 110 interceptors. Humphrey viewed three possible alternatives. He doubted the ACF and if resources were available preferred the F14, with additional tankers. He did not think this was viable, as a front line of only 60-65 F14s would be obtained by cancelling the entire MRCA ADV programme. The US initiative, for collaborative production of the F15 in Europe on seemingly very favourable terms, was 'by far the most suitable alternative'. The aircraft's performance was largely superior to the ADV and it was also cheaper: 'The best possible solution would be to bring the French, and preferably the Americans, into the MRCA IDS programme; to substitute the F15 for

⁴⁹ TNA, AIR 6/193, AFBSC, 11(75), 23 October 1975.

⁵⁰ TNA, DEFE 4/281, COS 16th Meeting/75, 'Air Defence Studies', 27 October 1975.

⁵¹ Ibid. Discussing the report of the VCAS on the 'MRCA - Air Defence Studies, Humphrey said the ADV was not the ideal solution to all of the UK's air defence needs and particularly lacked 'stretch potential'. However, it would meet the main elements of the threat and was 'the only realistic solution'. AIR 6/193, ASBSC, 10(75) Secret Annex Item II, 8 October 1975.

the MRCA ADV in collaborative production with the French and Germans; and to start the collaborative development of a new fighter/ground attack aircraft on the lines of AST 403 also with the French and Germans.’ There were ‘immense’ difficulties, but this was the line the UK should pursue. Meanwhile, it was necessary to continue with the ADV, which the RAF would adopt if the preferred solution could not be reached.⁵²

CDS observed ‘the fact that no other country was interested in it [the ADV]’. The cheapest solution, to buy American fighters and order MRCA IDS, would kill the MRCA programme and high technology capability in the European aerospace sector. Cary believed the Government viewed the MRCA as an overriding political commitment, considering it intolerable for the UK to cause its collapse. The Chiefs, subject to Mason’s agreement, sought to initiate discussions with the US authorities on the aircraft concerned and told him their reservations concerning the ADV, emphasising if it was not for the danger of undermining the MRCA programme and the European aerospace industry, they favoured a US solution.⁵³

Subsequently, the case for the ADV relied on three main arguments. First, was the proven need for manned interceptor aircraft to undertake surveillance and protect potential land and maritime targets in war. Secondly, there was no alternative which could offer cost or military capability advantages. Thirdly, ADV cancellation involved 2,000 redundancies, the loss of 8,000 job opportunities and increasing IDS Variant production costs. Withdrawal would be devastating both industrially and politically. More immediately, £1.45bn of expenditure was projected to fall within 1976-1980 and further cost growth was possible. The question was whether these vast sums could be found from a reduced Defence budget, without sacrificing other important programmes. By 25 February 1976, six prototypes had been constructed and 213 flights flown. It was envisaged the IDS would enter service in 1979 and the first ADV in 1983. Mason emphasised economies in support as two aircraft, with 80% commonality, replaced five aircraft. Although the programme would cost £2.8bn (£3.131bn less £292m already spent) over 20 years this averaged around 3% of the Defence Budget annually. Mason underlined the need for high performance manned aircraft for the UK Air Defence Region (UKADR). In January-February 1976 there were 34 instances of Soviet aircraft entering the UKADR, indicating a

⁵² TNA, DEFE 4/281, COS 16th Meeting/75, ‘Air Defence Studies’, 27 October 1975.

⁵³ Ibid.

likely annual rate of around 200 incidents, more than double the annual average.⁵⁴ Approval for the ADV and a total UK requirement of 385 MRCA was secured at DOPC on 25 February 1976.⁵⁵ Mason announced in the Commons on 5 March that a stringent review of the UK's air defence requirement had concluded the ADV still provided the best solution and the Government had authorised full development.⁵⁶

Implementing Cuts

While the FCO still cautioned against over-hasty withdrawal from non-NATO commitments pointing to loss of influence, the Forces worried about practical problems and continued costs. In July 1975, Humphrey told his fellow Chiefs and FCO representatives: 'the continued presence in Masirah and Salalah (Oman) of small RAF detachments fulfilling no military function was quite unacceptable'.⁵⁷ The scope for accelerating the Defence Review measures was limited. Major question marks surrounded Cyprus and Anglo-German offset. Cary recommended Mason did not mention specific measures in ministerial discussions, while regarding Cyprus, Hockaday was mindful of US reaction to further UK withdrawals from

⁵⁴ TNA, CAB 148/159, OPD (76)11, 'The Multi-Role Combat Aircraft (MRCA)', Memorandum by the Secretary of State for Defence, 20 February 1976; OPD(76) 5th Meeting, 25 February 1976.

⁵⁵ TNA, CAB 148/159, OPD(76)11, 'The Multi-Role Combat Aircraft (MRCA)', Memorandum by the Secretary of State for Defence, 20 February 1976; OPD(76) 5th Meeting, 25 February 1976; PREM 16/1558, folio 4, Hunt (Cab Sec) to PM, 24 February 1976. Mason had asked that alternative aircraft options to the AD Variant were to be examined. He indicated that any alternative was ruled out unless it could be shown to be much cheaper or of a similar cost and greater operational effectiveness. The Avion de Combat Futur was cancelled by the French because of cost. Similarly, the US F16 lacked fundamental all-weather interception capability, the F14 was too costly and the F15 had high fuel consumption and would need major modification to achieve compatibility with RAF tanker aircraft. The VCAS considered that Air was thus able to satisfy itself that the MRCA AD Variant represented the 'most realistic and cost-effective solution to our needs'. AIR 6/196, AFBSC Meeting with Commanders-in-Chief, VCAS's presentation, 21 July 1976; AFBSC, 3(76), 22 July 1976.

⁵⁶ http://hansard.millbanksystems.com/written_answers/1976/mar/05/multi-role-combat-aircraft HC Deb 5 March 1976, vol. 906, cc. 760-762. TNA, CAB 148/161, DOP(76)7, 'Production Arrangements for the Multi-Role Combat Aircraft', Memorandum by the Secretary of State for Defence, 16 June 1976, the UK rate of production was reduced to 46 aircraft annually; Henry Stanhope, 'RAF to get new type of multi-role aircraft', *The Times*, 6 March 1976; 'UK backs air-defence MRCA', *Flight International*, 13 March 1976, p. 622; 'Air-defence MRCA goes ahead', *Flight International*, 13 March 1976, p. 632.

⁵⁷ TNA, DEFE 4/281, COS 13th Meeting/75, 'Future British Military Assistance to Oman', 15 July 1975. The AFD was asked by the Chiefs to review the manning of RAF Masirah. All forces were to be withdrawn from Masirah and Salalah by 31 March 1977. See also AIR 6/192, AFB, (75)35, 'Estimates 1976/7 and Long Term Costing 1976', Note by DUS(Air), Annex B, 'Major Assumptions for LTC 1976', 13 November 1975.

global responsibilities.⁵⁸ It was particularly difficult to accelerate RAF savings, because of the substantial contribution in the early years.⁵⁹ AMP reported in mid-1975 that manpower add-backs above the Critical Level required 4,000 additional personnel in 1978.⁶⁰ It was a Critical Level assumption that all RAF Regiment field squadrons would be disbanded. However, detailed post-Review studies had shown there was no alternative means for the ground defence of airfields. The VCAS recommended five regular field squadrons were retained to defend airfields and the Harrier force in Germany, despite this add-back factor meaning offsetting savings required to be found elsewhere.⁶¹

Fighting Defence's Corner

Roy Mason continued to proactively put the Defence case, sometimes angering Cabinet colleagues. In August 1975, he circulated a pamphlet *Our Contribution to the Price of Peace* to MPs, the CBI and trade unions, NATO, libraries and educational establishments, other political parties and constituency Labour Party secretaries. It underlined the benefits of Defence spending in maintaining security and highlighted savings following the Review. Although supported by Callaghan,⁶² Joel Barnett, Chief Secretary to the Treasury, and Barbara Castle, the Health Secretary, were unimpressed. Mrs Castle's department even produced *Our Contribution to the Price of Health*, using Defence's original as a template.⁶³

Mason's best efforts could not protect Defence from economic recession. In July 1975, Healey announced steep spending cuts for 1977-78 and 1978-79. Wilson

⁵⁸ TNA, DEFE 4/281, COS 13th Meeting/75, 'Further Study of the Defence Budget in the Period 1977/78 to 1979/80', 15 July 1975. Cyprus was a £36m annual commitment at 1976 survey prices (Army £25m, RAF £11m), DEFE 5/202, COS 5/77, 'The Defence Implications of an Early Military Withdrawal from Cyprus', 28 January 1977.

⁵⁹ TNA, AIR 6/193, AFB, 5(75), 1 May 1975.

⁶⁰ Ibid. AFB, 7(75), 3 July 1975.

⁶¹ Ibid., AFB, 7(75), 3 July 1975; AIR 6/192, AFB, (75)15, 'The Future of the RAF Regiment and the RAF Police', Note by VCAS, 16 June 1975; AIR 6/196, AFB, 3(76), 4 March 1976.

⁶² TNA, PREM 16/564, Foreign Secretary to SofS, 1 September 1975. Callaghan said Defence cuts had been 'at the expense of some loss of confidence among our NATO allies' who would relate Britain's provision for Defence with its capacity to 'master our economic difficulties'.

⁶³ Ibid., CST to SofS, 19 August 1975. Barnett expressed his misgivings about the pamphlet's timing. He pointed to the deteriorating economic situation and the Chancellor's announcement on 21 July of considerable public spending cuts in 1977-78 and 1978-79, endorsed by the Prime Minister in discussions on public expenditure priorities at Chequers on 4 August. Castle (SofS for Health) to SofS, 22 October 1975. Castle was angry at the comparisons in the Defence pamphlet relating to other programmes, particularly Health.

acknowledged significant reductions to the January 1975 Public Expenditure White Paper were needed. The Treasury wanted larger Defence cuts. As the pound slid in September 1975, West German offset payments covered barely 5% of the foreign exchange costs of UK forces in Germany.⁶⁴ The Treasury sought a £1,200m additional reduction from Defence for 1977-78 to 1979-80, on top of projected Review savings. Mason claimed these demands had devastating political consequences for UK credibility:

A cut of this size could not be carried out without another major Defence Review involving further consultations with our allies, and would certainly be regarded by them, particularly the Americans, as demonstrating beyond repair our unreliability as allies.⁶⁵

Mason repeated the Cabinet had accepted the Critical Level and reminded colleagues of consultations with NATO allies, concerned about the loss of capability and impact on the Alliance. Wilson told US Defense Secretary, James Schlesinger, in September 1975 that 'there was no need to expect any major changes in our defence expenditure'.⁶⁶ Mason maintained Treasury proposals reduced the pre-Review programme by 20% in 1978-79 and 24% in 1979-80. This involved cuts to core forces committed to NATO, including front-line units. Mason offered around £100m of savings to post-Review figures.⁶⁷

Barnett dismissed Mason's offer as inadequate. Defence had to accept its share of reductions. The proposed cuts represented an average of 8½% of planned post-

⁶⁴ TNA, CAB 148/155, OPD (75) 31, 'The Future of Anglo-German Offset', Memorandum by the Secretary of State for Defence, 4 September 1975. Britain received around £20m annually under the terms of the five-year agreement last negotiated in 1971 and due to expire in March 1976. The foreign exchange costs of forces in Germany were nearly £400m a year. It was suggested as an opening bid that a direct German budgetary payment of £73m per annum should be sought. There was also a proposal that a scheme known as 'Equifund' devised by the MoD to tackle imbalances be considered though Healey was sceptical. The Chancellor wanted a straight German budgetary contribution, with an initial bid of £91m per annum. Healey added the UK should not settle for anything less than £55m a year and leave the Germans in no doubt that anything below this would lead the UK to consider reductions to British forces in Germany. Wilson said the opening bid should be for a direct budgetary bid of £91m annually. See CAB 148/154, OPD (75) 8th Meeting, 9 September 1975.

⁶⁵ TNA, CAB 148/155, OPD (75) 45, 'Defence Expenditure', Memorandum by the Secretary of State for Defence, 26 November 1975.

⁶⁶ TNA, PREM 16/330, folio 8, Prime Minister-US Secretary of Defense meeting, 20 September 1975. Mason cautioned that the UK might have to make some cuts in terms of deferring spending programmes but he did not expect any further cuts to the UK's NATO contribution.

⁶⁷ TNA, CAB 148/155, OPD (75) 45, 'Defence Expenditure'.

Review spending. Barnett repeated that Review cuts were based on the previous Government's spending plans which were 'untenable in any circumstances, given the rising cost of defence'. Barnett argued that post-Review, the UK spent marginally less on Defence but this was almost wholly NATO commitments. Even with Treasury cuts, spending would be 5% of GNP, above the 3.9% average for European NATO members and exceeded in absolute terms by only Germany and France.⁶⁸ A Treasury annex, underlined their determination to secure much deeper cuts:

In bilateral discussion he [Mason] said that he was only willing to find savings of £100 million in each of the years 1977/78 to 1979/80 of which £60 million in each year had been identified so far. Further reductions of £120 million in 1977/78, £350 million in 1978/79 and £430 million in 1979/80 would thus be needed to correspond with the civil formula cuts.⁶⁹

The CPRS suggested Defence could cut deeper. An additional £75-£100m reduction in 1978-79 would not renege on NATO commitment and: 'It should be possible to meet the RAF's requirement for a future fighter aircraft more cheaply than the air defence variant of the MRCA and the Maritime Harrier could be cancelled.' Additional cuts would go further than the MoD wished.⁷⁰

Healey had found £2.6bn of agreed savings for 1978-79, including £100m from Defence, but was £1,150m short of target and wanted £350m more from Defence. The Cabinet Secretary, Sir John Hunt, observed some ministers believed Defence had been cut enough, others argued the Review was insufficiently severe and a third group demanded Defence met its share of the latest reductions. Hunt thought Mason might accept a budget of £4,566m per annum from 1976-77 to 1979-80, which would not involve significant cuts to force levels but would reduce equipment quality and frustrate NATO allies. Going below this risked trouble with the US and NATO. The Chevaline deterrent improvement, Maritime Harrier, Through Deck Cruiser and MRCA ADV were mentioned for cancellation. BAOR cuts were also

⁶⁸ TNA, CAB 148/145, OPD (75) 66, 'Defence Expenditure', Memorandum by the Chancellor of the Exchequer, 28 November 1975, covering 'Public Expenditure Survey 1975: Defence Note by the Chief Secretary to the Treasury'. Barnett was said to have earned the title 'the abominable no man' and his meetings with Mason were particularly painful. See Ian Aitken, 'Cabinet's final agony on spending cuts', *Guardian*, 1 December 1975.

⁶⁹ TNA, CAB 129/186, C(75)137, 'Public Expenditure to 1979-80', memorandum by the Chancellor of the Exchequer, Annex B, 29 November 1975.

⁷⁰ *Ibid.*, C(75)143, 'Public Expenditure 1979-80', memorandum by the Central Policy Review Staff, 3 December 1975.

mooted.⁷¹ Cabinet Office briefing recommended Wilson: ‘guide Committee to the conclusion that at this stage they should not endorse greater cuts in the defence budget than could be justified to our allies as reasonably compatible with the undertakings given following the Defence Review’.⁷²

Mason argued that further reductions carried ‘greater penalty, politically, industrially and internationally’. They would have a ‘catastrophic’ impact on relations with the US, West Germany and other NATO allies, undermine the MBFR negotiations and breach Brussels Treaty commitments. Healey denied Defence was being treated unfairly. The Defence Review was ‘an Election commitment to prune a Conservative Party programme’. It had produced insufficient savings and more were essential. Healey stressed possible savings from slippage and underspending – the latter forecast to be £120m in 1975-76.⁷³ Callaghan argued that financial savings from Defence cuts were minor compared to the political consequences and warned, ‘the likelihood of our obtaining from our partners the assistance that we might need towards our economic recovery would be much reduced’.⁷⁴ Various savings suggestions were made – ranging from reducing research work duplicated by allies to cutting civilian manpower and reviewing the ratio of senior to junior ranks.⁷⁵

The proposed reductions had serious repercussions – reducing military strength by 30 naval vessels and 100 aircraft, cutting forces in Germany and damaging the Army’s ability to operate in Northern Ireland. Although R&D could be cut and more equipment purchased from the US, the latter was contrary to a two-way street in procurement, favoured by European allies. The emphasis was on support and administration economies to produce financial savings greater than those offered by Mason, without substantial damage to defence capability.⁷⁶

For the RAF, the Defence Review was damaging but surmountable. At the end of 1975 frontline squadrons were reduced by over 100 aircraft or 16%, mainly due to the 51% cut to air transport.⁷⁷ All operational roles had suffered, excepting air

⁷¹ TNA, PREM 16/330, folio 27, Hunt (Cab Sec) to PM, 28 November 1975. The £3.75bn public spending cut was agreed in Cabinet on 13 November 1975.

⁷² *Ibid.*, folio 29, Brenchley (Cabinet Office) to PM, 2 December 1975.

⁷³ TNA, CAB 148/154, OPD (75) 15th Meeting, 3 December 1975.

⁷⁴ *Ibid.*

⁷⁵ *Ibid.*

⁷⁶ *Ibid.*

⁷⁷ Air transport reductions led to practical problems such as the availability of aircraft for exercises and special flights, with Comets, Britannias and Andovers withdrawn and VC10s reduced. TNA, AIR 6/193,

defence. The tactical helicopter force was reduced by 26%, Long Range Maritime Patrol (LRMP) aircraft by 23%, tanker aircraft by 39% and MRCA delivery slowed. Additional Jaguar and Harrier purchases for strike/attack and reconnaissance, financed from the RAF's earlier Economy Project's savings, were abandoned.⁷⁸ However, there was relief that a viable, though smaller force, had been maintained:

Despite the inevitable military damage, it was considered that the post-Defence Review front-line force would be relatively balanced; the highest priority being given to those forces which are primarily associated with the security of the UK base, the Central Region and Eastlant area.⁷⁹

The resultant force structure was the minimum the AFB believed was required for UK defence and to maintain a credible contribution towards treaty obligations. Further savings meant accepting the Critical Level could be breached by reducing front-line squadrons and support units. Any reduction to front-line squadrons was militarily unjustifiable and could only be achieved by removing a major operational

AFB, 1(75), 16 January 1975; 3(75), 20 February 1975. By January 1976, the VC10s would be the only suitable long range VIP aircraft remaining in service and by April 1976 there would be only seven. AIR 6/192, AFB, (75)15, 'Air Transport Force: VIP Commitments Post-Defence Review', Note by VCAS and DUS (Air), 18 February 1975. The disbandment of No. 216 (Comet) squadron on 30 June 1975 reduced the RAF's ability to provide aircraft for long range VIP travel. PREM 16/1146, 'VIP Travel in RAF Aircraft', SofS to PM, 4 March 1975. As colleagues huffed and puffed, Mason repeated restrictions were 'an inescapable part of our Defence Review economies'. He added that additional ad hoc commitments involving ministerial travel or one-off urgent tasks, such as the RAF VC10 airlift of Portuguese refugees from Angola, were at the expense of essential military tasks, which the MoD would have to meet by additional civil charter, necessitating full reimbursement by the sponsoring Department. PREM 16/1146, SofS to PM, 'Ministerial Air Travel', 16 October 1975; DEFE 5/201, COS 4/76, Priorities for the Use of the RAF Air Transport Force, 20 January 1976. This came under Priority Four – Special Flights. The reduced fleet struggled to meet the three Services' airlift bids for training and exercise requirements. The civil airlift needed to meet the shortfall went beyond Critical Level provision, the LTC 1975 provision for civil charter being exceeded by £4.1m a year, leading the AFBSC to agree to change the composition of the force by increasing the number of front line Hercules and VC10 aircraft and withdrawing the Belfast. AIR 6/193, AFBSC, 12(75), Secret Annex A, Item II. 4 November 1975, AIR 6/196, AFB, 1(76), 22 January 1976. The AFB agreed the future Air Transport Force should consist of VC10 – 11 AE and 2 IUR; Hercules – 45 AE and 10 IUR. The Belfast squadron was to be phased out by September 1976. This reconstitution of the front line went to Mason for approval in February 1976, who sought more details, including employment implications. AHB, ID3/11/51, Part 56, CDS to SofS, 'Composition of the Air Transport Force', 19 February 1976; PS/SofS to PS/CDS, 23 February 1976; AIR 6/195, AFB, (76)3, 'Composition of the Air Transport Force', Note by VCAS, 14 January 1976.

⁷⁸ TNA, AIR 8/2691, attached to folio 21, Draft Minute from PUSofS (RAF) to SofS on Defence Expenditure 1977/78-1979/80, 29 December 1975.

⁷⁹ Ibid.

type or role or by across-the-board cuts.⁸⁰ However, as the economic situation worsened further cuts were rendered inevitable.

Cutting Out Christmas?

The public expenditure crisis peaked in November-December 1975. Mason was reportedly 'breathing fire' at the £450m of Defence cuts proposed and threatened to resign.⁸¹ At Cabinet on 9 December, there was a lengthy exchange, assessing the impact of the Review reductions and the impact of additional cuts.⁸² Wilson leaned towards Healey's view. Mason informed him, 'If you pursue this further, Prime Minister, I shall have to consider my personal position.'⁸³ A tense interlude followed. After a brief discussion with Healey, Wilson highlighted the Defence 'tail'. He proposed the MoD produce a paper:

indicating the practicability and consequences of a total cut of £275 million [i.e., £175 million more than offered by Mason] in Defence expenditure, concentrating mainly on support services and not allowing expenditure on NATO to fall below the critical level or failing to meet the United Kingdom obligation under the Brussels Treaty.⁸⁴

Wilson suggested £275m of cuts could be found from £100m slippage on equipment orders, £75m from reductions on headquarters staff numbers and £100m from R&D.⁸⁵ On 10 December, the Minister of State, William Rodgers, told the Commons that if further Defence cuts undermined NATO he would resign.⁸⁶ On 11 December, the Cabinet finalised the cuts for 1978-79. Wilson concluded: 'For the moment the additional saving of £175m should be scored'. The figure was put in

⁸⁰ Ibid.

⁸¹ Donoghue, *Downing Street Diary*, p. 561, 10, 11 November 1975.

⁸² TNA, CAB 128/57, CC(75)54th Conclusions, Limited Circulation Annex, 9 December 1975.

⁸³ Mason, *Paying the Price*, pp. 149-150. When Healey brought his public expenditure package to Cabinet, Wilson said his objective was 'to avoid resignations'. Donoghue claimed Mason threatened to resign, while Barbara Castle (Health) and Fred Mulley (Education) made similar threats. Bernard Donoghue, *The Heat of the Kitchen* (London: Politico's, 2003), p. 170. Donoghue argued Mason knew that £100m could be found from anticipated underspending. In reality, Defence was refusing to cut anything at all.

⁸⁴ TNA, CAB 128/57, CC(75)54th Conclusions, Limited Circulation Annex, 9 December 1975.

⁸⁵ Ibid.

⁸⁶ 'Civilian methods for armed forces urged', *Guardian*, 11 December 1975.

square brackets, though included in the total cuts agreed. Wilson provided wiggle room. Once again, the likely reaction of Allies fuelled his reservations:

if it could be shown [in the paper] that savings of this order would impair the critical level of our contribution to ...NATO or would jeopardise our obligations under the Brussels Treaty, it would be necessary for the Cabinet to consider the matter further.⁸⁷

Mason set Ministers and officials challenging timeframes to identify savings.⁸⁸ An example of the frenzied activity was an informal AFB meeting to discuss savings on 31 December.⁸⁹ Mason's minute of 16 December to the Service ministers suggested savings areas. He rejected reductions of £275m in 1978-79 (and by implication related sums in 1977-78 and 1979-80). Mason would accept a £175m cut 'without unacceptable breaching of the critical level' provided Cabinet colleagues accepted the political and other implications. Mason acknowledged he may be pushed beyond this but thought savings above £175-£200m would greatly concern allies. He wanted to identify savings under three headings:

- £60m already identified by the MoD, incorporating offset payments from West Germany and Hong Kong, though assuming a continued presence in Cyprus in 1978-79.
- Savings of £115-£140m with an emphasis on R&D and Support, including Service personnel and civilians employed therein. Mason thought much of these savings could be found by bringing forward Defence Review savings.
- Savings of £75-£100m - measures affecting force levels declared to NATO and may cause grave concern to allies.⁹⁰

⁸⁷ TNA, CAB 128/57, CC(75)55th Conclusions, Limited Circulation Annex, Minute 2, 11 December 1975.

⁸⁸ TNA, AIR 8/2691, folio 41, Stowe (PPS/PM) to Mayne (PS/SofS), 'Public Expenditure – Defence Reductions', 17 December 1975; Commodore Stanford (Secretary, Chiefs of Staff Committee) to Chiefs of Staff, Defence Expenditure 1977/78-1979/80', 18 December 1975.

⁸⁹ *Ibid.*, folio 23, Informal Meeting of the AFB to Discuss Defence Expenditure, 1977/78 to 1979/80, 31 December 1975.

⁹⁰ *Ibid.*, folio 1, SofS to PUSofS for the three Services, Defence Expenditure 1977/78 to 1979/80, 16 December 1975.

Mason insisted greater reductions were possible by cutting or closing R&D establishments and buying more equipment off the shelf. He recognised the severe manpower, industrial and collaborative impact but demanded these options were outlined for consideration, rather than undermine NATO cohesion.⁹¹ He appreciated front-line savings were the easiest to identify and cost but criticised them being used a bargaining ploy by officials or Services:

Of course, cuts in the tail will have many consequences, ultimately affecting the efficiency of the front line. But I remain unconvinced that most, if not all, of the second area of savings cannot come from the support area. However uncomfortable and unpalatable such savings may be politically, or to the Services or to Civilian Management, they would enable us to preserve our front line contributions to NATO without important quantitative and qualitative changes.⁹²

Mason emphasised the full allowance of ‘slippage’ in savings and warned: ‘There can be no room in this exercise for “equal misery” between the three Services. Such an approach is no longer credible to me or to my Ministerial colleagues.’⁹³ Mason’s demands were greeted with dismay. DUS(Air) spoke of the ‘illogicality’ of his approach. John was ‘deeply disappointed’ with Mason’s minute.⁹⁴ He questioned the criteria for R&D savings, called for the Procurement Executive (PE) to be reduced and disagreed with the Army’s ‘lesser misery’ allocation.⁹⁵ Mason underlined the smaller Army equipment programme and ‘rigid constraints’ the BAOR and Northern Ireland placed on it. Although the PE was allocated a ‘target’ reduction, this did not mean corresponding reductions to Service ‘targets’.⁹⁶ Carver added, ‘no establishment or area of activity should be considered inviolate’ in Research, Development and Support.⁹⁷ There was no scope for AFD to provide additional savings by accelerating Review measures. Transport force reductions, personnel cuts, squadron disbandment, aircraft sales, station closures and

⁹¹ Ibid.

⁹² Ibid.

⁹³ Ibid.

⁹⁴ TNA, AIR 8/2691, folio 3, DUS(Air) to CAS, 16 December 1975.

⁹⁵ Ibid., folio 4, PUSofS (RAF) to SofS, Defence Expenditure from 1977/78 to 1979/80, 17 December 1975.

⁹⁶ Ibid., folio 6, SofS to PUSofS (RAF), Defence Expenditure from 1977/78 to 1979/80, 17 December 1975, folio 7, SofS to Chief Scientific Advisor and Chief Executive, PE, Defence Expenditure from 1977/78 to 1979/80, 17 December 1975.

⁹⁷ Ibid., folio 8, CDS to various, Defence Expenditure from 1977/78 to 1979/80, 17 December 1975.

redundancies had commenced. Further savings could only be generated by new measures, harming morale.⁹⁸ The AFD had already cut manpower for five consecutive years:

Body	Number: 1 April 1970	Number: December 1975	Number: April 1985 (planned)
Uniformed RAF	114,000	93,000	79,000
Civilians	45,000	34,800	28,900 ⁹⁹

Since 1970, some 43 UK stations had closed or were closing. At constant prices since 1970 RAF support costs had fallen by £50m. UK RAF commands fell from eight to three, soon to be reduced to two. Further reductions in aircraft repair and maintenance would be at the expense of operational availability or lower safety standards. Protracted cuts in support would reduce aircraft available to frontline squadrons.¹⁰⁰ There was deep frustration in AFD:

The Air Force Department is consequently left with no room for accelerating Defence Review economies in the manner suggested in the Secretary of State's guidelines. Further savings will therefore have to come from new measures with additional damage to Service and civilian morale. We believe that this cannot be too strongly stressed in any covering minute to the Secretary of State.¹⁰¹

Board members calculated the savings identified amounted to £49m, within Mason's request for 'second area' savings of between £46-£56m in 1978-79. Trying to locate 'third area' savings was harder. The AFB underlined that aircraft, weapons and their direct support had to be regarded in total. Savings on the scale required involved major front line cuts. The deferment of the Wessex helicopter replacement

⁹⁸ Ibid., attached to folio 21, Draft Minute from PUSofS (RAF) to SofS on Defence Expenditure 1977/78-1979/80, 29 December 1975.

⁹⁹ Ibid.

¹⁰⁰ Ibid.

¹⁰¹ TNA, AIR 8/2691, folio 21, J H Nelson (AUS (Air)) to AFB members, 'Defence Expenditure 1977/78 to 1979/80', 29 December 1975.

and four weapons items were included ‘only as illustrations of unacceptable losses in capability’.¹⁰²

Wilson insisted the front line would not suffer and told the Commons on 16 December ‘there will be no reduction in defence expenditure that will reduce the effectiveness of our contribution to NATO. Any reduction will be on tail, not teeth.’¹⁰³ Mason also hoped, ‘It may be possible to cut back on the tail end of our combat capacity without affecting the teeth.’¹⁰⁴ Humphrey was unconvinced. On 17 December he warned: ‘The quality of the air force is good, but I am not nearly so happy with the quantity.’ The RAF had only 13% of its 1957 strength in combat aircraft and was ‘faced not only by forces of increasing size and capability, but also by some alarming technological advances’.¹⁰⁵

On 9 January 1976, Mason sent Wilson details of spending reductions of £275m in 1978-79. Mason underlined the painful repercussions for the Services and industry arising from the three levels of cuts. He also described the pressure on resources arising from numerous contingencies, including foreign policy factors and miscellaneous non-military spending.¹⁰⁶ Mason met with Wilson and Callaghan on 12 January. Mason wanted no more than £157m of cuts. Anything more would worry major allies and require a detailed explanation to NATO. Following advice from Hunt,¹⁰⁷ Wilson confirmed options affecting force levels declared to NATO

¹⁰² Ibid., folio 23, Note of Decisions taken at an Informal Meeting of the AFB to Discuss Defence Expenditure 1977/78 to 1979/80, 31 December 1975.

¹⁰³ Ibid., folio 13, Spalding, (APS/SofS) to various, 18 December 1975; TNA, DEFE 13/1084, folio 32. Quoted in letter from SofS to Sir Frank Roberts, President of The British Atlantic Committee, 6 January 1976.

¹⁰⁴ Henry Stanhope, ‘Mr Mason threatens to resign over cuts’, *The Times*, 14 January 1976.

¹⁰⁵ Arthur Reed, ‘RAF chief gives warning against big cash cuts’, *The Times*, 18 December 1975; ‘RAF: the threat and the answer’, *Flight International*, 25 December 1975, p. 900; ‘Air defence: the renewed RAF need’, *Flight International*, 3 January 1976, p. 13.

¹⁰⁶ TNA, PREM 16/780, folio 1, SofS to PM, 9 January 1976. As well as the extra costs in Northern Ireland, Mason mentioned the doubling of the Belize garrison and commitments arising from the Cod War with Iceland. He forecast the International Law of the Sea Conference, by extending Britain’s territorial and economic zones would place extra demands on maritime forces, fishery protection and patrolling oil and gas rigs. Into the category of military commitments for foreign policy purposes, Mason placed Cyprus, Malta, Gibraltar, Hong Kong, Belize, Oman and the Falkland Islands. He added that certain projects within the equipment programmes were there for industrial, employment and social reasons. Spending in areas which were ‘really not military’ were cited, including housing, education, health and Service pensions, forecast to be over £500m in 1978-79. He maintained the hydrographic service went beyond military needs, while Defence paid for the Meteorological Office, ran Air/Sea Rescue Services and assumed the cost of the Royal Yacht and the Queen’s Flight.

¹⁰⁷ TNA, PREM 16/780, folio 2, Hunt (Cab Sec) to PM, 9 January 1976. Hunt judged the Annex C reductions to be both damaging to NATO and with adverse industrial consequences.

were off limits. Wilson asked Mason to provide a minute on the industrial and employment implications of further cuts with an annex providing examples of possible measures to illustrate their difficulties.¹⁰⁸

Anticipating the likely NATO reaction, Mason prioritised savings in support, including Service and civilian manpower and R&D.¹⁰⁹ Domestically there was a limit to savings, after which people believed the Government was 'weak on defence'. If expenditure fell in real terms, it would show that Defence had again accepted an unfair burden of savings and 'We would be written off as a serious or reliable ally.' This was a pertinent observation. Mason identified £58.5m of savings – £50m of Anglo-German offset and £8.5m from a larger than envisaged Hong Kong Defence contribution. A further £115m was identified as headquarters savings, in depots and repair organisations including the Royal Dockyards, R&D, works services, miscellaneous support and equipment not fundamental for front-line capability. This produced total savings of about £175m for 1978-79. Mason made full allowance for 'slippage' and recent underspends but concluded no extra sums could be found there.¹¹⁰

Mason excluded some reductions acceptable on Defence grounds which colleagues might reject because of political, social, employment or industrial reasons. This included development work for Jaguar and Harrier replacement, projected at £8.3m in 1978-79. Mason argued it constituted the only major UK military aircraft in the next decade, highlighted its significance for the aerospace sector and stressed there was no overseas alternative. Mason could offer up to £157m without allies questioning the UK's commitment to NATO security, while £175m of savings, mainly in support, would be received critically by NATO but could be presented as retaining the central UK contribution.¹¹¹

Wilson, Callaghan, Healey, Mason and Barnett met on 14 January. Mason insisted every element of armed forces logistic support had been covered. Greater reductions

¹⁰⁸ *Ibid.*, folio 3, Minutes of Meeting in the House of Commons, 12 January 1976.

¹⁰⁹ *Ibid.*, folio 4, SofS to PM, 13 January 1976.

¹¹⁰ *Ibid.* The eventual cost-sharing agreement with Hong Kong from 1 April 1976 involved the Hong Kong Government meeting 50% of the cost of the garrison for the first year, 62.5% in the second year and 75% in the third year and subsequently. The agreement ran for seven years in the first instance and for five year periods thereafter. PREM 16/330, Sanders (PS/Minister of State) to Wright (PS/PM), 'Hong Kong Defence Costs Agreement', 18 December 1975.

¹¹¹ TNA, PREM 16/780, folio 5, Varley (SofS Industry) to PM, 14 January 1976. Eric Varley argued against cancelling development of Jaguar and Harrier replacement observing that it 'would have only a small effect in saving money in 1978-79 but would have a very serious effect upon the aerospace industry in this country'.

would impair the Services' combat quality and the UK's NATO contribution. Healey was unimpressed. He wanted a £400m saving for 1978-79, agreed a lower target of £275m but Mason's present offer was only £175m with qualifications. Healey doubted the £50m German Offset. He queried why only one-fifth of the savings came from equipment. A further £100m could be saved in 1978-79 without impacting combat capability by cancelling or deferring programmes including the third through deck cruiser, the MRCA ADV and the Maritime Harrier. The 4% staff savings offered by Mason was half of that from civil departments. Healey claimed savings of £275m would not breach NATO obligations or the Brussels Treaty. Wilson opted for a further £18m of reductions, bringing the total saving for 1978-79 to £193m. Mason was to consider making extra savings without breaching the Critical Level contribution to NATO.¹¹²

At Cabinet on 15 January, Mason offered, with great difficulty, savings of £175m.¹¹³ This involved 18,000 job losses on top of the 68,000 lost because of the Review to 1979. Mason also highlighted extra and enhanced commitments and 'add-backs' – commitments cut under the Review but repleved. These included Belize, because of rising tensions with Guatemala, the dispute with Iceland concerning fishing rights, renewed strains with Argentina over the Falkland Islands, the inability to withdraw from Cyprus and the deteriorating situation in Northern Ireland. Additional costs of £45m were being borne by Defence.¹¹⁴

Healey argued it was 'untenable' for the UK to spend much more of its GNP on Defence than its allies. He pressed for savings of £200m and said £225m was possible. If he secured £3,000m of savings across Government, arithmetically this

¹¹² AHB, ID3/11/51 Part 54, folio 9/1, Minutes of a Meeting held at 10 Downing Street, 14 January 1976.

¹¹³ TNA, CAB 128/58, CC(76)1st Conclusions, 15 January 1976. As noted earlier, this offer assumed £50m of West German offset payments and £8.5m in increased defence contributions from the Government of Hong Kong.

¹¹⁴ TNA, CAB 128/58, CC(76)1st Conclusions, 15 January 1976. As tensions mounted over the Falkland Islands and Argentina made renewed sovereignty claims, Callaghan recognised a situation could arise which 'would involve a national humiliation'. Mason made the prophetic observation: 'They [Argentina] had a good navy and if it were all put to use it could only be countered by a major task force including an aircraft carrier.' CAB 128/58, CC(76)5th Conclusions, 12 February 1976. Similarly, Mason told the Cabinet in mid-March that the 37-strong Falkland Islands garrison could not be reinforced quickly as the nearest available airstrip was at Ascension Island, over 3,000 miles away. To defend or recapture the Islands in the face of the Argentinian navy would involve a brigade group, 5,000 strong, supported by a naval force which would have to include *Ark Royal* to provide air cover. See CAB 128/58, CC(76)11th Conclusions, 18 March 1976.

meant £193m of Defence cuts.¹¹⁵ Callaghan, Mason's biggest supporter in Cabinet, rejected reductions over £200m as 'this figure could have a disproportionate symbolic effect upon our allies'.¹¹⁶ Barnett asserted that savings of £200m were a 'hopelessly inadequate contribution' and claimed equipment saving for the RAF was only £7m and £4m for the Army. Mason's figure of 18,000 job losses was 'misleading' – 8,000 would only be created if equipment was ordered. Barnett proposed savings of £225m and another Defence Review later.¹¹⁷ This typically robust response shows the aptness of Healey and Barnett dubbing themselves Dr No and Oddjob respectively, the villains in earlier James Bond films.¹¹⁸ It illustrates what Mason was up against in Cabinet. Mason eventually offered £193m of savings which gained a Cabinet majority.¹¹⁹ He was relieved. Although he agreed to £670m of savings over the next four years, on top of Review reductions of £4,700m over the next decade, it could have been worse:

The greatest relief both to the service chiefs and to me was that not a single defence programme was affected. Chevaline [Polaris improvement programme] and the Sea Harrier were still in being. And later I was able to give the go-ahead for the multi-role combat aircraft ... All in all, I thought it a reasonably encouraging end to a very difficult exercise.¹²⁰

Mason observed the presentational difficulties surrounding the £193m cut, with doubts over Gibraltar dockyard, the Porton Down research establishments and paying-off the Royal Yacht. He mentioned the difficulties of finding another £18m to bring savings up to £193m and doubted Anglo-German offset. He did not want

¹¹⁵ TNA, CAB 128/58, CC(76)1st Conclusions, 15 January 1976. Healey also stipulated two provisos. First, the level of Defence expenditure in 1978-79 must be continued unchanged into 1979-80 and that 1977-78 figures should be achieved mid-way between the 1976-77 and 1978-79 figures. Secondly, if it proved to be impossible to get £50m in offset savings from West Germany, compensating savings were to be found from within the Defence Budget. Less than a month later, when Wilson met Chancellor Schmidt at Chequers, he mentioned offset payments. Schmidt 'had shown signs of wishing to be helpful but could not commit himself at this stage in view of his forthcoming election'. CAB 128/58, CC(76)5th Conclusions, 12 February 1976.

¹¹⁶ TNA, CAB 128/58, CC(76)1st Conclusions, 15 January 1976.

¹¹⁷ *Ibid.*

¹¹⁸ Denis Kavanagh, 'Lord Barnett obituary', *The Guardian*, 3 November 2014.

¹¹⁹ TNA, CAB 128/58, CC(76)1st Conclusions, 15 January 1976; Donoughue, *Downing Street Diary*, p. 631, 15 January 1976. Overall, Healey secured £3.5bn of cuts. Donoughue maintained there was very little in terms of Defence reductions as £100m could not be spent anyway (underspend) and £50m was German offset, which the UK might not get and was 'foreign purchases which may have happened regardless'.

¹²⁰ Mason, *Paying the Price*, p. 150.

the Defence budget meeting the likely shortfall.¹²¹ Healey insisted compensating savings would have to be found from Defence.¹²² Wilson confirmed this was clearly understood in Cabinet and rejected laying up the Royal Yacht.¹²³

Mason told MoD ministers, the Chiefs and senior MoD civil servants, there should be little or no ‘fat’ left in Defence but some ministerial colleagues would try to refute this. It was essential to successfully resist pressure for further cuts and to be ‘on our guard all the time’ to show the Services, civilian support and MOD Headquarters were ‘lean, professional and efficient ... there must be no hint of spare resources, financial laxity, insensitivity to waste or self-indulgence’.¹²⁴ The rules were tightening too. New cash limit controls were introduced in most fields of public spending in 1976-77. The Defence Budget, excepting the Property Service Agency’s works spending and Service pensions, would be regarded as one block, with a set spending ceiling. Although details were sketchy initially, if the cash limit was exceeded in a year, any penalties which might be imposed would target subsequent budget years.¹²⁵

Allies were informed of these latest reductions on 17 February 1976 by Mason. The UK insisted a formal consultation was not required at NATO as they would not signal a significant or quantitative change to the UK’s contribution.¹²⁶ Mason emphasised some civil programmes faced more severe reductions than Defence and the cuts would fall mainly on the tail.¹²⁷ The UK had to reduce public expenditure, invest in its industrial base and increase exports because, ‘a strong economy is necessary in order that we may continue to shoulder our important share of the common defence’. The savings were almost entirely from support and administration. There was no reduction in the overall number of RAF aircraft declared to NATO. Further air transport economies involved deploying an additional four VC10’s and five Hercules aircraft in the front line but withdrawing

¹²¹ TNA, PREM 16/780, folio 8, SofS to PM, 29 January 1976.

¹²² *Ibid.*, folio 12, CHX to PM, 3 February 1976.

¹²³ *Ibid.*, folio 14, Wright (PS/PM) to Mayne (PS/SofS), 4 February 1976.

¹²⁴ AHB, ID3/11/51 Part 55, SofS minute, ‘Defence Expenditure 1977/78 to 1979/80’, 2 February 1976.

¹²⁵ TNA, AIR 6/193, AFB, 12(75), 24 November 1975; AFB, 13(75), 18 December 1975. Barnett and Sir Leo Pliatzky, the Second Permanent Secretary at the Treasury, introduced a system of cash limits on public spending from the mid-1970s and considered this to be a useful tool for spending restraint during a period of high inflation.

¹²⁶ TNA, DEFE 13/1085, Henn (Head, DS12) to PS/SofS, 9 November 1976. The NATO military authorities carried out an assessment, forwarded to Luns on 2 September, which reinforced the UK view that formal consultation was not necessary, though warned there could be no further reductions to UK Defence expenditure without these having an impact on the UK’s contribution to NATO.

¹²⁷ TNA, PREM 16/780, folio 17, SofS to PM, 12 February 1976.

the Belfast force from service during 1976. Mason promised the reconstructed Air Transport Force could still undertake agreed NATO reinforcement roles. Savings were planned in spares and engineering support. Delays or foregoing improvements to communications and radars not directly impairing operational capabilities were envisaged. Mason confirmed the five compensatory measures to NATO outlined after the Defence Review would be implemented and four additional compensatory measures suggested in 1975 were formally offered to NATO. In this context, the continuation of offensive air support to North East Italy involved an option of deploying two Jaguar FBA squadrons (24 aircraft) for offensive air support to 5 ATAF in this area, The existing level of temporary air training deployments to Allied airfields in the Southern Region was also maintained and welcomed by the Italian authorities.¹²⁸

Mason said savings were proceeding according to Labour's manifesto commitment to substantially reduce resources devoted to Defence. Savings forecast for 1979-80 would be over £900m at 1975 Survey prices.¹²⁹ Healey wanted more. He proposed the published total in the *Defence Estimates* for 1976-77 should be £30m lower on a comparable price basis than that approved during the PES, to reflect taut estimating, given the possibility of slippage. Mason rejected this as no similar suggestions were made to other departments and it would be greeted critically by

¹²⁸ TNA, CAB 148/159, OPD(76) 6, 'The Defence Review – Further Consultations with Allies', Memorandum by the Secretary of State for Defence, 3 February 1976. PREM 16/780, folio 23, SofS to NATO Secretary General, 19 February 1976; DEFE 13/1085, UKDEL NATO tels. nos. 119 and 120, 24 February 1976; Mayne (PS/SofS) to Hockaday (DUS (P&P)), 20 February 1976. Mason maintained the overall reduction in the Defence budget, compared with the previous plans, was £177m in 1977-78, £193m in 1978-79 and £164m in 1979-80. They implied Defence Budget figures for 1978-79 and 1979-80 only £18m below the figures for 1975-76 – a cut of less than ½%. Similar letters were sent on 17 February 1976 to Donald Rumsfeld and Georg Leber, respectively US and West German defence ministers, see folios 21 and 22. On the compensatory measures see DEFE 13/1085, folio 23, CDS to SofS, 26 January 1976; folio 25, Mayne (PS/SofS) to PSO/CDS, 30 January 1976.

¹²⁹ TNA, CAB 128/58, CC(76)⁸ Conclusions, 4 March 1976. The Public Expenditure White Paper outlined the changes in programmed expenditure and significant reductions to Defence in the late 1970s, the figures mushrooming as inflation escalated. The £110m cut to Defence for 1976-77 announced by Healey in his April 1975 Budget equated to a £136m reduction and meant a total reduction to the Defence Budget as planned before the Defence Review of £470m. In 1977-78 additional savings of £177m meant a £615m reduction; in 1978-79 £193m additional saving meant a reduction of £810m and in 1979-80 an additional saving of £164m meant a reduction of £930m. See CAB 129/187, C(76)6, Public Expenditure White Paper, Memorandum by the Chancellor of the Exchequer, 2 February 1976. See also HMG, *Statement on the Defence Estimates 1976* (London: HMSO, March 1976), Cmnd 6432, pp. 18-19, 'Substantial reductions have had to be made in many programmes; defence has had to play its part in ensuring the success of the economic strategy'.

NATO and the Opposition.¹³⁰ Mason wanted the *Defence Estimates* to emphasise the UK's major contribution to NATO despite planned reductions.¹³¹ The reduction to planned Defence spending approved during the PES cost around 10,000 civilian jobs in headquarters and elsewhere (in addition to Defence Review job losses) and about 3,000 job opportunities in industry.¹³²

Defence was one of five public spending areas to suffer the largest cuts to both real and projected spending from 1973-74 to 1977-78. This was confirmed by figures published in the Public Expenditure White Paper to 1979-80 (February 1976). Defence's share of total public expenditure dropped from 9.6% to 8.7%. Although it had increased slightly over the past two years, this was at a slower rate than general spending, with a 0.3% or £13m cut projected in 1977-78.¹³³ Humphrey stressed this in a speech to the Royal Air Forces Association annual conference in May 1976. In view of the 'alarming' Soviet military build-up, further cuts to the RAF would be 'absurd'. Additional reductions to support areas undoubtedly damaged operational capability. The Soviets were building 1,800 military aircraft annually – enough to replace all the RAF's front-line aircraft every six months. In contrast, the UK and its allies had reduced their defences continuously since 1957. This had 'reduced our air power very much more severely than our strength at sea or on land. But...the importance of air power has not been reduced. On the contrary, in every important respect the importance of air power has increased.' Humphrey stressed the importance of safeguarding air communications and emphasised the RAF's job protecting the lines of sea and air communications on this side of the Atlantic. The potency, effectiveness and capability of air power were essential for security. Although the quality of manpower and equipment, both in service and in the pipeline, was good, the quantity 'must give us all a great deal to worry about'.¹³⁴

At the RAF debate in the Commons on 10 June 1976, it was even claimed the insufficient flying time allowed to pilots might have contributed to two recent fatal mid-air collisions involving RAF aircraft. The new Service Minister, James

¹³⁰ TNA, CAB 148/159, OPD(76) 5th Meeting, 25 February 1976.

¹³¹ *Ibid.*

¹³² TNA, PREM 16/780, Hunt (Cab Sec) to PM, 3 March 1976.

¹³³ Diana Geddes, 'Biggest spending cuts in five areas', *The Times*, 22 July 1976. The other four departments to suffer the most severe cuts during the period were Trade and Industry, Education, Health and Environmental Services. The greatest increase in spending was on Government debt interest.

¹³⁴ ACM Sir Andrew Humphrey, 'The Threat – CAS (now CDS) addresses the RAFA', *The Royal Air Forces Quarterly*, Volume 16, Number 3, Autumn 1976, pp. 203-207; Defence Staff, 'Air chief hits at R.A.F. cuts', *Sunday Telegraph*, 16 May 1976.

Wellbeloved, firmly rejected this accusation.¹³⁵ Moreover, as the ‘tail’ was viewed as the first candidate for cuts, the Opposition questioned the recent announcement of the merger of the Training and Support Commands, not forecast in the Defence Review.¹³⁶ A merger was considered in the Plumtree Report (December 1974) to attain meaningful savings in support, to preserve an effective frontline in the face of continued pressures on spending. Subsequently, the AFBSC agreed in July 1975 to reduce UK Commands to two by 1980 at the latest. A Steering Group chaired by AOC-in-C Training Command was charged with producing an outline plan for a merged Command at RAF Brampton. It concluded a merger was achievable by mid-1977.¹³⁷

In the interim, the MoD Management Review had progressed, with a Preliminary Survey Report prepared by the Review Team in December 1975 which recommended nine areas of study.¹³⁸ As the Defence budget came under renewed pressure, Mason and Cary agreed work on the manpower savings to be expected from two of the studies, Study 8 on the Management of Equipment Projects and Study 9 on the Level of Service Experiments, were to be pursued separately from the Management Review.¹³⁹ Following Cary’s death in March 1976, responsibility for driving the Management Review passed to Frank Cooper, his successor as PUS, a former Spitfire pilot with keen political instincts who adopted a business-like approach at the MoD during his six and a half years as PUS.¹⁴⁰ He told Mason he very much supported bringing together the whole of the finance and budget area and the civil management area. He also recommended a smaller Defence Council, including a smaller ‘inner policy’ committee to fill what he saw as a vacuum at the

¹³⁵ <http://hansard.millbanksystems.com/commons/1976/jun/10/the-royal-air-force> HC Deb 10 June 1976 vol 912 cc 1686-1703, 1703-1808.

¹³⁶ *Ibid.*

¹³⁷ TNA, AFB, 13(75), 18 December 1975; AFB, (75)41, ‘Reduction of the RAF Command Structure in the United Kingdom’, Note by AMSO, 10 December 1975.

¹³⁸ TNA, DEFE 23/99, folio E25, PUS to SofS, 9 December 1975.

¹³⁹ *Ibid.*, folio E27, PS/SofS to PS/PUS, 19 December 1975.

¹⁴⁰ Cooper had joined the Air Ministry in 1948 and had risen to DUS at the MoD (1968-1970). Latterly he had been PUS at the Northern Ireland Office (1973-1976). With a background in accountancy and a drive to achieve more effective and efficient management of the MoD, Cooper was an active opponent of inter-service bickering and horse-trading. Peter Hennessy, ‘Whitehall brief: The civil servant who is more like a politician’, *The Times*, 14 July 1981; ‘Sir Frank Cooper’, *The Times*, 30 January 2002; ‘Sir Frank Cooper’, *Daily Telegraph*, 30 January 2002; David Fairhall, ‘Sir Frank Cooper’, *Guardian*, 31 January 2002; John Barnes, ‘Sir Frank Cooper’, *Independent*, 31 January 2002

top of the MoD. Cooper supported functional Ministers and was against them chairing Service boards at regular meetings.¹⁴¹

Mason broadly welcomed the Management Review's report on top structure which included the closer integration of the PE and unifying financial and civilian management staffs, to generate substantial personnel and costs savings. He was also pleased senior posts were to be reduced.¹⁴² Mason said the Defence Council had only been convened three times during his tenure and mentioned creating a smaller Defence Executive comprised of himself, the Minister of State, CDS, PUS and perhaps the Chief Executive of the PE. Specific Service ministers were to be abolished and Mason wanted the Service Boards reduced with them playing a management rather than policy role.¹⁴³

Mason also stressed to Carver, in his last weeks as CDS, the Management Review needed to re-examine the relationship between CDS and the Service Chiefs. He wanted the CDS firmly at the helm as there was 'greater need for the fullest and most thorough advice on priorities'.¹⁴⁴ Study No. 1 of the Management Review had considered this relationship. Carver had rejected their idea of renaming the 'Central' staffs 'Staff of CDS' and 'Staff of PUS' etc, proposed on the grounds it would be advantageous if defence policy, operations and operational requirement staffs were regarded as the staff of the CDS rather than the COS. He did not want to see a fourth staff superimposed on three others. Carver prized good relations between the CDS and colleagues and between the staffs as 'essential to the efficient conduct of defence business'. Carver sharply rebuffed Mason's claim that the CDS should play 'a more initiating role over the whole field of Service activity and policy'. He had always considered the responsibility for giving Mason military advice lay on his shoulders. Normally and where possible this was the agreed advice of the Chiefs, but the maximum degree of agreement had not always been easy to achieve. Carver had occasionally given his personal views. As well as taking the initiative on the development of HQ Allied Air Forces Central Europe and on the acceptance of Strike Command as a NATO HQ, he underlined 'The priorities accepted for the Defence Review were proposed by me personally'. He did not interfere in single Service affairs, they were the remit of their Chiefs, but he had taken the initiative

¹⁴¹ TNA, DEFE 23/121, folio E5, PUS to SofS, 3 August 1976.

¹⁴² *Ibid.*, folio E16, SofS to PUS, 4 August 1976.

¹⁴³ *Ibid.*, folio E21, PS/SofS to PS/PUS, 5 August 1976.

¹⁴⁴ *Ibid.*, folio E14, SofS to CDS, 4 August 1976. He wrote: 'We have a greater need than ever before to see that Defence policy is based on a clear and rational assessment of the choices open to us and not in any way the result of a compromise between individual Service interests.'

over MRCA ADV and Airborne Warning and Control System (AWACS).¹⁴⁵ The one compromise recommendation between individual Service interests was the maritime Harrier, prioritised by the Navy, with the other Services lukewarm.¹⁴⁶ Within days Mason was reshuffled and Carver had retired.

IMF Cuts, 1976

The advent of James Callaghan's premiership in April 1976 did not halt Defence cuts. The Government cut planned public spending in July to reduce the PSBR and release resources for industry. Despite this, the economy, and Sterling particularly, remained extremely vulnerable to international shocks. The pound plunged.¹⁴⁷ Healey feared a sterling crisis if the UK could not satisfy the market of its credit-worthiness. He worried the International Monetary Fund (IMF) would dictate policy and believed the only way to avert this was to reduce the PSBR to around £9bn in 1977-78 (or 6½% of GDP) as against £11½bn (about 9½% of GDP) in 1976-77 and forecasts of £10½bn for 1977-78. Healey demanded a £1bn cut in public expenditure, at 1976 prices, for 1977-78.¹⁴⁸

Defence remained in Healey's sights. He hoped to save £140m in 1977-78 by deferring capital programmes and equipment purchases. A £75m cut could be achieved through deferments and a three-month moratorium on new building starts. It was suggested abandoning a Sovereign Base Area in Cyprus, but this would take time and could not be scored in that savings round.¹⁴⁹ Cooper thought a £75m cut was possible without seriously damaging the front line or necessitating major policy changes. Anything over £100m would damage the UK's position at NATO and

¹⁴⁵ *Ibid.*, folio E36, CDS to SofS, 2 September 1976. Carver added: 'I am surprised also that you suggest that you have not had the fullest and most thorough advice on priorities and that the choices open to you have not been based on clear and rational assessment. Our general priorities are clear and are those accepted as the basis of the Defence Review.' He noted that 'by the very nature of its role' the greatest difficulties lay in establishing priorities for the RAF. Its own priority was the enemy air threat, but its support was vital to the other two Services and it was in this interface between Services 'that the difficult and often controversial problems arise'. Carver had thus instigated the widening of the terms of reference of the Sea-Air Warfare and Land-Air Warfare committees.

¹⁴⁶ *Ibid.* Carver noted that Mason's decision to proceed with the maritime Harrier was more based on industrial and political factors than from any pressure from the Chiefs of Staff.

¹⁴⁷ TNA, CAB 129/191, CP(76)52, 'Public Expenditure and the Public Sector Borrowing Requirement 1977-78', memorandum by the Chancellor of the Exchequer, 13 July 1976.

¹⁴⁸ *Ibid.*

¹⁴⁹ TNA, CAB 128/59, CM(76)15th Conclusions, Minute 3, Limited Circulation Annex, 15 July 1976. This assumed that £50m would be received from West Germany in a renewed offset agreement but this was not guaranteed.

Services' morale.¹⁵⁰ Callaghan thought a £100m saving was possible.¹⁵¹ The Cabinet agreed on 20 July and Mason grudgingly accepted. Increasing savings to £100m from £75m involved the deferral for a year of 900 married quarters.¹⁵² The US had 'deep concerns' about 'yet further reductions'. Defense Secretary, Donald Rumsfeld, warned that any reductions would harm collective security and impair UK influence as a major European ally of the US.¹⁵³

Letters were despatched to NATO, Washington and Bonn detailing the cut. Although unwelcome, Mason maintained there was no reduction in the UK's front-line contribution. The savings incorporated slippage, rephrasing the works programme and lower priority equipment programmes.¹⁵⁴ Dr Luns said they damaged the UK and NATO when Warsaw Pact military potential was expanding ominously. Luns described the 'snowball affect' of reductions. If this erosion continued, the policy of détente, which the UK Government supported, would be endangered.¹⁵⁵ Mason said Defence had been treated less badly than many other programmes.¹⁵⁶ The UK maintained its front-line contribution to NATO and the Defence Review's priorities. Mason aimed to preserve this position.¹⁵⁷ He did not get the opportunity.

Mason became Northern Ireland Secretary in Callaghan's Cabinet reshuffle of 10 September. His successor was Fred Mulley, latterly Education and Science Secretary.¹⁵⁸ The media was unenthusiastic: 'Mr Mulley is a depressing choice for the Ministry of Defence which always tends to be under excessive pressure with a

¹⁵⁰ TNA, DEFE 4/282, COS 12th Meeting/76, 13 July 1976.

¹⁵¹ TNA, CAB 128/59, CM(76)15th Conclusions, Minute 3, Limited Circulation Annex, 15 July 1976.

¹⁵² *Ibid.*, CM(76)18th Conclusions, 20 July 1976; David Fairhall, '£100M defence cut "accepted"', *Guardian*, 23 July 1976.

¹⁵³ TNA, PREM 16/1186, folio 1, SofS Defense (US) to SofS, 19 July 1976.

¹⁵⁴ *Ibid.*, folio 2, Mayne (PS/SofS) to Wright (PS/PM), 22 July 1976 enclosing draft messages.

¹⁵⁵ *Ibid.*, folio 3, NATO Sec Gen to SofS, 1 September 1976.

¹⁵⁶ *Ibid.*, folio 3, SofS to NATO Sec Gen 9 September 1976.

¹⁵⁷ *Ibid.*

¹⁵⁸ Fred Mulley (1918-1995) was a Lance-Sergeant in the Worcestershire Regiment when taken prisoner participating in the covering operation for Dunkirk in 1940. He spent the next five years in German captivity though used the period fruitfully for study which laid the foundations for a First Class degree in Philosophy, Politics and Economics at Oxford in 1947. Mulley later wrote on Defence matters. He was Deputy Defence Secretary and Minister for the Army, 1964-65, Minister of Aviation, 1965-67 and a Minister of State at the Foreign Office, as Minister for Disarmament, 1967-69. 'Obituaries: Lord Mulley', *The Times*, 16 March 1995; Tam Dalyell, 'Obituary: Lord Mulley', *The Independent*, 16 March 1995; Stephen Bates, 'Former Labour minister Mulley dies aged 76', *Guardian*, 16 March 1995; Julia Langdon, 'Obituary Fred Mulley – Wilson's Mr Faithful', *Guardian*, 16 March 1995. Mulley's book *The Politics of Western Defence* was first published in 1962.

Labour Government.’¹⁵⁹ Mulley first rejected Mason’s thought to dispose of Service ministers and reduce MoD Parliamentary Under Secretaries to two. The Management Review had recommended retaining the three single Service boards. Mulley believed there were significant benefits in keeping a Minister in close relationship with them.¹⁶⁰ Mulley also sensed a developing American-German axis, impatient with the UK and discounting any major role for it in NATO. Mulley added: ‘This feeling, despite a general underlying current of goodwill for us is bound to have wider implications in the troubles we now have ahead in the IMF etc.’¹⁶¹

The Management Review’s report was sent to Mulley in mid-November. The aim of a ‘tauter structure’ and reducing the MoD by 20% compared with April 1974 remained central. The PE’s support functions were combined with those in the rest of the MoD. While recommending Service Boards were retained, the role of the Defence Council and absence of a ‘Main Board’ remained unresolved.¹⁶² Mulley wanted the Defence Council to meet more regularly, with a first meeting tabled for early November 1976. It was assumed membership would remain unchanged, less CPL when that post was abolished.¹⁶³ Cooper argued that since 1964 the influence of civilian staff in the MoD had waned but the influence of the COS Committee had increased proportionately, largely because it was the most effective machinery for MoD-wide co-ordination. He called for the creation of an effective decision-making body and would get his way in the coming year.¹⁶⁴ Moreover, although the Management Review had been broad in nature, Mulley was disappointed that greater numbers of specific savings had not been identified. He emphasised the ‘timely achievement’ of required savings.¹⁶⁵

The continued economic uncertainty escalated the cost of stationing UK forces in West Germany. The falling pound increased foreign exchange costs by £200m.

¹⁵⁹ Editorial, ‘The Cabinet Rejigged’, *The Times*, 13 September 1976; Geoffrey Smith, ‘Changes strengthen the poachers rather than the gamekeepers at the Cabinet table’, *The Times*, 11 September 1976.

¹⁶⁰ TNA, PREM 16/782, SofS to PM, 21 October 1976. The Management Review Steering Committee (MRSC) held its last meeting on 22 September 1976. Decisions pertaining to AFD are in AIR 6/194, AFBSC, (76)9, 19 October 1976.

¹⁶¹ TNA, PREM 16/782, SofS to PM, 25 October 1976.

¹⁶² TNA, DEFE 23/122, folio E56, PUS to SofS, 15 November 1976.

¹⁶³ TNA, DEFE 13/1001, Howe (PS/PUS) to PS/SofS, ‘Defence Council’, 25 October 1976 covering ‘Role of the Defence Council. Note by PUS.

¹⁶⁴ TNA, DEFE 68/280, folio 39/1, APS/PUS minute, 25 February 1977.

¹⁶⁵ TNA, DEFE 23/122, folio E71, DUS(CM) to PUS, 29 November 1976; folio E72, PS/PUS to PS/SofS, 30 November 1976.

Callaghan told BBC *Panorama* on 25 October that unless a more favourable arrangement was concluded, British forces would have to withdraw. The German press criticised Callaghan's 'blackmail in the refined English fashion'.¹⁶⁶ Mulley again suggested Bonn might buy barracks and other buildings to lease back to the UK or to NATO, which Callaghan found 'ingenious and attractive, at first sight'.¹⁶⁷ Callaghan stressed: 'It was important to emphasise to the Germans the limit of our capabilities'.¹⁶⁸

On 1 November, Bonn rejected a new Anglo-German Offset agreement, as US-German Offset agreements had been abolished and suggested the problem was political, not financial. The West German Defence budget was already 40% higher than the UK's.¹⁶⁹ Despite Callaghan's interview and the deteriorating economic situation, Mulley advised the Commons on 9 November that UK forces would remain in Germany.¹⁷⁰ Meanwhile, Luns told Mulley that, 'Britain's Defence Budget had now reached rock bottom'. Mulley suggested allies studied the UK's actual contribution, including foreign exchange costs, rather than cuts to forward programmes and in early 1977 after the 'enormous increase' to foreign exchange costs in Germany, these equated to 8.4% of the defence budget.¹⁷¹ Mulley warned Callaghan: 'The argument that we are squeezing out more fat without significant effect on our force contribution to the Alliance would simply not be believed this time round.'¹⁷²

Mulley tried to resist these cuts. When in November 1976 he was asked to accept an annual £50m reduction from 1978-79, as Defence's contribution to help offset additional housing bids, Mulley complained this was a fifth round of cuts since March 1975. He doubted Anglo-German offset payments would materialise and had to find additional expenditure for Northern Ireland. Reductions could only be found

¹⁶⁶ Dan van der Vat, 'Mr Callaghan plays Rhine Army card for the second time', *The Times*, 28 October 1976. Callaghan had pressed the West German government to increase offset payments, without success, when Chancellor in July 1966. Subsequently, as an Opposition backbencher in May 1981 during the run-up to John Nott's Defence Review, Callaghan suggested halving the BAOR. Parliamentary Staff, 'Halve British troops in Germany', *The Times*, 21 May 1981.

¹⁶⁷ TNA, PREM 16/782, folio 6, Wright (PS/PM) to Facer (PS/SofS), 28 October 1976.

¹⁶⁸ *Ibid.*

¹⁶⁹ TNA, PREM 16/1186, no folio, Facer (PS/SofS) to Fergusson (PS/Foreign Secretary), 3 November 1976.

¹⁷⁰ 'Britain seeking major German contribution towards BAOR costs', *The Times*, 10 November 1976.

¹⁷¹ TNA, PREM 16/1186, folio 3, Record of a Conversation between the Defence Secretary and Mr Joseph Luns, the Secretary General of NATO, 3 November 1976. DEFE 13/1001, Facer (PS/SofS) to SofS, 'The Defence Council Meeting on Thursday 26th May at 3pm in Historic Room 25', 25 May 1977.

¹⁷² TNA, PREM 16/1186, folio 4, SofS to PM, 9 December 1976.

by cutting manpower or equipment. Mulley reminded colleagues the former entailed higher initial expenditure in redundancy payments. Equipment cuts hurt industry and job opportunities in manufacturing were lost. Callaghan insisted some reduction was essential and recommended a £30m cut.¹⁷³ The ceiling for spending for 1977-78 was over £300m below the Defence Review level. It was maintained the reductions did not directly impact on the front line and would be achieved by a 'severe squeeze' in support and deferring equipment and works expenditure.¹⁷⁴

More Defence reductions were anticipated as the UK's economic plight played out on the world stage in late 1976. Healey called for a 'significant adjustment in fiscal policy'. The IMF wanted public expenditure cuts to produce future savings and pushed for a PSBR of £8½bn, lower than the £9bn sought by Healey in July. Ominously, Healey pointed to 'further specific savings in a wide range of programmes including ... defence':

Another possible source of savings would be a further substantial reduction in defence expenditure beyond that in the illustrative packages; this would require another Defence Review and reconsideration of our defence commitments.¹⁷⁵

Callaghan appreciated that no option was 'attractive or certain in its effect'.¹⁷⁶ Healey emphasised an exercise of this scale, the reduction in public spending and PSBR for 1977-78 and 1978-79, must include a major Defence contribution.¹⁷⁷ The Treasury sought annual savings of £200m from Defence from 1978-79. Withdrawing forces from Germany would save £500m in foreign exchange. Smaller annual savings of £50m could be secured by accelerated and complete withdrawals from Cyprus and Gibraltar. Finally, scrapping the nuclear deterrent or allowing its deterioration produced annual savings of between £40m and £140m.¹⁷⁸ Hunt indicated that jettisoning Polaris or abandoning its improvement was the lesser evil. It would signal a 'definitive disappearance of Britain as a military power' but would

¹⁷³ TNA, CAB 128/60, CM(76)31st Conclusions, 11 November 1976.

¹⁷⁴ TNA, CAB 129/193, CP(76)126, 'Public Expenditure – Contingency Measures', memorandum by the Chancellor of the Exchequer, 30 November 1976, Annex 1.

¹⁷⁵ *Ibid.*, CP(76)111, 'IMF Negotiations', memorandum by the Chancellor of the Exchequer, 22 November 1976.

¹⁷⁶ TNA, CAB 128/60, CM(76) 4th Conclusions, Limited Circulation Annex, 25 November 1976.

¹⁷⁷ TNA, CAB 129/193, CP(76)131, 'Economic Measures and the IMF', note by the Chancellor of the Exchequer, 13 December 1976.

¹⁷⁸ *Ibid.*, CP(76)126, 'Public Expenditure – Contingency Measures', memorandum by the Chancellor of the Exchequer, 30 November 1976, Annex 1.

be ‘preferred by all our partners to a withdrawal of BAOR which would signal that the process of unravelling NATO would have begun’.¹⁷⁹

An additional tranche of spending cuts followed as terms were eventually agreed for a £2.3bn IMF loan in December 1976. The Cabinet agreed Defence spending for 1977-78, already cut by £100m in July 1976, would be reduced by a further £100m and a reduction of £230m [including earlier £30m] to the 1978-79 budget was also agreed. This assumed annual offset payments of £50m from West Germany.¹⁸⁰ Although the cuts were ultimately less damaging than forecast, the Chiefs requested a meeting with the Prime Minister. The new CDS, MRAF Sir Andrew Humphrey, and the three Service Chiefs went to No. 10 with Mulley. A Parliamentary written reply on 29 October disclosed that Defence cuts since March 1974 amounted to £8,102m at 1976 prices to 1983-84.¹⁸¹ The Chiefs’ greatest worry concerned the cumulative impact of the cuts in 1978-79. However, Defence could not be exempt for the Government to secure IMF agreement. They [the IMF] were only interested in reducing the PSBR by spending cuts. To reject the IMF loan would mean embracing a siege economy – necessitating even greater cuts. The Government opted for the lesser evil to help the country regain its economic strength and continue to play its proper part in NATO.¹⁸² A paper left by the Chiefs underlined their concerns about the mounting Soviet threat. The Defence Review, represented their views, endorsed by the Government, of the minimum balance between commitments and budget to support NATO strategy. They cited further cuts and commitments not factored into the Review. Instead of cuts of between £1.4bn and £1.5bn up to 1980-81, reductions of between £1.7bn and £1.8bn were likely:

¹⁷⁹ Jimmy Burns, ‘1976 – Nuclear deterrent nearly ditched’, *Financial Times*, 29 December 2006; Fran Yeoman, ‘IMF deal put Polaris in jeopardy’, *The Times*, 29 December 2006; Alan Travis, ‘IMF crisis forced Labour to consider scrapping Polaris’, *Guardian*, 29 December 2006.

¹⁸⁰ TNA, CAB 128/60, CM(76)7th Conclusions, 6 December 1976; HMG, *Statement on the Defence Estimates 1977*, Cmd 6735, February 1977, p. 1. Some £75m of the £200m of savings planned for 1977-78 was to be found from the equipment programme. A further £64m would be found from a reduction in works expenditure, mainly in new construction. The remaining savings were to be found in various areas, including research and development spending, support and administrative costs and ‘through a revised assessment of the level of expenditure now expected on the defence programme as a whole’. See TNA, DEFE 4/283, COS 4th Meeting/77, 8 February 1977; COS 10th Meeting/77, 5 May 1977; COS 11th Meeting/77, 10 May 1977, when both CNS and CGS argued that their respective Service was hardest hit, while Sir Neil Cameron, as CAS, noted it was difficult to judge at single-Service level whether the proposed attribution of cuts was equitable but accepted a £0.9m increase in the AFD’s share; DEFE 4/283, COS 12th Meeting/77, 13 May 1977.

¹⁸¹ Michael Hatfield, ‘Defence chiefs urge Prime Minister to halt new cuts’, *The Times*, 11 December 1976.

¹⁸² TNA, PREM 16/1186, folio 5, Hunt (Cab Sec) to PM, 9 December 1976.

What we can say is that these further cuts will inevitably damage significantly our contribution to the Alliance. There is no escape from this. We are past the point where we can go on pushing things off. There is no escape from reductions in our qualitative and quantitative contribution.¹⁸³

The Chiefs feared ‘the cuts would make it impossible for them to discharge their responsibilities’. Some capabilities would fall below Critical Levels. Callaghan acknowledged the Soviet threat. He did not wish to impose further cuts but added the Cabinet would not reverse their decisions on Defence. He recognised the difficulties arising from further NATO consultation. He intimated he would welcome a detailed study of the cuts planned for 1978-79 and a paper on the growth of Soviet power.¹⁸⁴ Mulley was to report the ‘proposed defence savings’ to NATO.¹⁸⁵ Difficult dialogue followed. Mulley sent a personnel message to Luns prior to Healey’s statement about the cuts. However, NATO was still owed details of how the £100m saving for 1977-78, announced in July 1976, would be found. It was recognised there was a need to discuss with them the outcome of both cuts.¹⁸⁶ Luns was ‘extremely depressed’ about this latest reduction:

HMG had up until now asserted that cuts made were not having a quantitative or qualitative effect on our NATO contribution, but it was no longer possible for the Alliance to take the British Government’s word for this.¹⁸⁷

The Opposition demanded Mulley’s resignation. The Labour Left lambasted ‘cosmetic’ Defence cuts.¹⁸⁸ Media commentators questioned the credibility of the UK’s contribution to NATO, the destination of 98% of the Defence budget.¹⁸⁹

Concurrently, the AFBSC established a Working Party to systematically examine all possible sources of savings in the RAF programme and assess the implications of revising priorities. Their report of 19 October was discussed by the AFBSC the

¹⁸³ Ibid, folio 6, Minute from Chiefs of Staff to PM, 10 December 1976.

¹⁸⁴ Ibid., folio 6a, The Defence Budget – minutes of meeting, 10 December 1976.

¹⁸⁵ TNA, CAB 128/60, CM(76)41st Conclusions, 14 December 1976; DEFE 4/283, COS 8th Meeting/77, 17 March 1977, The Growth of Soviet Military Power.

¹⁸⁶ TNA, PREM 16/1186, folio 7, Facer (PS/SofS) to Fergusson (PS/Foreign Secretary), 13 December 1976; folio 8, Fergusson to Facer, 14 December 1976.

¹⁸⁷ Ibid., no folio, UKDel NATO Brussels Tel No 450, 14 December 1976.

¹⁸⁸ ‘Chiefs of staff want more spending’, *The Times*, 15 December 1976.

¹⁸⁹ Henry Stanhope, ‘Defence: Search for variety of small economies’, *The Times*, 16 December 1976.

following week.¹⁹⁰ The report posed several strategic questions and provided supporting arguments for discussion. It analysed the 1974 Critical Level and post-Defence Review Force Structure, concluding the RAF's plans for the front line, involving aircraft numbers, weapons and equipment, generally met the capability. However, the increasing quality and quantity of Warsaw Pact forces rendered this claim less tenable and the projection of the 1974 Critical Level less relevant. There were concerns about lack of weapons. The Phantom fighters had medium and short range air-to-air missiles to sustain operations for three days at intensive flying rates, whereas the Chiefs believed the RAF should plan for six days of conventional operations in a European war before NATO resorted to nuclear weapons. The AFBSC was told to proceed endorsing missiles needed and move towards securing their purchase.¹⁹¹

By late 1976, the AFBSC reckoned that from 1980-81 to 1984-85, the RAF programme would be overspent by at least £50m to £90m annually, if Defence spending was held at the 1980-81 provisional level (£5,636m) by £120m to £150m a year. This led to difficult questions about the Critical Level, whether it had been breached and if it remained valid. The RAF had lost ground to the Warsaw Pact. Unless more money was forthcoming it would be cut to a 'tripwire' capability, risking earlier tactical nuclear exchanges. Air defence deficiencies fell well short of a strategy of flexible response. The case needed to be made for updating Critical Level forces and countering the argument that post-1974 reductions had left capability intact. CAS said the Critical Level should be retained as a recognised marker. On one hand Cameron noted there was a strong case for another Defence Review and a better attribution of funds. If the AFD did not take the initiative, it risked a less advantageous review being forced upon it. On the other hand, there were so many national uncertainties that much could be said for the AFD lying low for two to three years. Significantly, the minutes recorded: 'The RAF had suffered in the past because we had been too ready to implement cuts.'¹⁹² A particular worry were potential overspends in Air from 1978-79. The equipment programme was a major concern. It jumped from £875m in 1977-78 to £1,167m in 1981-82, a 34% increase over four years – largely because of the MRCA. There had been no decision on AWACs and on the ECM pod for the MRCA.¹⁹³ The RAF's flying rate was dictated by economy, reflecting reductions in early 1974, solely dictated by fuel

¹⁹⁰ TNA, AIR 6/194, AFBSC, (76)8, 'RAF Policy and Programme', Note by DUS(Air), 19 October 1976.

¹⁹¹ TNA, AIR 6/196, AFBSC, 6(76), Secret Annex B, Item III, 12 August 1976.

¹⁹² *Ibid.*, 10(76), 25, 26 October 1976.

¹⁹³ TNA, AIR 6/196, AFB, 8(76), 23 November 1976; AFB, (76)34, 'Estimates 1977/78 and Long Term Costing 1977', Note by DUS(Air), 16 November 1976.

economies. It was deemed self-evident a pilot would become ‘progressively less efficient and less confident as his amount of flying was reduced’.¹⁹⁴

Similarly, as the IMF crisis peaked, the PUS called on PUS (Administration) to gather together informed colleagues from MoD-wide, including the Service departments and PE, to provide a list of potential ‘tail’ economies.¹⁹⁵ Cooper was also engaged in discussions about confining the 1977 LTC to five years. Cooper hoped to move largely by deferments, the exception being the ongoing discussion on cancelling the Chevaline improvements to Polaris. The latter was a political decision which only the Prime Minister could take.¹⁹⁶ The ‘tail’ economies were dubbed ‘chicken feed’ and ‘scraping barrels’ by those involved.¹⁹⁷ PUS(A) advised that few suggested measures produced large savings. Some were across-the-board administrative items and in other instances steps were already in motion to find savings. Suggested savings from movement and travel, telecommunications, staffing and Service entitlements were outlined but it was doubted these could comprise a large proportion of the overall required savings. Some hardy perennials, for which advice from the Centre was sought, were also cited – rationalising training and logistics, fuel and energy savings and more effective financial discipline.¹⁹⁸ Cooper doubted the budget was delivering the right return ‘in terms of sharp end output’ and wanted each Under-Secretary to review the work of their Staff as a way of trying ‘to get some more bite and initiative into our work’. Equally, he was mindful, ‘We must NOT try to do too much or start running too many hares.’¹⁹⁹

Meanwhile, Alan Lee Williams MP, Chairman of the Labour Party’s Defence Group, suggested £40m could be saved annually by bringing the three Services under more closely coordinated and unified direction.²⁰⁰ This included merging the

¹⁹⁴ Ibid., 10(76), Secret Annex B, Item III, 16 December 1976.

¹⁹⁵ TNA, DEFE 68/280, PUS to PUS(A), 15 December 1976.

¹⁹⁶ Ibid., enclosure no. 7, Note by PUS, 17 December 1976. Cooper acknowledged that to abandon Chevaline would signal a step change in relations with the US and in the UK’s position in NATO and the world. It would have industrial damage and even re-examination would lead to loss of tempo, increased costs and depressed morale among those involved. However, abandonment would result in significant early savings in 1978-79.

¹⁹⁷ Ibid., enclosure no. 8, AUS (Naval Staff) to PUS(A), 20 December 1976; enclosure no. 9, DUS(Air) to PUS(A), 20 December 1976.

¹⁹⁸ Ibid., enclosure no. 10, PUS(A) to PUS, 20 December 1976.

¹⁹⁹ Ibid., enclosure no. 16, PUS to PUS(A), 4 January 1977. Cooper dismissed an Army Department proposal to find savings through civilian staff economies by cutting overtime and employing soldiers to do duties normally done by civilians. PUS to SofS, 1 February 1977.

²⁰⁰ George Clark, ‘Labour MPs likely to abstain on vote to cut defence budget by £300m’, *The Times*, 10 January 1977. D.M. Peden, ‘Armed Forces Unification – The Light That Failed’, *The Royal Air Forces*

RAF into the Army, calling it the Army Air Force. Williams said the air force had a tactical role but was strategic in structure. His plan envisaged: ‘The air force would continue to have its own distinctive uniforms and the Chief of Air Staff would remain as head of the force; but there would be no separate minister for the air force or separate administrative offices.’²⁰¹ CAS told the RAF Dinner Club in March 1977 the RAF was not just a tactical air force. Amalgamation with the Army would be ill-considered and naïve.²⁰² It was scuppered by a letter to the *Daily Telegraph* over the signature of ACM Sir Denis Smallwood and by detailed briefing of Defence correspondents.²⁰³ The RAF and Defence in general had suffered a grievous blow with the death of Sir Andrew Humphrey on 24 January 1977. He was CDS for only three months and contracted pneumonia after visiting forces in Norway.²⁰⁴ He had ‘fought like a tiger’ to maintain the integrity of the front line.²⁰⁵ Humphrey’s short-term replacement as CDS was Admiral Sir Edward Ashmore, who retired in August 1977, to be followed by Cameron, after a year as CAS.²⁰⁶ Cameron’s replacement as CAS was ACM Sir Michael Beetham.²⁰⁷

Quarterly, Volume 17, Number 4, Winter 1977, pp. 369-377. The Canadian armed forces was unified from 1966-67 but a decade later this experiment was seen to have failed and it was ultimately rescinded.

²⁰¹ George Clark, ‘Labour MPs likely to abstain on vote to cut defence budget by £300m’, *The Times*, 10 January 1977.

²⁰² Neil Cameron, *In the Midst of Things* (London: Hodder and Stoughton, 1986), p. 195.

²⁰³ AHB, AFB, (77)15, ‘RAF Publicity’, Note by DUS (Air), 11 May 1977. Williams returned to the subject in the debate on the RAF in the Commons on 3 April 1978. He insisted that he was not calling for the abolition of the RAF but wanted a genuine tri-Service approach at the top of Defence and a real debate about the future of the RAF. <http://hansard.millbanksystems.com/commons/1978/apr/03/the-royal-air-force> HC Deb 03 April 1978, vol 947, cc36-171

²⁰⁴ Air Commodore Henry Probert, *High Commanders of the Royal Air Force* (London: HMSO, 1991), pp.78-79. Achievements during Humphrey’s period as CAS included the Jaguar becoming operational, the Phantoms being switched to air defence, the Victor being introduced in the tanker role, the programme to stretch the Hercules started, the MRCA prototypes flew and the Hawk prepared to enter service. On the organisational side, Headquarters Near East Air Force was being closed and remaining forces passing to Strike Command, while Training and Support Commands were to merge.

²⁰⁵ ‘Obituary Marshal of the RAF Sir Andrew Humphrey, Chief of the Defence Staff’, *The Times*, 25 January 1977; Sir John Grandy, ‘Sir Andrew Humphrey’, *The Times*, 1 February 1977; ‘Marshal of the Royal Air Force Sir Andrew Humphrey, GCB, OBE, DFC, AFC, ADC, RAF’, *The Royal Air Forces Quarterly*, Volume 17, Number 1, Spring 1977, pp. 6-7.

²⁰⁶ Air Correspondent, ‘Chiefs of Defence Staff’, *The Times*, 10 February 1977. Mulley later recalled that Ashmore was a strong CDS who was always prepared to give a lead. Cameron had the most MoD and Whitehall experience of the Chiefs. Mulley also had no recollection of the continued independence of the RAF ever being raised during his tenure. AHB, ID3/99/88 Part 1, Papers relating to *In the Midst of Things* – the autobiography of Lord Cameron, interview with Lord Mulley, 31 July 1985.

²⁰⁷ ‘Marshal of the RAF Sir Michael Beetham – obituary’, *Daily Telegraph*, 27 October 2015.

The continued growth in Soviet military power was highlighted in the *Defence Estimates* for 1977. Callaghan remarked: 'Parts of it describing the state of Soviet preparedness...are so bloodcurdling that I begin to feel we should either surrender at once or go for a full-scale war economy.'²⁰⁸ Hunt noted they outlined how the 1977-78 savings would be met. He was more concerned about the £230m reductions in 1978-79. There was general agreement this would require a significant reduction in UK commitments, involving a political, as well as a military, dimension – a choice between pruning forces in Germany, reducing the naval contribution in the eastern Atlantic or cancelling Polaris improvement. Hunt envisaged further difficulties over the timing of consultations with NATO on the 1978-79 cuts and whether the £230m cut continued into later years.²⁰⁹

The Cabinet confirmed the £230m cut for 1978-79 was a once and for all cut. At this point, CDS suggested to Mulley 'savings over a very wide range of areas' to achieve the £230m reduction, whilst keeping to a minimum disruption to the front-line contribution to NATO and its essential support. Ashmore emphasised the importance of informing NATO of the approach to be adopted in the study and stressing the contribution to the Alliance continued to have first draw on Defence resources.²¹⁰ Mulley agreed but otherwise did not dismiss any savings areas. Studies commenced to find savings in R&D, equipment, works, accommodation, general support, civilian staff and military personnel. Mulley proposed taking account of NATO's views before making final decisions.²¹¹ He appreciated the wide range of proposed supporting studies and wanted a reduction in recruitment by up to 15% in 1978-79.²¹² Healey suggested proposed savings should total £280m or more, providing choices at the margin. Healey was interested in savings after 1978-79 and wanted Treasury officials involved in the work.²¹³

Hunt considered Mulley's proposals 'vague' and observed Healey's interest in reviewing the UK's naval contribution in the eastern Atlantic.²¹⁴ Mulley agreed both

²⁰⁸ TNA, PREM 16/1187, PM to SofS, 23 January 1977. Humphrey wanted the White Paper to fully reflect the growth of Soviet power, reflecting the advice Chiefs gave to Callaghan in December 1976. DEFE 4/282, COS 21st Meeting/76, 21 December 1976.

²⁰⁹ TNA, PREM 16/1187, folio 1, Hunt (Cab Sec) to PM, 25 January 1977; folio 2, Hunt to PM enclosing draft, 27 January 1977; folio 3, PM to SofS, 31 January 1977.

²¹⁰ TNA, DEFE 68/280, CDS to SofS, 9 February 1977.

²¹¹ TNA, PREM 16/1574, folio 1, SofS to PM, 28 February 1977; DEFE 5/202, COS 7/77, 'Assumptions and Guidelines for the Study of the Reduction of £230M in the Defence Budget for 1978/79', 8 February 1977; AHB, AFB (77)4, 'Long Term Costing 1977', Note by DUS(Air), 25 January 1977.

²¹² TNA, DEFE 68/280, PS/SofS to PSO/CDS, 11 February 1977.

²¹³ TNA, PREM 16/1574, folio 2, CHX to PM, 1 March 1977.

²¹⁴ *Ibid.*, folio 3, Hunt (Cab Sec) to Wright (PS/PM), 1 March 1977.

Treasury and FCO officials could participate in the savings studies.²¹⁵ Cooper suggested to Hunt reducing the part of Intelligence spending which fell on Defence.²¹⁶ Interestingly, a contemporary Defence Council paper by Cooper examining the Defence programme in terms of output showed the Air Force had the most favourable distribution of spending between teeth and tail, appearing to corroborate its single-minded drive in recent years to cut support costs in favour of teeth costs.²¹⁷ It was also asserted the RAF remained ‘heavily biased’ in favour of strike/attack and reconnaissance compared with air defence and close support.²¹⁸

The revised draft *Defence Estimates* said decisions were pending on the £230m cut in 1978-79.²¹⁹ The *Estimates* maintained Defence spending beyond the country’s economic means was damaging for national security in the long run.²²⁰ They endured virulent Opposition criticism. For the Opposition, Sir Ian Gilmour observed it: ‘suffered from an advanced state of schizophrenia. Parts of it related the Soviet threat fairly and even starkly but there were passages of inspired idiocy, presumably contributed by the Secretary of State or other ministers.’²²¹ There was also media criticism of the MRCA in an ITV *World in Action* programme in April 1977. The programme’s inaccuracies were corrected by the *Daily Telegraph’s* Air Correspondent and by letters from ACM Smallwood and the Director Public Relations (RAF).²²² Moreover, on 22 June, Cameron had a successful Tornado flight which received favourable TV coverage and counteracted criticisms.²²³ More

²¹⁵ *Ibid.*, folio 4, SofS to PM, 3 March 1977; folio 5, Owen (Foreign Secretary) to PM, 7 March 1977; folio 6, Wright (PS/PM) to Facer (PS/SofS), 9 March 1977.

²¹⁶ TNA, DEFE 68/280, enclosure no. 30, PUS to Hunt (Cab Sec), 10 February 1977; Cab Sec to PUS, 25 February 1977 advised proposed savings studies for the intelligence studies.

²¹⁷ *Ibid.*, Head of CM(D&R) to DUS (CM), 16 March 1977. The Air Force drive to cut support costs was in addition to Defence Review measures and was also geared to reversing the recent trend of an increasing proportion of the Air Force Target Heading being spent on manpower rather than equipment. Indeed, there was a ‘marked variation in rigor’ in cutting UK-based civilian manpower in the various MoD management areas to be achieved during the period 1 April 1974 to 1 April 1980. The forecast cuts were as follows – Central Staffs 7.1%, Navy 0.5%, Army 8.0%, Air Force 18.5% and PE 9.8%.

²¹⁸ TNA, DEFE 13/1001, PS/SofS to SofS, ‘The Defence Council’, 15 March 1977.

²¹⁹ TNA, PREM 16/1187, Hunt (Cab Sec) to PM, 26 January 1977.

²²⁰ *Statement on the Defence Estimates 1977*, Cmnd 6735, February 1977, p. 2; Arthur Reed, ‘Government keeps Nato out of defence cuts’, *The Times*, 1 March 1977.

²²¹ ‘Compelling reasons for Secretary of State to resign’, *The Times*, 23 March 1977.

²²² AHB, AFB, (77)15, ‘RAF Publicity’, Note by DUS (Air), 11 May 1977; AHB, AFB, 6(77), 19 May 1977

²²³ TNA, AIR 6/195, AFB, (76)32, ‘RAF Publicity’, Note by DUS(Air), 12 November 1976; AHB, AFB, 7(77), 23 June 1977.

widely, the challenges facing Defence were starkly outlined in a CPRS memorandum of March 1977. This assessed the cumulative impact of recent cuts:

The defence budget has been cut four times since the Defence Review related our commitments and capabilities to the resources available. The figure for 1978-79 is nearly 8 per cent below the “critical” level for the year agreed in the Defence Review. The measures needed to secure the cut of £230 million announced in December 1976, about which NATO must be consulted, are being considered.²²⁴

Later that month, the Commons Expenditure Committee reported the Armed Forces had been cut to danger level. Equipment cuts and Northern Ireland were highlighted. They were ‘seriously deprived of modern equipment’. RAF equipment cancellations included the QC 434 short-range air-to-air missile, radar and communications projects; the halving of the air transport force, reductions to communications aircraft and engineering spares, the deferment of medium-lift helicopters for army support and reduced Tornado delivery rate. The RAF’s strike and offensive support capability was seriously impaired.²²⁵

The Chiefs demonstrated to Mulley the full extent of the £200m reduction for 1977-78. Major AFD savings were factored into the final figures and largely emanated from slippages in the equipment programme. Provision was made again for purchasing Medium Range Helicopters, cancelled in the Defence Review, but the programme was deferred to save £26m. A similar amount was saved because of the failure to reach agreement on a NATO AEW force. A further £5m arose from the protracted evaluation of active ECM pods for the Tornado and the Jaguar. Finally, £8m was saved through slippage in communications, flight data recorder and navigation aid projects. These reductions totalled £65m and were complemented by savings from the two other Service departments, Procurement Executive, Works Programme, Accommodation Stores, Administrative savings and General Programme delays. The Works Programme cut of £64m occurred against the priority afforded to Tornado facilities and included delaying the installation of fuel pipelines at two operational airfields. For the RAF, the portents were troubling: ‘The absorption of slippage in several projects by the cuts can only cause serious

²²⁴ TNA, CAB 129/194, CP(77)24, ‘Public Expenditure Priorities in the Next Survey’, memorandum by the CPRS, 9 March 1977.

²²⁵ AHB, AFB, (77)15, ‘RAF Publicity’, Note by DUS (Air), 11 May 1977; Arthur Reed, ‘MPs say armed forces have been reduced to danger level’, *The Times*, 18 March 1977.

problems in later years when replacement funding has to be found possibly at the expense of other equipments'.²²⁶

In mid-April 1977 savings were collated and the DPS issued a first draft report. After savings were sought from the Procurement Executive and Miscellaneous Target Headings, AFD had to find £62m of savings, corresponding to its percentage share of the wider budget. Equipment savings totalled £39m, largely from slippages.²²⁷ Overall, the 1978-79 reductions were increased to £267m to incorporate inflation. Some £106m of cuts were identified from R&D and equipment, £57m from Works, PSA staff costs and accommodation stores, £39m from Vote 5 and related spending [fuel, movements etc] and £19m from service and civilian manpower.²²⁸

The programme had been scrutinised to a greater extent than at any time since the Defence Review. Room for manoeuvre was minimal, with over 80% of the 1978-79 budget already committed. Ashmore highlighted the harmful impact on NATO allies and Service morale and the need to build confidence to sustain all-volunteer forces. Mulley was advised: 'We are in danger of taking these people far too much for granted.' Moreover, slippage caused a genuine loss of front-line capability and made it more difficult to meet NATO force goals. Harrier/Jaguar replacement had slipped six years to 1986-87; Tornado peak annual delivery had dropped from 60 to 46 aircraft. The programme was so depressed that without substantial resource increases after 1978-79, it could not be sustained. The CDS observed:

The bow-wave effect stemming from deferments and cuts in this and previous exercises means that targets in excess of Defence Review levels are required. Without these substantial increases, our already diminished standing in the Alliance and our promises to the Allies cannot be maintained.²²⁹

²²⁶ TNA, DEFE 4/283, COS 2nd Meeting, 20 January 1977; DEFE 5/202, COS 6/77, 'The Implications of a Reduction of £200m in the Defence Budget for 1977/78', 28 January 1977.

²²⁷ AHB, AFB, 4(77), Secret Annex A, Item II, 14 April 1977.

²²⁸ TNA, DEFE 4/283, COS 10th Meeting/77, 5 May 1977; DEFE 5/202, COS 11/77, Annex B, 'The Reduction of £267M in the Defence Budget for 1978/79', 13 May 1977, CDS to SofS, 11 May 1977, see also DEFE 68/280, enclosure no. 69/1. As this was a one-off cut, the least damaging measures had been selected which had the potential for recovery later.

²²⁹ TNA, DEFE 4/202, COS 11/77, Annex B, 'The Reduction of £267M in the Defence Budget for 1978/79', 13 May 1977, Ashmore (CDS) to SofS letter. Cameron (CAS) noted in June 1977 that failure to secure the Defence Budget levels the Chiefs believed were necessary would make a further Defence Review inevitable. DEFE 4/283, COS 16th Meeting/77, 21 June 1977.

Mulley did enquire about progress made with rationalisation in MoD since its formation in 1964. Some savings in personnel and logistics were suggested. PUS had spotlighted standardisation in Services' pay and personnel records, helicopter training, catering trade training and medical services. A study had been commissioned on helicopter pilot training but had not produced results, catering training had been studied over a decade earlier and Mulley believed one Service could manage all Services' hospitals more economically. However, he was warned that progress in many areas required Service Board agreement, which tended to lead to horse-trading between the Services, the PS noting this had resulted in the RAF managing fixed wing air frames and aero-engines, while the Navy managed rotary wing air frames and engines.²³⁰ In contrast Navy Department tried to gain special dispensation from having to meet its full target for civilian reductions, with dockyard management and productivity identified as specific problems. A shift to contract cleaning was thought the least difficult way to reach the reduced numbers.²³¹

Defence under Attack

By early 1977 after '14 separate reductions in Defence spending in four years', NATO reportedly believed the UK 'had lost its way and its will'.²³² As the economy slowly improved, Dr Luns observed the UK still intended to cut £230m from the 1978-79 Defence budget. Planned spending had fallen by more than one-sixth since March 1974 and 'while part of these reductions was related to non-NATO commitments, this part was relatively small'.²³³ Luns noted Government hopes that

²³⁰ TNA, DEFE 13/1001, Facer (PS/SofS) to SofS, 'The Defence Council Meeting on Thursday 26th May at 3pm in Historic Room 25', 25 May 1977; Facer to SofS, 'The Defence Council Meeting on Thursday, 30 June at 3pm', 28 June 1977.

²³¹ *Ibid.*, Facer (PS/SofS) to SofS, 'The Defence Council Meeting on Thursday, 30th June 1977 at 3pm', 28 June 1977.

²³² TNA, DEFE 4/283, COS 4th Meeting/77, 8 February 1977. General Sir David Fraser, UK Military Representative to the NATO Military Committee, told the Chiefs of Staff: 'It must be realised that the over-riding sentiment in NATO was a feeling, however unjustified, that the United Kingdom had lost its way and its will, and the level of priority which was apparently accorded to defence was considered prime evidence for this judgement.'

²³³ Boren, 'Britain's 1981 defence review', pp. 106-107. See also COS 8th Meeting, Appendix 1, Valedictory Address to the United Kingdom Chiefs of Staff by Admiral of the Fleet Sir Peter Hill-Norton, Chairman of the NATO Military Committee, 17 March 1977. He recorded his 'serious concern at the military trends, largely imposed by economic constraints and the almost inevitable political consequences if these adverse trends are not addressed.' Hill-Norton also told the Chiefs that having announced 14 separate reductions in Defence spending in four years this had 'an effect which I need not describe' on the regard in which the UK was held in NATO headquarters and in other Alliance capitals. The cumulative reduction of £1.2bn in 1978-79 equated to around one-sixth of the annual Defence

future North Sea Oil revenues could help reverse some recent spending cuts. He recommended Defence as one such area.²³⁴ The MoD retorted that even after the 1978-79 reductions the UK still allocated around 5% of GNP to Defence, considerably above the European NATO average. It contributed 193,000 high quality combat personnel from professional, all-volunteer balanced forces. The UK devoted a higher proportion of its budget on equipment than any other ally and provided the largest number of ships and second largest number of aircraft among European members. It was the only European member to make a significant contribution in all the main areas of NATO's efforts.²³⁵ Mulley told Callaghan he viewed Luns' criticism as a 'stiff rebuke', which was 'unfortunate' but reflected NATO's general view of the UK.²³⁶ When Mulley doubted the right to challenge NATO's judgement, the Prime Minister asked him why he had not resigned if he disagreed with Defence cuts. Callaghan demanded a 'much more positive and punchy reaction'.²³⁷ In line with this more belligerent approach Callaghan asked for comparisons of Defence expenditure by NATO allies.²³⁸

In contrast, the Labour Left insisted Defence cuts were insufficient. In 1976, the National Executive Committee (NEC) called for a £1,000m cut on top of the Defence Review.²³⁹ In July 1977, NEC Working Party proposals demanded a further 28% reduction, including phasing out Polaris, cancelling Tornado and the two through deck cruisers and scrapping four of the Navy's largest ships. The BAOR was to be cut from 55,000 to 30,000 by the decade's end. Mulley dismissed these proposals saying it was 'absolute folly not to take measures necessary to

budget. Hill-Norton remarked that London's 'dismal manifestations of priorities' were combined with real increases by numerous NATO allies. The cuts had thus diminished the authority of Britain's voice at the top of NATO.

²³⁴ TNA, PREM 16/1574, Jackling (PS/SofS) to Cartledge (PS/PM), 8 September 1977; MoD to PS/PM, 14 September 1977, enclosing letter from Dr Luns; SofS to NATO Secretary General, 14 September 1977; Henry Stanhope, 'Sharp Nato demand for restoration of cuts in defence', *The Times*, 17 September 1977.

²³⁵ Boren, 'Britain's 1981 defence review', pp. 106-108; Stanhope, 'Sharp Nato demand for restoration of cuts in defence', *The Times*, 17 September 1977.

²³⁶ TNA, PREM 16/1574, SofS to PM, 14 September 1977. The Prime Minister was very unhappy with the MoD's draft press statement in response to Luns' letter. It was 'apologetic' and failed to amplify positive aspects of the UK Defence effort.

²³⁷ *Ibid.*, PM-SofS telephone conversation, 16 September 1977; Ministry of Defence News Release, 'Defence Budget Savings for 1978/79', 16 September 1977.

²³⁸ *Ibid.*, Hunt (Cab Sec) to PM, 28 September 1977; Cartledge (PS/PM) to Vile (Cabinet Office), 10 October 1977.

²³⁹ Keith Harper, 'Boot from the Left for Mason over defence spending', *Guardian*, 20 May 1976; David Fairhall, 'The chop logic of cutting defence', *Guardian*, 14 May 1976.

protect our way of life'.²⁴⁰ His critical comments were signalled to all Service units.²⁴¹ CAS appreciated Mulley's 'valuable disclaimer' and 'helpful message'.²⁴² Callaghan insisted this NEC study group had no impact on policy.²⁴³ Their report *Sense about Defence* was published in September and envisaged a £1.8bn annual reduction. It recommended cancelling Tornado and cuts to the tanker and transport fleets. Mulley repeated that in per capita real terms Germany and France spent more on Defence and highlighted the destabilising impact of further cuts and potential lost jobs.²⁴⁴

Meeting NATO's 3% initiative

In March 1977, US Defense Secretary, Dr Harold Brown, had told the Prime Minister it was in everyone's interest to increase NATO's conventional defence capability. Callaghan thought there was no possibility of this. The UK would rather keep its nuclear capability rather than increase conventional forces.²⁴⁵ Crucially, as NATO became increasingly anxious at the Soviet military build-up, the UK eventually signed up to the NATO pledge to increase Defence spending by around 3% in real terms per annum from 1979. This initiative, launched by President Carter at the NATO summit in May 1977, covered 1977-1986. Mulley dampened expectations. The £230m of cuts for 1978-79 remained. Defence spending would not rise before 1979 and only modestly thereafter.²⁴⁶

Mulley had warned Callaghan of the possibility of a 'disagreeable clash' with the US. Mulley said it was 'overwhelmingly likely' that there would be increases to the Defence budget after 1978-79 but did not shift at NATO.²⁴⁷ Healey opposed

²⁴⁰ 'Labour moves to scrap the Polaris missile', *The Times*, 11 July 1977; Henry Stanhope and Michael Hatfield, 'Mr Mulley condemns defence cut proposals', *The Times*, 12 July 1977.

²⁴¹ TNA, DEFE 4/284, COS 21st Meeting/77, 11 July 1977.

²⁴² AHB, AFBSC, 7(77), 14 July 1977.

²⁴³ Parliamentary Staff, 'Party study will have no impact on defence', *The Times*, 13 July 1977.

²⁴⁴ Henry Stanhope, 'Minister attacks Labour study group proposals to cut defence spending by £1,800m', *The Times*, 23 September 1977; Hugh Noyes, 'Mr Mulley rejects call for more cuts in defence', *The Times*, 5 October 1977. Noyes, 'Last fling: The Labour Party Conference', *The Times*, 8 October 1977. See also, Parliamentary Staff, 'Unilateral disarmers fail in nuclear debate', *The Times*, 8 October 1977. This thinking was indicative of the far Left's hostility to Defence, a contributory factor in the polarisation of politics and internal Labour strife in the early 1980s.

²⁴⁵ TNA, PREM 16/1574, folio 7, Prime Minister-US Secretary of Defense meeting, 10 March 1977.

²⁴⁶ Mulley told the Commons on 24 January 1978 there would be a 3% increase in real terms for the Defence budget in 1979-80 over the revalued figure for 1978-79, while a further 3% increase for 1980-81 would be subject to review in the light of economic circumstances. No decision had been taken for later years. See 'Mr Mulley defends decision to increase spending on defence', *The Times*, 25 January 1978.

²⁴⁷ TNA, PREM 16/1574, folio 6A, SofS to PM, 9 May 1977.

advance commitments to such increases until Cabinet discussed departmental claims for increased public expenditure.²⁴⁸ Mulley said MoD and Treasury officials had concocted a negotiating position that an annual increase in Defence resources of up to 5% in real terms should be the aim for all NATO states subject to current force contributions and economic strength.²⁴⁹ Callaghan agreed but told Mulley not to weaken on this issue as the UK would in any case have to bear greater costs for British Forces Germany.²⁵⁰ Studies showed there was little scope for major reductions to the costs of British forces in Germany. Moreover, due to the reduction of support and maintenance capability since the 1960s, RAFG was 'critically short of the manpower and engineering resources needed to fight a prolonged war, with little prospect of adequate and timely reinforcement'.²⁵¹

Although the results of the 1978-79 savings [£230m] studies involved no cancellations of major equipment programmes, Mulley highlighted their cumulative impact, mentioning the recent critical Commons Expenditure Committee report which said the 1978-79 budget was 8% below Review levels. This involved delays to new equipment, reduced R&D and a drastic curtailment of works, to the detriment of living and working conditions. Mulley was particularly concerned about overstretch, specifically in Northern Ireland, and NATO allies' perception of the UK's ability to meet European commitments.²⁵² RAF equipment deferrals included the Phantom electronic warfare pod and tails for bombs for offensive support aircraft. There were delays in the provision of chaff dispensers for Nimrod and delays in improvements to electronic warfare capabilities to the Canberra T17. Further reductions in spares provisioning restricted the operational availability of front-line aircraft. Savings were envisaged from re-examination of Air Force provision for 1978-79 with decisions on development of the Nimrod AEW and reassessments of future negotiations on Tornado Operational Conversion Unit funding or work transfer for the Tornado project.²⁵³

Nevertheless, the Cabinet Secretary considered Mulley's proposals were 'much less dramatic in character' than suggested in the representations by the Chiefs in

²⁴⁸ *Ibid.*, folio 8, CHX to PM, 11 May 1977. The Foreign Secretary, David Owen, warned the NATO Council the UK could not at this stage accept any wording which implied additional forward burdens; folio 9, Owen to PM, 11 May 1977.

²⁴⁹ *Ibid.*, SofS to PM, 13 May 1977.

²⁵⁰ *Ibid.*, Wright (PS/PM) to Facer (PS/SofS), 16 May 1977.

²⁵¹ TNA, DEFE 25/754, DCP(78)2, 'Cost of British Forces in Germany', Memorandum by Chief of Personnel and Logistics, 3 March 1978.

²⁵² TNA, PREM 16/1574, folio 10, SofS to PM, 20 May 1977.

²⁵³ TNA, DEFE 4/202, COS 11/77, Annex A, 'The Reduction of £267M in the Defence Budget for 1978/79', 13 May 1977.

December 1976. Hunt noted the damaging effect of wide-ranging cuts should 'obviously not be underestimated' but worried more about unspecified employment cuts.²⁵⁴ There was a two-year delay on uprating the Lynx helicopter. It was also noted that the deferment of EW radar systems to complement Rapier and Blowpipe perpetuated operational weakness and the ability to sustain operations in war. The MoD told Callaghan that deferment provided useful savings and alternatives were even more damaging to capability.²⁵⁵ Callaghan was pleased savings had been found without cancelling a major programme.²⁵⁶ However, Mulley expressed reservations about the affordability of procurement from UK firms in the face of cheaper [often American] competition.²⁵⁷ NATO was also watching very closely for further UK reductions.²⁵⁸

The problem of reconciling political and NATO commitments troubled the Cabinet when it discussed public spending in October 1977. Barnett argued a 3% increase was contrary to the commitment to reduce Defence spending as a proportion of GNP. Mulley said he would reluctantly accept 3% increases for 1979-80 and 1980-81 initially. The absence of economic growth meant Defence spending remained at 5% of GDP, though the manifesto pledge to reduce Defence spending by several hundred million pounds had been achieved. Hunt hoped Callaghan would guide the DOPC to agree to 3% increases for 1979-80 and 1980-81.²⁵⁹

When Healey agreed to increased public spending by 2% for 1978-79, Mulley raised Defence spending with DOPC colleagues. Mulley described the Soviet threat to UK security. He highlighted Carter's initiative to increase US Defence spending by 3% annually in real terms. Defence budget levels for 1977-78 and 1978-79 were respectively 7% and 8% below the Critical Level. Mulley underlined continued commitments where the Defence Review had anticipated savings, alongside rising security costs in Northern Ireland. Commitments and resources were unbalanced with major problems from conditions of service and accommodation. The PESC baseline figure of 2% growth meant more cuts, Mulley predicted, 'We should have to go to the NATO confessional once again'. The UK could not undermine Carter's initiative; particularly as the economy started to grow.²⁶⁰

²⁵⁴ TNA, PREM 16/1574, Hunt (Cab Sec) to PM, 23 May 1977.

²⁵⁵ Ibid., Facer (PS/SofS) to Wright (PS/PM), 31 May 1977.

²⁵⁶ Ibid., folio 18, PM to SofS, 7 June 1977.

²⁵⁷ Ibid., folio 19, SofS to PM, 13 June 1977.

²⁵⁸ Ibid., Facer (PS/SofS) to Cartledge (PS/PM), 7 July 1977.

²⁵⁹ Ibid. Hunt (Cab Sec) to PM, 11 November 1977.

²⁶⁰ TNA, CAB 148/167, DOP(77)30, 10 November 1977, 'Future Defence Expenditure', Note by the Secretary of State for Defence.

Mulley 'reluctantly' accepted an immediate return to post-Review expenditure levels was 'not feasible' but wanted budget levels to reflect Defence's added commitments. He made three proposals. First, he wished to distinguish between the 'basic' defence budget, for long-term defence plans and that for additional costs of remaining in Cyprus and enhanced force levels in Northern Ireland. Secondly, Mulley sought an annual increase of 3% for the basic budget from 1978-79. Thirdly, he wanted funding for the additional costs arising from additional commitments. The MoD's PESC bid still produced a budget lower than envisaged in the Review. Mulley regarded a 3% increase as the absolute minimum, generating a Budget of £6,466m and £6,660m in 1979-80 and 1980-81 respectively.²⁶¹

The budget was discussed at DOPC in November 1977. CDS argued that post-Review savings were mostly short-term expedients. These were now exhausted. An increase of less than 3% meant the country's Defence posture would require reconsideration.²⁶² Callaghan requested a Treasury memorandum to outline various options and comparisons with major European allies. In resource terms, French and German Defence spending was substantially greater. In GDP terms, the UK figure was still 5%, compared to 4% for France and 3½% for Germany. The Review figures would have narrowed the gap had the economy grown as forecast but UK GDP was similar in 1977 to 1974. France and Germany were committed to real increases in Defence spending and an annual UK increase of 3% only widened their lead in absolute and per capita spending.²⁶³

In the meantime, expenditure for Tornado, Skyflash and AEW meant a very high spend for AFD. DUS(Air) argued the significance of Tornado and Nimrod meant support could be anticipated for an appropriate share of the Defence budget. Moreover, AFD's recent underspends had helped the other Services avoid cuts.²⁶⁴ Various RAF 'in house' studies were initiated to systematically identify savings under the guise of the 'RAF Policy and Programme'.²⁶⁵ This involved difficult objective assessments on the importance of RAF capabilities to national defence

²⁶¹ Ibid.

²⁶² Ibid., DOP(77) 6th Meeting, 15 November 1977.

²⁶³ Ibid., DOP(77)32, 18 November 1977, 'Future Defence Expenditure', Note by the Chancellor of the Exchequer.

²⁶⁴ AHB, AFBSC, 6(77), 30 June 1977.

²⁶⁵ TNA, AIR 6/194, AFBSC, (76)8, 'RAF Policy and Programme', Note by DUS(Air), 19 October 1976. Studies were commissioned encompassing airfield survival measures, the Canberra Target Facility Force and Refurbishing Programme, SRAAM, Tactical Reconnaissance, Maritime Strike/Attack, Air Defence Sensors, Maritime Programme Priorities, ECM Pods, the Electronic Warfare and Defence Suppression Equipment Programme and a study of Offensive Support in the 1980s. AHB, AFBSC, (78)1, 'RAF Policy and Programme - Second Progress Report', Note by VCAS and DUS(Air), 31 January 1978.

and NATO. Studies were to identify the areas where reductions would least damage the RAF.²⁶⁶ The Canberra in the tactical reconnaissance role and Buccaneer in the maritime strike/attack capability capacity, both to be replaced by the Tornado, came under the spotlight. Cuts to the Canberra force would least harm the RAF but NATO reconnaissance forces were limited, and the Army valued the night all weather capability. No reductions were now available without weakening the RAF and NATO.²⁶⁷ Nevertheless, savings were still envisaged, with proposals for 2½ and 5% Public Expenditure cuts to 1981-82. The bulk of further RAF cuts would be borne by the equipment programme. Specifically mentioned were:

- cancelling UK development of Harrier/Jaguar replacement [AST 403]
- slowing down or reducing early years Tornado production
- a curtailment of Nimrod refits
- a cut in the Nimrod early warning force and curtailment of the electronic counter-measures programme

Measures such as a 40% cut in the aircraft shelter programme, already behind schedule, and deferring improvements to the UK Air Defence Ground Environment (UKADGE) were suggested. Any combination of reductions involved a loss of capability and smaller NATO contribution. Potential further damage to the UK's standing in NATO contributed to the conclusion:

In the view of the Ministry of Defence and of the Treasury (who would not however necessarily endorse all the Ministry's analysis) there are no feasible options for further savings in the Defence Budget within the Government's current defence policy.²⁶⁸

The programme continued at current White Paper levels for 1978-79 but in 1979-80 and 1980-81 it would rise according to the NATO 3% target. The 1981-82

²⁶⁶ AHB, AFBSC, 8(77), Secret Annex A, Item II - Tactical Reconnaissance Requirements, 4 August 1977.

²⁶⁷ *Ibid.* However, in early 1978 the AFBSC noted the short-term budgetary situation had altered. There was no longer a requirement to find early savings. The collection of studies was overtaken by events. However, it was stressed the work done made the AFD better prepared to justify its programme. AHB, AFBSC, 1(78), Secret Annex, Item III, 2 February 1978.

²⁶⁸ TNA, CAB 129/197, CP(77)73, 'Public Expenditure to 1982-82', note by the Chief Secretary, Treasury, 4 July 1977, covering Public Expenditure to 1981-82 Part Two, Detailed Analysis of Programmes and Supplementary Analyses, 1977 Report by the Public Expenditure Survey Committee, June 1977, pp. 3-7.

Defence budget figure was provisionally the same as 1980-81. Nevertheless, the Chief Secretary viewed the Defence figures as more tentative than other proposals as they did not implement within the survey period, the Government's manifesto commitment to bring Defence spending into line with major European allies.²⁶⁹ Defence expenditure in 1979-80 and beyond would be considered by the DOPC and the Cabinet.²⁷⁰

Going it alone? AWACS or Nimrod, 1976-77

Particularly tough questions surrounded AEW aircraft. From a purely military point of view, on grounds of technical effectiveness, standardisation, availability in time and possible cost factors, the RAF believed the American Boeing E3A AWACS was the best AEW aircraft available.²⁷¹ Its demonstrated performance was judged 'markedly superior'. The RAF assessed: 'retaining the aged Shackleton, with the limited capability of its 40 year old radar in an ECM environment, into the mid-1980s is viewed with considerable misgivings.'²⁷² Shackleton-replacement by the early 1980s (Air Staff Requirement (ASR) 400) was imperative. There was a clear gap in NATO's defences against a surprise attack by low flying Warsaw Pact aircraft. Technically this could not be met by fixed installations. The UK's AEW requirements were vital to NATO. Humphrey observed: 'Technically the best, the E3A, was a genuine NATO solution and as such best for the Alliance. Any national solution would have worrying cash flow implications for the Air Force Department.' Nevertheless, numerous factors made it pertinent to continue work on a UK alternative until 1976, surplus Nimrod aircraft fitted with new radar. AFD was instructed by the Chiefs to lead a contingency study on possible UK solutions should the NATO AEW force be abandoned.²⁷³

Mason was encouraged to maintain UK support for the NATO AEW force, although AFD considered approaching the Americans to discuss a possible bilateral E3A solution. Further advantages accrued from operating an aircraft common in the role

²⁶⁹ TNA, CAB 129/197, CP(77)89, Public Expenditure 1978-79 – 1981-82, Annex C, memorandum by the Chief Secretary, Treasury, 7 October 1977.

²⁷⁰ TNA, CAB 128/62, CM(77)52nd Conclusions, Minute 3 Limited Circulation Annex, 20 October 1977. On the tactics of the Chiefs re future Defence expenditure and their reservations regarding the costs of various commitments in Northern Ireland, Cyprus, Belize, Gibraltar Dockyard and the Falkland Islands see DEFE 4/284, COS 29th Meeting/77, 8 November 1977.

²⁷¹ TNA, AIR 8/2723, Visit to the United States by CAS, 18-26 November 1974, 29 November 1974.

²⁷² TNA, AIR 6/190, AFBSC, (74)20, 'Improvements to UK Air Defence', Note by VCAS, 7 November 1974; AIR 6/193, AFBSC, 1(75), 9 January 1975.

²⁷³ TNA, DEFE 4/281, COS 18th Meeting/75, 'A NATO AEW Force – the United Kingdom's Position', 16 December 1975.

with the US, outweighing foreign exchange and industrial disadvantages. If the NATO AWACS force was approved it signalled another potential add-back, involving a further 1,500 posts, although extra costs would be recoverable from NATO.²⁷⁴ To meet minimum NATO requirement and ensure sufficient coverage of the UKADR and EASTLANT CHANNEL areas, some 32 suitably enhanced E3A aircraft was needed.²⁷⁵ The UK wanted a decision on the NATO AWACS scheme by the end of 1976. Meanwhile, Nimrod 4C development funding was extended.²⁷⁶ Unlike Nimrod, the AWACS could operate effectively in the Central Region [of Europe]; AWACS had also proved itself in operations. However, the Nimrod option was increasingly attractive as contractors advanced the delivery date for the first aircraft to September 1981, easing budgetary pressures from potentially concurrent MRCA and AST 403 demands.²⁷⁷

A paper on national alternatives to the NATO AEW force was submitted to the ORC in September 1976. It also considered purchasing an ‘austere version of the Nimrod’ to satisfy minimum AEW requirements. Timescale and budgetary considerations were key factors in assessing alternatives. The recommendation was for the austere Nimrod 4C with an ESM capability, available by September 1981. It provided the cheapest UK alternative to ASR 400.²⁷⁸ The AFBSC was told by VCAS that E3A was ‘particularly expensive’ regardless of political and industrial difficulties.²⁷⁹

²⁷⁴ TNA, AIR 6/196, ‘Current Issues in AMSO’s Department’, for AFBSC conference with Commanders in Chief, 22 July 1976, draft dated 19 July 1976.

²⁷⁵ TNA, DEFE 4/282, COS, 10th Meeting/76, 25 May 1976, Item 1, AEW – Further Studies. It was highlighted that in terms of behaviour in an electronic counter-measures environment recent information had shown the Nimrod system was closer to the E3A in effectiveness than had previously been assumed but the threat posed by escorted jamming aircraft had not so far been adequately addressed.

²⁷⁶ *Ibid.*, COS, 15th Meeting/76, 14 September 1976, Item 2, Airborne Early Warning; AIR 6/196, Presentation by VCAS for AFBSC conference with Commanders in Chief, 22 July 1976, draft dated 21 July 1976. The VCAS observed that the US wanted an early decision to show Congress that NATO supported the E3A project, while Britain wanted an early decision because financing a NATO and a national fallback solution was becoming increasingly expensive.

²⁷⁷ TNA, AIR 6/196, Presentation by VCAS for AFBSC conference with Commanders in Chief, 22 July 1976, draft dated 21 July 1976; AFBSC, 3(76), 22 July 1976.

²⁷⁸ TNA, AIR 6/194, AFBSC, (76)7, ‘National Alternatives to a NATO AEW Force’, Note by VCAS, 9 August 1976.

²⁷⁹ TNA, AIR 6/196, AFBSC, 6(76), 12 August 1976, Secret Annex B, Item III. Reliability and maintainability were thought likely to be a greater problem with Option 4C than the other Nimrod alternatives though the Procurement Executive had confidence in the costs and timescale quoted for the Nimrod options and said there should be ‘satisfactory interoperability’ between the Nimrod system and NATO AWACS.

The NATO AWACS proposals suggested an overall Alliance fleet of 27 aircraft, while Nimrod 4C involved 11 aircraft. Mulley acknowledged American and German pressures were partly based on genuine concerns to bolster NATO cohesion by the standardisation of weapons.²⁸⁰ A scenario where a withdrawal of UK support led AWACS to collapse would damage relationships with NATO and the US, reducing the possibility of selling equipment to the US under the ‘two-way street’ Memorandum of Understanding of 1975.²⁸¹ Mulley told NATO’s DPC on 8 December the UK needed to make its decision. Downing Street was advised, ‘Nimrod development must clearly continue since the prospects for the NATO force must be regarded as having taken a turn for the worse.’²⁸² Callaghan and Mulley told their German counterparts that AWACS was ‘obviously too expensive’. From the UK viewpoint Nimrod was ‘obviously a better solution because of its impact on costs and on jobs’. Callaghan officially supported AWACS, if it was NATO-financed. If not, the Government would sanction Shackleton-replacement by Nimrod.²⁸³

Meanwhile, industry, cross-party MPs, trade unions and the media intensified their lobbying of Downing Street and the Department of Industry to back Nimrod.²⁸⁴ Mulley told Callaghan on 1 March, ‘the chances of a NATO AEW force being agreed in a timescale, and on terms, which we could accept are unlikely’. The UK position switched from support for AWACS to developing Nimrod.²⁸⁵ Callaghan confirmed his support for Nimrod.²⁸⁶ Harold Brown told him it would benefit NATO if a UK decision against AWACS was postponed. Callaghan said it had been

²⁸⁰ TNA, PREM 16/782, SofS to PM, 25 October 1976; folio 2, Rose (Cabinet Office) to Wright (PS/PM), 26 October 1976. A decision in principle was made by NATO in April 1975 to buy 27 AWACS for £1,450m (£53.7m for each aircraft).

²⁸¹ TNA, PREM 16/1185, Hunt (Cab Sec) to PM, 3 November 1976; TNA, CAB 148/161, DOP (76) 16, ‘Provision of Airborne Early Warning Replacement Aircraft’, Memorandum by the Secretary of State for Defence, 1 November 1976; DOP (76) 5th Meeting, 4 November 1976.

²⁸² TNA, PREM 16/1185, Facer (PS/SofS) to Wicks (PS/PM), 10 December 1976.

²⁸³ *Ibid.*, Extracts from PM – Chancellor Schmidt meeting, 24 January 1977. The West German contribution to the AWACS scheme was to be 25%, the British contribution was to be 18.1%. Callaghan also tried to interest Schmidt in the Nimrod alternative.

²⁸⁴ TNA, PREM 16/1185, Varley (SofS, Industry) to SofS, 17 February 1977; Arthur Reed, ‘Government may change from US planes’, *The Times*, 17 February 1977; Parliamentary Staff, ‘Nimrod project continues Nato air early warning’, *The Times*, 23 February 1977; Geoffrey Pattie MP, ‘Saving Nimrod’, *The Times*, 11 March 1977; Editorial, ‘Nimrod – the way to save jobs’, *The Times*, 15 March 1977; Christopher Thomas, ‘Unions pressing for Nato to use Nimrods’, *The Times*, 22 March 1977.

²⁸⁵ TNA, PREM 16/1185, SofS to PM, 1 March 1977.

²⁸⁶ *Ibid.*, Wright (PS/PM) to Facer (PS/SofS), 4 March 1977; *Hansard* extract, Volume 927, Column 1231, 8 March 1977.

delayed too long, ‘The fact was that our Shackletons would soon be falling out of the sky’.²⁸⁷

Mulley advised ‘the balance of advantage’ lay with proceeding to full Nimrod development from April 1977, because of delays, attendant costs and security risks arising from the unsatisfactory position of the NATO project.²⁸⁸ Following the NATO Ministers meeting on 25 March, the US and Germany appealed on political grounds for the UK to stay in the AWACS project but Mulley highlighted the absence of a binding decision.²⁸⁹ The decision to adopt Nimrod was announced by Mulley in the Commons on 31 March and broadly welcomed across the political spectrum.²⁹⁰ Nevertheless, CDS would soon highlight the repeated tendency, most notably with the RAF, for equipment decisions to be determined by factors other than purely military need.²⁹¹

RAF Debate, 4 May 1977

The wider Defence environment was reflected in the Commons’ RAF debate in May 1977.²⁹² The Opposition insisted five rounds of Defence cuts had placed the Services in a ‘dangerous’ position. RAF morale had taken a ‘big hammering’ although ‘astonishingly’ was surviving. Similarly, the inadequacy of the Armed Forces Pay Review Body (AFPRB) award of 5% was highlighted. Increased accommodation and food charges meant most aviators gained barely 50p extra weekly. The Opposition viewed this as mean and insensitive. The Government underlined the economic necessity for cuts. Wellbeloved maintained the intention had been: ‘to avoid any reduction to the frontline capability of our forces in support of NATO’.²⁹³ The aircraft being procured were expected to remain in service for 20 years or more. Alongside the need for economies, this placed a high premium on

²⁸⁷ TNA, PREM 16/1185, Note of meeting held in Washington between the Prime Minister and Secretary of Defense, 10 March 1977.

²⁸⁸ Ibid., SofS to PM, 18 March 1977.

²⁸⁹ Ibid., UKDEL NATO tel no 115, 25 March 1977; UKDEL NATO tel no 1 to Rome, 25 March 1977; Own Correspondent, ‘Nato again puts off decision on Awacs’, *The Times*, 26 March 1977; Fred Emery, ‘Britain is expected to boycott Awacs and go it alone on Nimrod’, *The Times*, 29 March 1977.

²⁹⁰ TNA, PREM 16/1185, SofS to PM, 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: 6,000 extra jobs’, *The Times*, 1 April 1977.

²⁹¹ TNA, DEFE 25/754, DCM(77)6th Meeting, 24 November 1977.

²⁹² AHB, AFB, (77)15, ‘RAF Publicity’, Note by DUS (Air), 11 May 1977; Parliamentary Staff, ‘Modern fighter aircraft must be flexible and adaptable: Tornado will meet Britain’s requirements’, *The Times*, 5 May 1977; <http://hansard.millbanksystems.com/commons/1977/may/04/royal-air-force>

²⁹³ See <http://hansard.millbanksystems.com/commons/1977/may/04/royal-air-force>

adaptability and flexibility of the modern RAF, leading to multi-role solutions and centralised command and control. Wellbeloved forecast the Tornado would provide a most cost-effective method of meeting its various roles. Studies had started on Harrier and Jaguar-replacement with options being considered; though he welcomed collaboration, this being actively pursued with European programme group partners.²⁹⁴



The RAF review at Finningley to mark HM The Queen's Silver Jubilee, 29 July 1977. The Defence Secretary, Fred Mulley (left), was rather less engrossed than the Queen and CAS, ACM Sir Neil Cameron (right). Photograph: Public Domain.

As Defence faced a raft of challenges, 1977 offered the prospect of some respite with the Queen's Silver Jubilee. All three Services put on reviews, the RAF at Finningley on 29 July, including formation aerobatics of the Red Arrows and a Tornado display.²⁹⁵ Meanwhile, the Chiefs emphasised Soviet offensive intentions. Soviet air probing intensified. RAF interception of unidentified aircraft approaching UKADGE occurred two or three times weekly in July 1977. The better quality Soviet aircraft acted as a spur for a closer focus on an air-defence improvement programme, envisaged to consume a quarter of the RAF's resources over the coming

²⁹⁴ Ibid.

²⁹⁵ AHB, AFB, (77)30, 'RAF Publicity', Note by DUS (Air), 1 December 1977; C.N.F-N, 'The Queen's Silver Jubilee Review of the Royal Air Force', *The Royal Air Forces Quarterly*, Volume 17, Number 3, Autumn 1977, pp. 262-263.

decade.²⁹⁶ Nevertheless, the greatest immediate threat to UK interests in 1977, concerned another revival of Guatemala's threatening posture towards Belize. The RAF played a key role in transporting troops, doubling the garrison from 600 to 1,200 by early July.²⁹⁷ RAF Harriers were flown in to defend the airfield.²⁹⁸

Stronger Control: Financial Planning Management Group

In the meantime, the PUS formed a significant new committee at the MoD's centre. The Chiefs and the PUS agreed on 18 October 1977 to establish an informal management group, alongside the Chief of Defence Procurement (CDP) and chaired by the PUS to review the programme on a regular basis – the Financial Planning and Management Group (FPMG).²⁹⁹ It faced fresh challenges. Having grappled to find savings for Government, the MoD now faced an underspend and the prospect of rising spending after 1978-79 until 1980-81. Cooper remained cautious. The underlying state of the economy was unaltered. It was a pre-Election period. The priority was to reduce the 1977-78 underspend and spend future allocation. Cooper was tough – reminding the Chiefs and CDP of their responsibility to the taxpayer to achieve the best possible defence within budget allocation. He frowned, 'Any impression that we are "fat cats" can do real harm' and warned against damage from overstating the need for money or overbidding for tactical reasons. He stated this probably caused as much harm as repeated budget cuts. Meanwhile, to avoid future underspends Cooper recommended loading the programme to a greater degree and trying to obtain some flexibility from the Treasury on cash limits with a carry-over of around £100m.³⁰⁰

²⁹⁶ Parliamentary Staff, 'Two or three air space interceptions a week', *The Times*, 6 July 1977; Henry Stanhope, 'Air and ground radar in RAF defence improvement priorities', *The Times*, 20 July 1977.

²⁹⁷ TNA, CAB 128/62, CM(77)24th Conclusions, Minute 3, Limited Circulation Annex, 7 July 1977; TNA, DEFE 4/283, COS 15th Meeting/77, 14 June 1977; COS 16th Meeting/77, 21 June 1977; DEFE 4/284, COS 17th Meeting/77, 23 June 1977; COS 18th Meeting/77, 4 July 1977; Diplomatic Staff, 'Big airlift of British troops to Belize', *The Times*, 8 July 1977; Henry Stanhope, 'Urgent troop movement doubles size of garrison', *The Times*, 8 July 1977.

²⁹⁸ TNA, DEFE 4/284, COS 20th Meeting/77, 8 July 1977; COS 21st Meeting/77, 11 July 1977.

²⁹⁹ AHB, AFBSC, (77)14, 'Underspend in the Defence Budget: Sketch Estimates 1978/79 and LTC 1978', Note by DUS(Air), 1 November 1977. The FPMG came to rival the COS Committee and Equipment Policy Committee as a major centre of power in the MoD. It set up the Defence Policy Steering Group to report directly to the FPMG.

³⁰⁰ TNA, DEFE 24/1353, Minute by Reeves (Head, DS1), 'Future Financial Planning and Management', 11 November 1977. This enclosed a note from PUS, 'FPM1' which observed that in seven of the previous eleven years MoD had underspent in volume terms by more than 3%. In 1976-77 the underspend was £75m or 1.3% against the cash limit, and about £200m in volume terms, 3½% in volume terms. The

Cooper's frustration with cash limits was never resolved during his tenure as PUS to 1982. He viewed them as a blunt instrument, a cash ceiling designed to encourage underspending. Although MoD forecasting methods improved, a margin of at least 1% was inevitable; better than most commercial businesses. Cooper recommended to Mulley a deliberate 'aim up' in planning terms for a reasonable overspend. If MoD still underspent it would be closer to the target than it would otherwise have been.³⁰¹ Mulley, noting planned re-distribution between the Services [below], even thought the RAF would be able to restore the full extent of its share of the £267m reductions identified in the year but PUS's office observed, 'This is very far from being the case'.³⁰²

Underspends of £300m were forecast for the first four years of the LTC '78 Air Force programme. It was noted, 'During the period of defence cuts since the Defence Review the tendency for RAF equipment projects to slip has helpfully but fortuitously saved the AFD programme from deliberate damage.'³⁰³ AFD, following a nominal underspend in 1975-76, underspent by 6% in 1976-77. Underspensing of 15% was possible for 1977-78. CA had identified specific programme problems. It was moving from development work to production on a wide range of equipment and dominated by large projects, particularly Tornado. A minor programme shift could have a major financial impact in a single financial year. AFD was more dependent than the other Service departments on independent contractors and collaborative partners so had less direct control over production. While the other departments and the PE sought more money, the RAF had an underspend of £60m for 1977-78 and this was forecast to rise considerably. As well as gaining 'whatever credit we could' from the transfer of unspent funds to the other departments, it was essential for AFD to defend its target heading allocations for the future. For two to

mean underspend of other government departments was 2.7%. Cooper also mentioned 'some quite large uncertainties' which had to be considered, including the value of the pound and offset aspects.

³⁰¹ Ibid., PUS to SofS, 'Financial Planning and Management', 23 November 1977.

³⁰² Ibid., Facer (PS/SofS) to PS/PUS, 'Financial Planning and Management', 24 November 1977.

³⁰³ Ibid., Minute by Reeves (Head, DS1), 'Future Financial Planning and Management', 11 November 1977 and enclosed note from PUS 'FPM1'; FPM(77) 1st Meeting, 18 November 1977; AHB, AFBSC, (77)14, 'Underspend in the Defence Budget: Sketch Estimates 1978/79 and LTC 1978', Note by DUS(Air), 1 November 1977. Cooper noted more cash than was needed was allocated to the RAF's programme in 1978-79, the reduced requirement arising from past economies and present production problems. Other parts of the Defence programme could usefully spend extra funds. He would adjust cash provision in line with need and ability to spend during the year. Cooper noted there was no objection to this proposal provided there was clear assurance this implied no sacrifice of funds at a later stage when the RAF programme needed it, for instance through the peak of Tornado spending.

three years at least the AFD would not be able to spend all the money which then current targets allowed. The AFBSC dubbed the projected underspend 'embarrassing'. Mulley had taken a 'resolute stance' on the grave impact on the Services of the repeated reductions. In mitigation, the extreme difficulty of managing a complex programme over ten years made it impossible to guarantee accurate forecasting within fine limits. The AFBSC minutes observed:

Since there were no means of taking up the £70M underspending in 1978/79 the only responsible course would be to transfer the allocation to those parts of the Defence Budget which were under pressure. We must insist, however, that the alternative projects were subjected to scrutiny as rigorous as that applied to the AFD programme and that the transfer did not involve our budget in continuing commitments. There would be much justifiable ill feeling in the RAF if it appeared that the underspent allocation had been surrendered to support requirements not of immediate and obvious importance. The fact that the pay policy did not allow us to spend the money on much needed improvements to the conditions of service would add to the resentment.³⁰⁴

Recruitment, Retention, Pay and Morale

Strains between Government and Defence continued into 1978 despite the economic upturn. The Opposition highlighted wider security issues and equipment deficiencies, while promising pay parity and increased spending. Pay and morale concerns were pronounced. Although procurement programmes had advanced, in an era of unprecedented inflation, which peaked at 26.9% in August 1975, was 17.6% in July 1977 and only came down to single figures in 1978, service pay had fallen behind. In April 1978, the AFPRB estimated Forces' pay had fallen 32%

³⁰⁴ AHB, AFBSC, 11(77), Secret Annex, Item II, Underspend in the Defence Budget: Sketch Estimates in 1978/79 and LTC 78, 3 November 1977. An underspend of about £150m on Defence Votes was forecast 'and nearly all of this might be attributable to the Air Force Department Vote 10'. The AFB observed in January 1978 the prospect of Defence Votes being £1bn over targets in 1982-83 to 1984-85 meant an annual excess of around £300m. It was underlined that as a result of underspend the MoD had over 14 years lost £3bn of money voted by Parliament, which made it 'difficult to justify pressure for growth when some of the money was not being spent'. Conversely, it was argued that the system forced Defence into this position and there was the prospect of a more flexible system which would allow money not spent to be carried forward. AHB, AFB, 2(78) Secret Annex B, Item IV Long Term Costing 1978, 26 January 1978; Henry Stanhope, 'Ministry of Defence underspent by £1,000m during the past six years, report shows', *The Times*, 20 July 1978.

behind that of comparable civilian jobs.³⁰⁵ Cooper observed: 'the services believed themselves to be underpaid and unloved'.³⁰⁶

The RAF worried about the quality and quantity of recruits. The AFBSC observed the standard of aircrew remained good but highlighted 'the lack of officer-like qualities' and 'doubts about motivation and the capacity to absorb discipline'. The high wastage rate was mentioned. The slimmer RAF meant, 'There were no longer any "soft options" like the Hunter at the end of the fast jet stream and it was not possible to absorb the weaker products on slower aircraft or as co-pilots.' However, setting standards too high led to a shortage of trained pilots. Fast jet stream numbers were 75 short for 1978.³⁰⁷ CAS told fellow Chiefs in February 1977 the RAF was short of 100 pilots and AFD was considering a short service commission scheme.³⁰⁸ To improve the recruitment of 'young men of high quality' the RAF decided to offer shorter initial commissions. It was hoped this would meet 10% of the pilot IPS (Into Productive Service) target from this source.³⁰⁹ The 12-year Short Service Commission was geared to addressing the shortage of junior pilots, arising from outflow due to unsatisfactory levels of pay and conditions of service. The shortage was forecast to be around 120 pilots by April 1979 and around 200 by April 1981, thereafter declining. As two to three years was required for training, this problem would continue for some years.³¹⁰

As mentioned earlier, the April 1977 pay rise was effectively wiped out by increased food and accommodation charges. Many servicemen had 'zero gain or even a loss' – then dubbed 'the Irishman's Rise'.³¹¹ CAS observed in February 1977:

Service morale has been held throughout the recent Defence cuts but feelings in the Royal Air Force were running high on the issue of

³⁰⁵ TNA, CAB 129/200, CP(78)45, 'Pay Anomalies and Forward Commitments', Memorandum by the Chancellor of the Exchequer, 18 April 1978; CAB 128/63, Limited Circulation Annex, CM(78)15th Conclusions, Minute 3, 20 April 1978.

³⁰⁶ Peter Hennessy, *Whitehall* (London: Pimlico, 1989), p. 629.

³⁰⁷ AHB, AFBSC, 6(77), 30 June 1977.

³⁰⁸ TNA, DEFE 4/283, COS 3rd Meeting/77, 1 February 1977.

³⁰⁹ AHB, AFB, (77)21, 'Short Service Commissions', Note by AMP, 27 July 1977; AFB, 8(77), 22 September 1977.

³¹⁰ TNA, DEFE 4/285, COS 19th Meeting/78, 27 November 1978.

³¹¹ TNA, DEFE 4/283, COS 2nd Meeting/77, 20 January 1977; AHB, AFB, (77)30, 'RAF Publicity', Note by DUS (Air), 1 December 1977.

accommodation charges and the Under Secretary of State (RAF) [Wellbeloved] was well aware of this.³¹²

Pay and conditions concerns pervaded the Services. Ashmore, when CDS, warned Mulley: 'We do not believe that the loyalty of the Forces is immediately in doubt, but it is certainly under strain, and it would be unwise for the Government not to recognise this.' Mulley told Healey the feeling among all ranks at the AFPRB's report was stronger than anticipated: 'We have now received reports from the major Commands of all three Services which indicate a widespread and deep resentment wholly uncharacteristic of the Forces in recent times.'³¹³ ACM Sir John Aiken, AMP, told the AFBSC: 'There was...no sign of any deterioration of morale in Commands and personnel were as enthusiastic and determined as ever in spite of the poor way in which they believed they had been treated...Disillusionment and disgust were not too strong terms to describe the disenchantment of some with the decisions on pay and more particularly on charges.'³¹⁴ In respect of accommodation, the Leitch Report of October 1977 called for a 7.5% cut in Married Quarters rent charges, a further 30% reduction in the Married Quarters charges if the Principal Personnel Officers (PPOs) thought this justified and the introduction of an Assisted House Purchase loan scheme, operative in the RAF from age 40.³¹⁵

Service personnel were taking second jobs or requiring help to pay rent and rates. When Mulley added he had no objection in principle to the Armed Forces having trade union membership and negotiating about pay, he triggered a debate about personnel joining unions to enhance their terms of service and avoid further 'wage drift'.³¹⁶ Mulley acknowledged some 'slippage' in pay and accepted the armed forces were overstretched, mentioning Northern Ireland, but concluded there was no evidence the Services wanted trade union representation.³¹⁷ Even when Mulley

³¹² TNA, DEFE 4/283, COS 7th Meeting/77, 28 February 1977; DEFE 4/283, COS 8th Meeting/77, 17 March 1977.

³¹³ AHB, AFBSC, 6(77), Address by AMP to AFBSC, 30 June 1977.

³¹⁴ *Ibid.*

³¹⁵ *Ibid.*, 10(77), 13 October 1977. The inquiry had been commissioned because PPOs were worried about the drift from married quarters, the impact of separation on the Service way of life thus effecting operational capability, as well impacting on the cohesiveness of Station organisation. These factors had impinged on morale and the RAF's ability to do its job. The AMP reckoned the Report's recommendations thus suited the RAF well.

³¹⁶ Henry Stanhope, 'Riddle of Mulley reply on Service unions', *The Times*, 9 November 1977; Parliamentary Staff, 'Services have to conform to pay policy', *The Times*, 9 November 1977.

³¹⁷ Henry Stanhope, 'No evidence that Services want unions, minister says', *The Times*, 17 November 1977; Parliamentary Staff, 'No indication that the Services want trade unions', *The Times*, 7 December 1977; Christopher Thomas, 'Army pay fears heighten unions' interest in Service recruiting', *The Times*,

announced two increases of Army manpower, totalling 6,000 in 1978,³¹⁸ there was renewed criticism of overstretch and equipment deficiencies in the BAOR.³¹⁹ Highly unfavourable pay comparisons were made between Service personnel and civilians in similar occupations.³²⁰ Cameron, spoke of the negative impact of pay policy on personnel. Their living standards had declined as prices had risen and pay was rigidly restrained, despite often facing extra duties.³²¹ The latter alluded to Servicemen standing in for striking firemen, with whom their pay compared unfavourably.³²²

The Services frequently assisted the civil authorities address industrial strife. Notably, this involved the Army providing emergency cover during the Fire Services strike (14 November 1977-16 January 1978, Op Burberry). It was dangerous [indeed fatal] work, particularly as troops did not have sophisticated fire-fighting apparatus and had received rudimentary training. The media paid minimal interest to RAF efforts, although in November, 33 RAF specialist fire-fighting teams equipped with breathing apparatus were deployed, some 5,000 officers and men,

9 December 1977; Editorial, 'No Case for Unions in the Armed Forces', *The Times*, 14 December 1977; Christopher Thomas, 'Union is considering recruitment of officers in Forces', *The Times*, 19 December 1977; Parliamentary Staff, 'Unions in the forces would not assist', *The Times*, 25 January 1978.

³¹⁸ 'Army strength to be increased by 2,000 men', *The Times*, 7 February 1978; Henry Stanhope, '4,000 more men for Army will strengthen BAOR', *The Times*, 16 August 1978.

³¹⁹ Henry Stanhope, 'Overworked BAOR asks for extra 2,500 men', *The Times*, 29 November 1977; Charles Douglas-Home, 'BAOR equipment "badly deficient", officers declare', *The Times*, 14 December 1977; Sir Ian Gilmour, 'BAOR shortages', *The Times*, 16 December 1977; Henry Stanhope, 'BAOR short of men, takes 50 tanks out of service', *The Times*, 15 April 1978; Charles Douglas-Home, 'Poor army equipment causing many to quit', *The Times*, 2 May 1978; Philip Goodhart, 'BAOR equipment', *The Times*, 10 May 1978; Parliamentary Staff, 'Army minister refutes allegations about shortages of equipment', *The Times*, 26 May 1978.

³²⁰ Henry Stanhope, 'Service chiefs warning of low morale on pay', *The Times*, 28 October 1977. A Jaguar pilot reportedly earned less than a Police Constable. A Flying Officer after two years piloting a Jaguar earned £4,618 which included £806 flying pay. This was less than a Police Constable who had done four years on the beat if the policeman's £770 housing allowance and £455 overtime payments were considered. Similarly, RAF Flight Lieutenants at West Drayton Air Traffic Control Centre earned an average basic rate of £5,000. Alongside them, civilian controllers received £8,000. Moreover, it was proposed that civilian air traffic control assistants would earn £7,000 under the Government's pay offer, more than twice the income of their RAF equivalents.

³²¹ Air Correspondent, 'Defence chief appeals over Services' pay', *The Times*, 2 December 1977; Air Correspondent, 'Forces pay call by defence chief', *The Times*, 17 February 1978.

³²² TNA, DEFE 4/285, COS 2nd Meeting/78, 17 January 1978. It was decided if Service pay came up at the forthcoming [19 January 1978] Defence Council meeting then the view should be advanced that the contribution of the Services in the recent Fire Brigade Union strike had demonstrated the strong case for a Services pay settlement as good if not better than the award granted to the firemen.

including 200 specialist crash/rescue firefighters.³²³ The dispute sharpened dissatisfaction with pay. There were calls for the military, police and firemen to be treated as special cases.³²⁴ The RAF helped operate the West Drayton air traffic control computer during an air traffic control assistants strike in October 1977.³²⁵ Some argue it was the enhanced standing of the Services arising from their assistance during industrial disputes which led to their more sympathetic treatment in the final period of the Labour Government.³²⁶ Mulley stressed the three Services had coped better with the Fire Services strike than anyone could reasonably anticipated and also gained significant public credit.³²⁷ In April 1978, the Government announced a 14% pay package and promised to restore comparability between Service and civilian pay in three stages by April 1980. This was broadly welcomed but did not stem the worrying outflow from the Services.³²⁸

The 1978 *Defence Estimates* emphasised the increased army manpower and projected spending increases for 1979-80 and 1980-81, welcomed by NATO. PUS had stressed the need to maintain credibility with the Treasury, and more widely, by

³²³ AHB, AFBSC, 12(77), 17 November 1977; *The Royal Air Force Regiment - A Short History 40th Anniversary Edition* (RAF Regiment Fund, 1982), p. 57. Of the 20,000 servicemen who were rapidly trained and deployed as firemen, 8,758 were given familiarisation training by the instructors of the Fire Training Squadron at the RAF Regiment Depot. The Armed Forces attended 39,600 emergency calls in total. The Queen's Colour Squadron operating at Mill Hill and Holloway in north London had a typical experience as an emergency firefighter unit, being called out 80 times in less than four weeks.

³²⁴ Craig Seton, 'Soldiers join demand for special treatment', *The Times*, 25 November 1977; Parliamentary Staff, 'Extra Christmas benefits in store for troops on fire-fighting duties', *The Times*, 7 December 1977; Christopher Walker, 'Pay grievances forcing Ulster troops to leave Army', *The Times*, 9 December 1977. Lord Chalfont, 'How long will the troops put up with this?' *The Times*, 28 November 1977. The issue was discussed at the Chiefs of Staff Committee and their reservations were made clear to Mulley. It was noted that 'HMG clearly had the right to use the armed forces to maintain essential services, but it was important that any reservations their Committee might have should be properly understood and given due weight when political decisions were being considered.' See TNA, DEFE 4/284, COS 28th Meeting/77, 1 November 1977; on the impact and strains on an already overstretched Army see DEFE 4/284, COS 30th Meeting/77, 22 November 1977. In mid-December 1977, 19,000 Servicemen were engaged in Op Burberry and the Chiefs also discussed Op Raglan, which the Services would mount in the event of industrial action by oil tanker drivers. See DEFE 4/284, COS 33rd Meeting/77, 20 December 1977; DEFE 4/285, COS 2nd Meeting/78, 17 January 1978.

³²⁵ Christopher Thomas, 'RAF may be sent in to keep air traffic computer in operation', *The Times*, 13 October 1977; Christopher Thomas, 'Air assistants allege RAF strike-breaking in computer operation', *The Times*, 14 October 1977.

³²⁶ Boren, Britain's 1981 Defence Review, pp. 104-105.

³²⁷ TNA, DEFE 25/754, DCM(78)1st Meeting, 19 January 1978.

³²⁸ See Andrew Dorman, 'The Nott Review: Dispelling the Myths,' *Defence Studies*, Volume 1, Number 3, Autumn 2001, pp. 113-121 put it succinctly: 'All three services were suffering the effects of an outflow of personnel and morale was, to say the least, not at its best', see p. 114.

avoiding underspends which reduced the chances of approval for continued 3% growth.³²⁹ Moreover, the Cabinet remained sensitive to wider political and party issues, some criticising increased Defence spending.³³⁰ Armed Forces pay dominated the Defence debate on 13-14 March 1978. Mulley promised he would do his 'damnedest to see that the Forces get a fair deal.'³³¹ This cut little ice. The Government was accused of being a poor employer and imposing conditions which no trade union would tolerate, resulting in 'a grave danger of a catastrophic decline in morale'.³³² Wellbeloved admitted, 'morale is not all that I should like it to be.'³³³ Operationally it had been possible to considerably mitigate recent cuts. Spending on some programmes, primarily Tornado because of engine problems and industrial disputes at Rolls Royce, was less than predicted.³³⁴ The Opposition said the White Paper was 'full of distortions and omissions' with nothing on the future of the nuclear deterrent, Cruise missile, the Soviet SS20 ballistic missile or the neutron bomb.³³⁵ Moreover, the Chiefs admitted to Mulley and Cooper they leaked Service retirement figures to the press in April 1978, leading Callaghan to condemn MoD 'mischief making' in the Commons.³³⁶

There was an increased focus on retention and recruitment. Greater weight had to be given to improving the morale and wellbeing of RAF personnel so they received

³²⁹ Other addbacks, although mainly arising from the impact of slippage caused by poor industrial performance leading to underspending, included the medium lift helicopter for the RAF and 41 Commando and HMS Bulwark for the Navy. Cooper condemned slippage for depriving the Services of new equipment and for casting doubt on the genuineness of MoD's case for maintaining the budget at existing levels, let alone increasing it. TNA, DEFE 24/1353, FPM(78)2, 'Financial Planning and Management – 1977-78 and 1978-79', Note by PUS, 9 February 1978; FPM(78)4, 'The Implications of the 1978 Costing', Note by PUS, 14 February 1978.

³³⁰ TNA, CAB 128/63, CM(78)^{3rd} Conclusions, 2 February 1978; CAB 148/172, DOP(78) 1st Meeting, 18 January 1978.

³³¹ <http://handard.millbanksystems.com/commons/1978/mar/13/defence> HC Deb 13 March 1978 vol 946 cc 45-160; Parliamentary Staff, 'Mr Mulley promises the armed forces a fair deal on pay', *The Times*, 14 March 1978; Parliamentary Staff, 'Unprecedented crisis of morale', *The Times*, 14 March 1978; Parliamentary Staff, 'Minister admits that morale in the Armed Forces is not all he would like it to be', *The Times*, 15 March 1978.

³³² <http://handard.millbanksystems.com/commons/1978/mar/13/defence> HC Deb 13 March 1978 vol 946 cc 45-160.

³³³ <http://handard.millbanksystems.com/commons/1978/mar/14/defence> HC Deb 14 March 1978 vol 946 cc 232-372.

³³⁴ <http://handard.millbanksystems.com/commons/1978/mar/13/defence> HC Deb 13 March 1978 vol 946 cc 45-160.

³³⁵ *Ibid.*

³³⁶ AHB, ID3/99/88 Part 1, Papers relating to *In the Midst of Things* – the autobiography of Lord Cameron, interview with Lord Mulley, 31 July 1985.

the same priority as the equipment programme.³³⁷ With full pay comparability not due until April 1980 and no noticeable reduction in the 'alarming trend in premature voluntary retirement' since the 1978 pay award, the Chiefs sought short term improvements in conditions of service. They believed such improvements should be funded from outside the pay kitty.³³⁸ RAF officer recruitment was 'critically low' in 1977, the Navy and Army doing better – partially due to their Short Service Commissions and because of the RAF's lack of influence among school leavers. The AFB observed 'far too many expensively trained people were leaving at the first opportunity and far too few replacements were coming in', concluding RAF manning had reached a 'critical situation'.³³⁹

The manning deficits for junior officer pilots led the AFB to consider in May 1978 increasing the pilot into productive service (IPS) by 20% over the costings period, essential to ensure the front line was manned over the next decade. The pilot outflow at their optional retirement date was twice the level forecast. Pilot requirement at LTC 76 was too low and 60 more needed to be recruited annually, requiring a third basic flying school, with Church Fenton, preferred to Akrotiri.³⁴⁰ The deficit could only be reduced by increasing the number of pilots entering productive service. The contraction of the flying training organisation made continued adherence impossible to the 'bold and deficit' manning policy followed since 1973. The flexibility to expand training to meet an IPS no longer existed. The AMP underlined, 'There is ... no take off point for an increase in IPS of less than 20% which could be achieved without significant expenditure.'³⁴¹ The strategy of 'finely honed manning' had impacted elsewhere, with shortages of General Duties Ground and Electrical Engineers and a shortfall of 60 controllers.³⁴² The AFB asked Wellbeloved to obtain Mulley's agreement for the 20% increase and the necessary airfield facilities at Church Fenton.³⁴³ More immediate was the pilot shortage before increased IPS targets took effect: 'Whatever the shortfall, a substantial reduction of aircrew to

³³⁷ AHB, AFBSC, 78(2), 'Main Assumptions for Estimates 1979/80 and LTC 79: and Longer Term Assumptions for the post-LTC Period', Note by DUS(Air), 14 April 1978.

³³⁸ TNA, DEFE 4/285, COS 17th Meeting/78, 14 November 1978. Various items were being considered including improvements in unaccompanied baggage scales, new and improved Assisted House Purchase schemes and an increase in leave travel warrants.

³³⁹ AHB, AFB, 1(78), Secret Annex B, Item V, 'Manning the RAF – Presentation by DGPM(RAF), 5 January 1978.

³⁴⁰ AHB, AFB, (78)9, 'GD Branch Manning Pilot into Productive Service Targets', Note by AMP, 5 May 1978; AFB, 6(78), 18 May 1978.

³⁴¹ *Ibid.*, (78)17, 'GD Branch Manning Pilot into Productive Service Targets', Note by AMP, 7 July 1978.

³⁴² *Ibid.*, 1(78), 5 January 1978.

³⁴³ *Ibid.*, 7(78), 13 July 1978.

aircraft ratios on most squadrons for some years was inescapable'. The shortage of pilots and ground crew in some trades meant reduced flying.³⁴⁴ NATO was given early warning of the reduced flying effort.

The RAF's public relations and corporate image was critically examined by ACM Sir John Barraclough's report in 1978. When discussing the RAF's 'ethos', it suggested a lack of emphasis on the human side because of the 'cost-effective and management approach'. There was a need to recover an 'all of one company' spirit, to bring wives and families more into the frame and make stations the natural centres of family life.³⁴⁵ Despite briefings and visits resulting in useful coverage, it was conceded, 'the need underlined by Barraclough for a regular volunteer service to project itself towards its public has not been fulfilled to the extent we might have wished'. Public relations were defensive. Press interest lay in pay problems, PVR applications, recruiting and front-line deficiencies and 'today's RAF appears to display an unglamorous, "bionic" and dehumanised image'.³⁴⁶

Moreover, air power required redefinition and emphasis to ensure wider understanding. Barraclough believed RAF public relations should be geared to keeping it in the public eye creditably and accurately. Efforts had centred on presenting the case for an air force, maintaining informed public interest and encouraging tolerance of the RAF's less popular activities, notably, low flying.³⁴⁷ DUS(Air) sensed the AFBSC had switched the report's emphasis from the RAF's external image to its internal health. Follow-up action had to strike a balance between addressing internal challenges and considering the actual theme - finding better ways of projecting the RAF to the public.³⁴⁸

RAF Debate, 3 April 1978

On 1 April 1978, the RAF's 60th anniversary was celebrated in Westminster Abbey with a Service of Thanksgiving attended by the Queen.³⁴⁹ This emotional event was

³⁴⁴ Ibid., 10(78), 25 October 1978.

³⁴⁵ Ibid., AFB, (78)18, 'The Barraclough Report', Note by AMP and DUS(Air), 12 July 1978.

³⁴⁶ Ibid. AFB, (78)26, 'RAF Publicity', Note by DUS(Air), 18 October 1978. The AFB noted in January 1978 the 'RAF seemed to have lost its glamour'. Although its peacetime tasks were difficult and dangerous, they were in many ways remote from the community so it was less easy for the public to relate to the duties of airmen than to sailors and soldiers, see AFB, 1(78), 5 January 1978.

³⁴⁷ Ibid, (78)26, 'RAF Publicity', Note by DUS(Air), 18 October 1978; AHB, AFB 10(78), 25 October 1978.

³⁴⁸ Ibid., 8(78), 20 July 1978. The AFB formed a Steering Committee to produce a formal progress report within a year.

³⁴⁹ Court Circular, 'Thanksgiving service', *The Times*, 3 April 1978.

followed a few days later by the less edifying annual House of Commons debate on the RAF. Wellbeloved charted the Tornado's slow progress. Some 150 models of the IDS version, the GR1, had been ordered. First deliveries were expected in 1979. Production had commenced on three development aircraft in the Tornado F2 programme, the ADV. Wellbeloved highlighted the VC10 purchase [below] and their planned tanker conversion. The Government's commitment to improving UK air defence was shown with further Rapier and Bloodhound surface-to-air missile buys, while the effectiveness of the RAF's support for the BAOR was enhanced with the purchase of 30 Chinook medium-lift helicopters, doubling the RAF's total lift capacity over a 24-hour period. Finally, Wellbeloved confirmed the Government wanted potential European collaboration for Jaguar and Harrier replacement.³⁵⁰

The Opposition spokesman Winston Churchill MP alleged the Government had done more damage to the RAF in three years than the *Luftwaffe* had in six years of war. He underlined rising wastage rates and PVR applications³⁵¹ Tornado deferment risked potential operational deficiencies from slower deliveries and the possibility it would be obsolete when the final aircraft was delivered. Until the Tornado entered service the RAF had no modern, all-weather strike aircraft. Moreover, the stand down of the V Bombers, due in 1982, deprived the RAF of the capacity to attack the Soviet homeland. Churchill stressed RAF Germany's Harriers and Jaguars lacked an air defence missile and wanted Hawk jet trainers to be given a combat role.³⁵² The Government's response on air defence was too slow. The limitations of the Lightnings and Phantoms in the 1980s before the Tornado ADV's arrival were concerning, as was the slow pace of airfield hardening and lack of missile capacity to counter low-flying Soviet aircraft.³⁵³

³⁵⁰ <http://hansard.millbanksystems.com/commons/1978/apr/03/the-royal-air-force> HC Deb 03 April 1978, vol 947, cc36-171.

³⁵¹ *Ibid.*

³⁵² *Ibid.* The AFB agreed the order for 175 Hawk airframes and further batch of engines in September 1976. TNA, AIR 6/196, 6(76), 2 September 1976; AFB, (76)23, 'The Hawk Buy', Note by AMP, 25 August 1976.

³⁵³ *Ibid.* On airfield survival measures, an extension of the programme for hardening tactical airfields already nearing completion in RAFG to the UK, was approved by Mason in September 1975, with costs and NATO funding possibilities. See AHB, AFB, (77)7, 'Airfield Survival Measures', Note by AMOS and VCAS, 1 March 1977; AFB, 3(77), Secret Annex A, Item II, 10 March 1977. It was reported that the cost had risen seven-fold since Stage I of the ASM programme had first been considered. On hardened shelters see TNA, DEFE 23/127, PUSofS (RAF) to SofS, 29 March 1977; SofS to PUSofS (RAF), 30 March 1977; PUSofS (RAF) to SofS, 6 April 1977; PS/PUS to PS/SoS, 18 April 1977; SofS to PUSofS (RAF), 21 April 1977; PUSofS (RAF) to SofS, 2 May 1977; SofS to PUSofS (RAF), 5 May 1977.

The VC10 purchase of nine aircraft from commercial airlines was supported by Beetham, Cameron and Wellbeloved. CAS emphasised the deficiencies of the existing Victor force and added: 'A modest increase in air-to-air refuelling resources would provide a considerable improvement in the RAF's operational capability; as a front-line force multiplier it has no equal.'³⁵⁴ DUS(P) thought the acquisition timely in respect of NATO's Long Term Defence Programme (LTDP) and concerns about UK capabilities although said it was vital the VC10s were run on until the 1990s.³⁵⁵ Wellbeloved assured Mulley that subject to sensible fleet arrangement all nine aircraft would have a life expectancy well in excess of the required 15 years.³⁵⁶ The CDS was supportive.³⁵⁷ Wellbeloved described the proposed purchase to Mulley as 'a first class force multiplier...a particularly timely step in relation to the deficiencies in air defence resources which you recently reported to the Prime Minister and...a very useful force improvement to declare in NATO.'³⁵⁸

Nevertheless, overall RAF costs were forecast to exceed targets. LTC 78 provision for programmes after adjustment assumed a rise of £340m or 38% between 1978-79 and 1981-82. Growth slackened from 1982-83, when expenditure, particularly on Tornado, peaked. After the first two years, spending was forecast to climb fairly rapidly over target – to about £130m annually including 'allowable excesses'. However, 'the underlying picture...is that front line capabilities could not be effectively sustained, and the ability to make qualitative improvements to meet the developing threat would be impaired, without some increase in the presently assumed targets.' Meanwhile, Defence Review manpower targets could only be met by eliminating or reducing planned tasks.³⁵⁹ The higher manpower costs largely arose from commitments not anticipated in 1975. It fell entirely on the ground trades side, significantly the RAF's continued presence in Cyprus.³⁶⁰

³⁵⁴ TNA, DEFE 23/127, Minute by CAS, 'Air-to-Air Refuelling Resources', 17 January 1978. Mulley had agreed, providing they were newer and had fewer flying hours than the five Victors scrapped in the Defence Review, PS/SofS to PS/PUSofS (RAF), 'Purchase of Additional VC 10s', 13 January 1978.

³⁵⁵ *Ibid.*, Quinlan (DUS (P)) to PUS, 'Air-to Air Refuelling Resources', 20 January 1978.

³⁵⁶ *Ibid.*, Brennan (PS/PUSofS (RAF)) to PS/SofS, 'Purchase of Additional VC10s', 25 January 1978; CAS minute, 'Air-to-Air Refuelling Resources', 2 February 1978.

³⁵⁷ *Ibid.*, Brigadier Guy (PSO/CDS) to PS/CAS, 'Air-to-Air Refuelling Resources', 10 February 1978.

³⁵⁸ *Ibid.*, PUSofS (RAF) to SofS, 'Air-to-Air Refuelling Resources', 23 February 1978; SofS to CA, 'Purchase of VC10s for Conversion to Tankers', 17 March 1978.

³⁵⁹ AHB, AFB, (78)4, 'Long Term Costings 1978', Note by DUS(Air), 20 January 1978.

³⁶⁰ *Ibid.*, (78)5, 'Long Term Costing 1978 - Service Manpower', Note by DUS(Air), 20 January 1978.

From 1979-1980 the *Estimates* were presented to Parliament on a forecast outturn price base. They effectively formed the cash limit on spending.³⁶¹ The Defence target was envisaged to be over-subscribed by £80-£100m but precedent suggested it fell between initial presentation to HMT and final presentation. Moreover, the FPMG encouraged modest over-programming to offset programme slippage [and the tendency to underspend] during the financial year. The target position for 1980-81 looked manageable but then climbed rapidly to £300m annually over target. Increases over LTC 78 were attributed to significant manpower increases and the rising real cost of equipment. The AFD Estimates for 1979-80 were £2,120.1m - £43.8m over target, though manageable within the wider Defence budget.³⁶²

Remedial Work?

The final phase of the Labour Government saw various initiatives with major implications for Conservative administrations in the 1980s. This was particularly noticeable in procurement with above-inflation increases in expenditure on high technology equipment. Although in real terms Defence spending in 1978-79 fell to its lowest level since 1950, there was limited light at the end of the tunnel. The 1978 *Defence Estimates* had 'expansionist undertones'. Measures, including procuring medium-lift helicopters for the RAF, helped 'check the slide in Britain's reputation as a reliable ally in Western Europe'.³⁶³

There was growing emphasis on the Warsaw Pact's conventional military threat to the UK. A catalyst was the Joint Intelligence Committee's report (JIC (77)10) which underlined Soviet capability to attack UK targets. The Soviets viewed the UK as a high priority target in general hostilities against NATO. Although the policy of maintaining UK defence on NATO'S collective deterrence was accepted, there were suggestions more resources could be devoted directly to home defence, which accounted for almost one-quarter of Defence spending.³⁶⁴ The Chiefs produced a paper for Callaghan on the defence of the UK, where the Prime Minister was most interested in air defence and coastal and port defence. Cameron insisted on

³⁶¹ AHB, AFB, (78)30, 'Estimates 1979/80 and Long Term Costing 1979', Note by DUS(Air), 10 November 1978. The 1979-80 Defence budget was forecast to be £7152.2m, AFD's share was £2,076.3m.

³⁶² *Ibid.*; AHB, AFB, 12(78), 16 November 1978.

³⁶³ Editorial, 'Undertones of Expansion', *The Times*, 21 April 1978.

³⁶⁴ TNA, CAB 186/24, JIC(77) 10, 'The Soviet Capability to Attack Targets in the United Kingdom Base', Report by the Joint Intelligence Committee, 24 October 1977; DEFE 4/284, COS 33rd Meeting/77, 20 December 1977; CAB 148/172, DOP(78)12, 'Defence of the United Kingdom', Memorandum by the Secretary of State for Defence, 9 June 1978.

presenting hard facts, offering no opportunity for Defence priorities to be changed.³⁶⁵ Callaghan and Mulley discussed 'Response to the Soviet Threat to Targets in the UK' on 20 February 1978. The Prime Minister was particularly concerned the 100 front line fighters had missiles for only two to three days of operations. He wanted to know the optimum period of defensive operations which missile stocks for RAF fighters should cover, the cost and length of time to bring existing stocks up to this level, subject to existing budget constraints. Callaghan worried about surface-to-air missiles and the optimum number of additional Bloodhound missiles for adequate airfield defence. However, he told Mulley, 'these assessments should not be seen as part of a case for increased allocations to the defence budget which are, as you know, not feasible.' They were to 'enable us to decide whether we should consider a re-allocation of existing resources'.³⁶⁶ Healey said the objective was to 'enable consideration to be given to possible reallocation of existing resources'.³⁶⁷ Callaghan was content to discuss defence shortcomings at DOPC but was not contemplating additional resources above the 3% already agreed.³⁶⁸

NATO's shift to flexible response (December 1967) placed greater emphasis on [costly] conventional capacity.³⁶⁹ However, it was 'virtually inconceivable' the Soviet Union would attack the UK in isolation.³⁷⁰ UK defence began at the Inner German Border and the Atlantic rather than on the shores or air space of the British Isles. There was no need to embrace a 'Fortress Britain' strategy, despite 'significant shortages in certain fields'.³⁷¹ The AFBSC observed the concept of Air Defence did not necessarily mean completely denying UK air space to the enemy but effective air defence should inflict an 'unacceptable rate of attrition'. Some 120 Soviet Fencer sorties and 150 Backfire sorties against the UK were anticipated daily in the opening stages of a conventional war in the early 1980s. There could also be 250 Naval

³⁶⁵ TNA, DEFE 4/285, COS 1st Meeting/78, 12 January 1978; DEFE 25/754, DCM(78)2nd Meeting, 8 March 1978.

³⁶⁶ TNA, CAB 164/1506, PM to SofS, 20 February 1978; Cahal Milmo, "'Crazy" cost cuts left the UK vulnerable to invasion', *Independent*, 30 December 2008. Callaghan minuted, 'Heaven help us if there is a war'.

³⁶⁷ *Ibid.*, folio 45, CHX to SofS, 23 February 1978.

³⁶⁸ *Ibid.*, Cartledge (PS/PM) to Vile (Cabinet Office), 2 May 1978.

³⁶⁹ TNA, DEFE 5/204, COS 12/79, The Security of the United Kingdom Base, p. A-17, 14 August 1979. Although nearly 12 years had elapsed since the transition by NATO from the strategy of massive retaliation to one of flexible response, with an emphasis on the Alliance conducting robust conventional defence, there were still major gaps in capabilities required for the defence of the UK Base.

³⁷⁰ TNA, CAB 148/172, DOP(78) 9th Meeting, 12 September 1978.

³⁷¹ *Ibid.*

Backfire sorties against ACCHAN, EASTLANT and coastal targets. Notional estimates indicated 46 enemy aircraft would be claimed in an initial attack by fighters, Bloodhound and Rapier. However, 150 enemy aircraft might reach their targets although there would be a gradual diminution of Soviet ability thereafter. Fighter airfields could be repaired but ground radars were vulnerable.³⁷² The capability of UK defence forces was 'uncomfortably thin'. This would become more pronounced as the Soviet threat increased.³⁷³

The air defence programme was central to UK countermeasures. Mulley highlighted the VC-10 tanker purchase and Shackleton-replacement by Nimrod. The Government recognised it was impossible to protect all Defence installations in the UK Base.³⁷⁴ Likely targets for Soviet air and maritime attack and sabotage were nuclear forces (including associated command and control installations), air defence facilities, offensive air bases, maritime forces and the movement of reinforcements by sea and air.³⁷⁵ Mulley summed up the limitations of UK defences:

We have 98 Lightning and Phantom fighters declared to NATO, 36 Bloodhound SAM launchers for area defence and one Rapier point defence surface to air missile squadron. They are supported by Victor tanker aircraft and Shackleton airborne early-warning (AEW) aircraft. We would also benefit from any attrition that other NATO forces might inflict on incoming aircraft but we cannot rely on any direct support by allied forces within the United Kingdom air defence region.³⁷⁶

NATO's LTDP³⁷⁷ suggested 46 more aircraft were required for UK air defence. The Phantoms' missiles covered two to three days operations and surface-to-air missile

³⁷² AHB, AFBSC, 1(77), 20 January 1977.

³⁷³ TNA, CAB 148/172, DOP(78)12, 'Defence of the United Kingdom', Memorandum by the Secretary of State for Defence, 9 June 1978.

³⁷⁴ See TNA, DEFE 5/204, COS 12/79, The Security of the United Kingdom Base, p. A-17, 14 August 1979. Priorities were assigned to Defence installations based on a Key Point (KP) system, with four categories: Type 1 – Nuclear; Type 2 – Continuity of Government; Type 3 – Critical; Type 4 – Survival. In the summer of 1979, KPs of Types 1 – 3 totalled some 400.

³⁷⁵ TNA, CAB 148/172, DOP(78)12, 'Defence of the United Kingdom', Memorandum by the Secretary of State for Defence, 9 June 1978.

³⁷⁶ *Ibid.*

³⁷⁷ TNA, CAB 148/172, DOP(78)9, 'North Atlantic Treaty Organisation Long Term Defence Programme', Memorandum by the Secretary of State for Defence, 27 April 1978; CAB 148/172, DOP(78) 5th Meeting, 3 May 1978. NATO's LTDP was launched following President Carter's initiative at the London Summit (May 1977). Its aim was to strengthen NATO forces to meet the changing Defence needs of the 1980s. It included the creation of 10 task forces which studied specific parts of NATO

stocks were inadequate. Bloodhound was to cover 15 key RAF and US Air Force airfields, although initially with a single reload capability. The requirement for Rapier in the UK was estimated by the LTDP to be six squadrons by 1985. In June 1978 only Leuchars had it, with plans for a second squadron to protect Lossiemouth. Other deficiencies were underlined – the UK air defence radar command and control system was largely ‘unhardened’ against conventional attack. There were no hardened shelters for aircraft. More positively, Tornados would replace Lightnings and Phantoms on an almost one for one basis between 1985 and 1990 and AEW Nimrods were to replace Shackletons. Missile stocks for the Phantom-force would be brought up to the six-day level, in line with the NATO criteria by 1984. Bloodhound launchers would increase to 104, with the transfer to the UK of the squadron in West Germany. Additional Bloodhound missiles would be bought from Sweden, plans for further Rapier deployments were being considered and options examined for Bloodhound-replacement after 1985. By the mid-1980s hardened aircraft shelters were to cover 70% of strike/attack and air defence aircraft in the UK, while improvements were planned to make the command and control system for air defence more robust.³⁷⁸

Although an additional 50 AD aircraft were needed, these could not be found by re-balancing the collaboratively agreed Tornado programme. Nor was possible to renege on Tornado ADV for the Central Front. The UK had treaty obligations for the peacetime policing of the air corridor between West Germany and Berlin. Mulley preferred to order more aircraft at the end of the set production programme. It was not desirable to do ‘substantially more’ for the direct defence of the UK at the expense of other NATO tasks. This could harm wider NATO strength and cohesion, weakening UK security longer term. The best way to deter a foe was to persuade them the price of aggression would be too high in relation to any gains.³⁷⁹

capability where improvement was particularly required. Most of these were already reflected in the UK’s forward Defence plans according to the MoD. The DOPC was told some further proposals could be accepted at an annual cost of £10-£20m and there were other proposals which would reach up to £200-£250m a year from 1983-84. Air Defence came under Task Force 5. In line with the Government’s approach of examining positively the possibility of incorporating the proposals into British Defence plans but not offering up further financial or firm political commitments, the suggested line to take was: ‘We can welcome the general thrust of the proposals, but the high cost measures which are not covered by our current plans will need to be studied in greater depth.’

³⁷⁸ TNA, CAB 148/172, DOP(78)12, ‘Defence of the United Kingdom’, Memorandum by the Secretary of State for Defence, 9 June 1978.

³⁷⁹ *Ibid.*, DOP(78) 9th Meeting, 12 September 1978.

Similar sentiments were expressed about the RAF when FPMG received presentations from the three Services and PE in mid-September 1978. The PUS questioned the impact of pressure to support the aviation industry and collaborate with European allies had on the RAF's operational capabilities. Collaboration had been driven by the need to reduce R&D overheads but overall, the pros and cons of collaboration were hard to judge. Defining and harmonising operational requirements with overseas air forces caused early delays with projects. Foreign purchases, notably Phantom and Hercules, had proved 'satisfactory' although the importance of an indigenous industry was appreciated. Collaboration involved potential standardisation, exports and political benefits. CAS also thought existing aircraft numbers were the absolute minimum and he hoped for modest increases in aircraft numbers and missiles, noting Mulley's support for an additional 50 air defence aircraft and the LTDP recommending an extra 46. However, it was noted there was no ready source of such aircraft. Meanwhile, CAS stated that 'the pilot shortage had become a critical constraint' but rejected the notion that the RAF in the future should largely concentrate on the defence of the UK and approaches or of the European continent. He instead stressed the complementary nature of the RAF's roles, underlining the flexibility of air power with aircraft of the future, notably Tornado, providing multirole capability. Beetham emphasised the primacy of maintaining a balanced Air Force.³⁸⁰

Defence expenditure for 1978-79 was almost 1% lower than in 1977-78. Only £8m of the Government's £1,000m construction package was allocated to Defence. The budget was set at £6,466m for 1979-80 and £6,660m for 1980-81.³⁸¹ Defence was still paying the price for earlier reductions:

The planned Defence Budget for 1978-79 was reduced by £298 million, or 4 per cent, as part of the public expenditure savings on which the Government decided at the end of 1976. The resultant Defence Budget for 1978-79 is thus lower than for any previous year

³⁸⁰ TNA, DEFE 24/1354, FPM(78)^{7th} Meeting, 14 September 1978; Annex A to FPM(78)^{7th} Meeting, 'FPMG Presentation on the RAF Programme 14 Sep 1978'.

³⁸¹ TNA, CAB 148/167, DOP(77)^{7th} Meeting, 21 November 1977. It was noted that when revalued at 1977 Survey prices, the figure for Defence for 1979-80 published in the last public expenditure White Paper was £6,521m but the figure based on annual growth of 3% was only £6,466m. This reduction of £55m would help in the presentation of the decision in favour of a 3% increase. The figure for 1980-81 of £6,660m based on 3% annual growth was £119m more than the revalued White Paper figure of £6,541m but the Committee considered there was not the same requirement for a firm figure for that year.

since 1950, and lower also than those planned for the two following years.³⁸²

The baseline figure for expenditure for 1981-82 was £290m short of the Defence Review projection. The MoD indicated this would be 'seriously insufficient' to support the programme. The PESC Committee criticised post-Review cuts and deferrals, notably on equipment and works, recommending, 'This lost ground needs to be restored as far as possible'.³⁸³ Operational works to support front-line systems, including Tornado, were a priority. To sustain frontline capabilities agreed by Ministers in 1974-75 increased spending was essential in the early 1980s.³⁸⁴ Various add-back commitments for which insufficient or no critical level provision was made would continue. Other assumptions made in 1975 had 'been falsified in various ways'. These included Northern Ireland commitments, suspending withdrawal from Cyprus, Gibraltar dockyard, Belize garrison reinforcement, the unfulfilled hope that 5,000 BAOR personnel would return to the UK following successful MBFR talks, MoD civil servants' dispersal costs and annual costs of £10m arising from the Health and Safety at Work Act 1974 and Employment Protection Act 1975.³⁸⁵

Treasury analysis stated if the Government insisted on the baseline figures for 1981-82 and 1982-83 'a reassessment of...defence commitment would be necessary', probably involving 'a significant reduction in one or more aspects of the United Kingdom's role in NATO'.³⁸⁶ This meant cutting RAF equipment: 'top-up purchases of Harriers and Jaguars to sustain the front line, and planned improvements in these aircraft would have to be reconsidered'. Harrier and Jaguar-replacement would be threatened, alongside the Puma Helicopters purchase, additional Rapier squadrons and new air-to-air missiles, the development of the new anti-ship missile and timely delivery of Jaguar and Tornado ECM equipment. These measures reduced RAF operational capability with damaging industrial effects.³⁸⁷ The PUS also highlighted escalating equipment costs. In late 1977, Cooper underlined the cost of successive generations of equipment was rising by 6% annually in real terms and it would be difficult for the funds available for equipment

³⁸² TNA, CAB 129/201, CP(78)67, 26 June 1978, 'Public Expenditure to 1982-83', Note by the Chief Secretary, Treasury enclosing 1978 Report by the Public Expenditure Survey Committee, Public Expenditure to 1982-83, Part Two Detailed Analysis of Programmes and Supplementary Analysis, p. 3.

³⁸³ *Ibid.*, p. 4.

³⁸⁴ *Ibid.*, p. 4.

³⁸⁵ *Ibid.*, p. 4.

³⁸⁶ *Ibid.*, p. 4.

³⁸⁷ *Ibid.*, p. 5.

to cope with this rate of increase.³⁸⁸ A year later he welcomed the equipment programme moving at a faster tempo but thought that rising costs of certain programmes, mentioning Nimrod AEW and Stingray torpedo, might lead to a 'critical examination of the content of the programme', especially as in the early 1980s 'it was beginning to look over-full'.³⁸⁹

The budget proposed for 1981-82, £7,641m, was 3% more than 1980-81, in line with NATO guidance but £74m short of the Review projection and not specifically incorporating additional costs and commitments. The MoD viewed it as 'just sufficient to maintain the planned front line capability and allow the equipment programme to be sustained, allowing for the increased production commitment which will be arising from projects such as Tornado', and permit some improvements to home defences.³⁹⁰ The PESC welcomed the 3% increase for 1979-80 and provisionally for 1980-81 but failure to maintain this would be 'highly damaging politically as well as indefensible in military terms'.³⁹¹ Mulley proposed an extra £217m in 1981-82 and a similar increase in 1982-83.³⁹² When the Cabinet discussed public expenditure there was tension about Defence spending beyond 1980-81.³⁹³ Mulley hoped public expenditure totals for 1981-82 and 1982-83 could be presented in a way 'which minimises the ground for accusations that we are the first country explicitly to abandon the 3% growth target which NATO Governments accepted last December.' He wanted the 1981-82 and 1982-83 figures to be described as 'provisional'.³⁹⁴ The Chief Secretary agreed to describe these figures as 'provisional' in the White Paper but warned, 'We are making no promises now to continue the 3% growth beyond 1980/81'.³⁹⁵ Correspondence between Mulley and Barnett then focused on precise White Paper wording.³⁹⁶

³⁸⁸ TNA, DEFE 25/754, DCM(77)6th Meeting, 14 November 1977.

³⁸⁹ *Ibid.*, DCM(78)7th Meeting, 18 December 1978.

³⁹⁰ TNA, CAB 129/201, CP(78)67, 26 June 1978, 'Public Expenditure to 1982-83', Note by the Chief Secretary, Treasury enclosing 1978 Report by the Public Expenditure Survey Committee, Public Expenditure to 1982-83, Part Two Detailed Analysis of Programmes and Supplementary Analysis, p. 6.

³⁹¹ *Ibid.*, p. 7.

³⁹² TNA, CAB 129/203, CP(78)99, 10 October 1978, 'Public Expenditure 1979-80 to 1982-83', memorandum by the Chief Secretary, Treasury. The new proposals from Barnett would see at 1978 survey prices, Defence spending of £7,178m in 1979-80, £7,394m in 1980-81 and £7,420m in the two subsequent years.

³⁹³ TNA, CAB 128/64, CM(78)35th Conclusions, 17 October 1978.

³⁹⁴ TNA, CAB 164/1506, SofS to PM, 23 October 1978.

³⁹⁵ *Ibid.*, CST to PM, 3 November 1978.

³⁹⁶ *Ibid.*, Facer (PS/SofS) to Pirie (PS/CST), 10 November 1978.

The DOPC thought NATO should consider a fundamental strategy review. A major impediment was German reluctance to discuss the prominence of the Central Front.³⁹⁷ The Committee considered whether the UK should conduct its own review, re-examining the threat to NATO and NATO strategy. It was hoped this might exert leverage on NATO to conduct its own strategy reappraisal, although the LTDP had only recently been approved.³⁹⁸ Following their discussion at Camberley on 10 December 1977, the Chiefs commenced a wide-ranging Way Ahead Study, considering Defence over the next 20 years, incorporating a re-examination of NATO and UK strategy and assessing the impact of economic trends and likely technological advances. Terms of Reference were set out in January 1978.³⁹⁹ Assumptions (WASP 1) were set out by the Way Ahead Study Group (WASG) and slightly amended by the Chiefs in March 1978; the short-term study WASP 2 was produced at the end of May and the final paper WASP 3 was ready by mid-October. The WASG was directed by a Navy Commodore, previously COS Committee Secretary, with four members, one from each service and a civil service representative.⁴⁰⁰ It was hoped WASG work would underpin a review of the type discussed by the DOPC, providing an outline running parallel with NATO's programme of long-term improvements to address Western defence weaknesses. The Way Ahead study was to remain private, with its findings to be presented to DOPC by Mulley.

These discussions coincided with fresh criticism of UK air defence. Gilmour described it as the 'Cinderella' of the RAF. A Press Association report in August 1978 said there were only 74 aircraft available to defend the country against air attack. Mulley expressed his displeasure to Beetham that this story had appeared following an MoD press briefing. No further briefings were to be provided without

³⁹⁷ TNA, DEFE 5/204, COS 6/79, Defence Policy Study – 1979, p. A-10, 16 February 1979. As German influence in NATO grew there was a greater emphasis on forward defence, making it politically unacceptable to embrace any defensive plan which involved the abandonment of national territory without a fight.

³⁹⁸ TNA, CAB 148/172, DOP(78) 9th Meeting, 12 September 1978.

³⁹⁹ TNA, DEFE 25/355, folio E7, Commodore Stanford (Secretary, Chiefs of Staff) to Chiefs of Staff, 21 January 1978. With AFD the WASG initially consulted with ACAS (Pol) and AUS (AS). PS/CAS to SECCOS, 1 February 1978.

⁴⁰⁰ AHB, Commodore Stanford (Director WASG) to SECCOS, 'Report of the Way Ahead Study Group', 18 October 1978. Group Captain D Parry-Evans was the RAF representative.

ministerial authority.⁴⁰¹ Wellbeloved insisted the RAF would ‘put up a very, very credible show indeed if we are faced with these terrible possibilities’.⁴⁰² He added:

There are more aircraft defending the skies and integrity of this country than when the last Conservative administration left office. These aircraft primarily in air defence roles are Phantoms, ordered by the Labour Government, that are two to three times more effective than the Lightnings they left us to defend the country with.⁴⁰³

The Numbers Game

As the *Daily Telegraph* and other media outlets questioned Service manning, the Prime Minister requested figures for recruiting, run out and PVR.⁴⁰⁴ CDS told Mulley in November 1978 the RAF was ‘short of officers virtually everywhere’. The overall RAF officer recruitment target was missed by 30% in 1977-78, with a similar experience in 1978-79, in all areas except pilots. Recruitment for navigators and almost every ground branch was ‘disastrous’, with shortfalls of between 40 to 70%. Only 86 out of 210 RAF University Cadetships had been taken up. To achieve even 90% of Airmen recruitment, intake age was reduced to 16, entry standards modified and quotas for women raised, ‘who add to training costs because of higher turnover’. Meanwhile, officers’ departures at Optional Retirement Date (ORD) (age 38/16 years of service) were increasing, projected by 1979-80 to reach the highest rate ever recorded in the RAF. CDS insisted the 1978 pay award had failed to stabilise the situation, required recruits had not materialised and valuable trained officers and men had left or intended to leave. The objective was to limit the period of severe shortfall and accelerate the date when strengths would rise again. It was essential to win the retention battle. The 1979 Pay Award and delivering projects to improve Conditions of Service were key.⁴⁰⁵

⁴⁰¹ TNA, PREM 16/1575, SofS to PM, 30 August 1978.

⁴⁰² Craig Seton, ‘Minister rejects claim that air defences are “Cinderella” of RAF’, *The Times*, 31 August 1978; Henry Stanhope, ‘Air strength unchanged for years’, *The Times*, 30 August 1978. Stanhope asserted: ‘RAF officers believe in fact that the present government has done more to improve Britain’s air defences than the Conservative government that preceded it.’

⁴⁰³ Parliamentary Staff, ‘RAF better able to deter hostile intruders’, *The Times*, 22 November 1978.

⁴⁰⁴ TNA, DEFE 13/1287, Ledlie (DCPR) to APS/SofS, 1 November 1978; APS/SofS to PSO/CDS, 8 November 1978.

⁴⁰⁵ *Ibid.*, folio 7, CDS to SofS, 9 November 1978 based on minute in folio 6, VCDS(P&L) to CDS, 9 November 1978.

Although recruitment in 1978-79 was slightly up on the previous year and total outflow had not increased significantly, the 1978 pay award had not checked the outflow of PVR. This involved the most experienced, able and highly skilled men leaving the Services as well as re-training problems and extra costs. Mulley described continued ‘discontent over pay’ and conditions of service ‘irritants’. He added, ‘One factor is a false, but detectable, impression among Servicemen that the community at large, and the Government in particular, undervalue the Armed Forces and their contribution to our security.’ The commitment to increase spending by 3% in the next two years ‘and hopefully thereafter’ helped allay these concerns, with a strong forward commitment on pay also sought. Mulley stressed the Opposition and media would make ‘political capital’ from the worrying trends in Forces’ figures but pledged to be open, highlighting the Government’s commitment to full pay comparability by 1980, stressing Ministers and senior officers agreed on the problem’s importance and means to deal with it.⁴⁰⁶ Nevertheless, Mulley was concerned, expecting intensified press and Parliamentary interest in the Services manpower situation over the coming months. He commissioned VCDS (Personnel & Logistics (P&L)), General Bramall, to scrutinise the figures, considering recruitment targets, entry standards, training levels and the recruitment of more women.⁴⁰⁷ Mulley recognised the grave personnel issues in the draft *Defence Estimates* in January 1979⁴⁰⁸ and the Chiefs agreed:

The recruiting and retention of skilled manpower is of particular concern; for example, the Royal Air Force is facing severe shortages in certain categories, especially aircrew. It is difficult to escape the conclusion that dissatisfaction with pay and conditions of service and the attitudes towards the Services which are thought to lie behind them, form the basic cause of this wastage.⁴⁰⁹

Among RAF officers there were shortfalls in navigators, engineers and most ground branches. Among Servicemen, shortages were anticipated in key technical and support trades. The RAF’s reintroduction of the short service commission for aircrew in 1978 attracted sufficient pilot applications but the lengthy training

⁴⁰⁶ Ibid., folio 9, APS/SofS to PSO/CDS, 14 November 1978; SofS to PM, 13 November 1978. The Prime Minister had ‘taken note of the position’, folio 12, PS/PM to PS/SofS, 21 November 1978.

⁴⁰⁷ Ibid., folio 13, PUS to SofS, 4 December 1978; folio 14, SofS to VCDS(P&L), 11 December 1978.

⁴⁰⁸ TNA, CAB 148/178, DOP(79) 2nd Meeting, 17 January 1979; DEFE 4/286, COS 2nd Meeting/79, 16 January 1979.

⁴⁰⁹ TNA, DEFE 5/204, COS 6/79, ‘Defence Policy Study – 1979’, p. A-32, 16 February 1979.

process meant the shortage would endure for several years.⁴¹⁰ Particularly worrying was the ‘unusually high outflow among the more experienced and highly skilled categories [of Services’ personnel] following requests for premature voluntary release’. It was hoped as reorganisation and redeployment neared completion and measures to relieve overstretch had an impact, normal levels of outflow would resume.⁴¹¹

VCDS (P&L) reported to Mulley on 19 January 1979, incorporating material from AMP. He cautioned against sharply increasing recruitment targets and denied overtraining. The limitations on recruiting women were discussed although all three Services were progressing ‘vigorously’ with the increased employment of women where shortages existed, where women were suitable and where there were women applicants.⁴¹² The Chiefs told VCDS (P&L) they believed a return to full pay comparability by 1 April 1979 was essential to overcome manning problems.⁴¹³

As the Government tried to impose wage restraint in 1978-79, the Services were spared from measures to rein in central Government pay. Ultimately, pay restraint policy triggered widespread strikes, culminating in the ‘Winter of Discontent’. The Chief Secretary stressed the importance of holding the non-pay element of Defence spending in the cash limits. A 2% squeeze on cash limits, less than what would be needed to accommodate fully pay settlements in excess of the Government’s guidelines exempted Armed Forces pay but applied to MoD civilians.⁴¹⁴ The Government was committed to accepting the AFPRB’s recommendation from 1 April 1979. It rejected cutting headcount or equipment, although a squeeze elsewhere was not expressly discounted.⁴¹⁵ AFD discussions over LTC 79 indicated that ‘real economies were needed’. There was a serious imbalance between the potential resources available to meet the target level and the demands upon these resources. Corrective measures were to be implemented carefully to avoid short-

⁴¹⁰ TNA, CAB 129/205, CP(79)3, ‘Statement on the Defence Estimates 1979’, memorandum by the Secretary of State for Defence, 22 January 1979; Henry Stanhope, ‘RAF brings back short commissions to attract more pilots’, *The Times*, 10 January 1978. Pilot recruitment figures were said to be about one-third below target.

⁴¹¹ TNA, CAB 129/205, CP(79)3, ‘Statement on the Defence Estimates 1979’, memorandum by the Secretary of State for Defence, 22 January 1979; CAB 128/65, CM(79)4th Conclusions, 25 January 1979. The Cabinet seemed resigned to continued criticism, whichever way the problem was presented.

⁴¹² TNA, DEFE 13/1287, AMP to VCDS(P&L), 5 January 1979; folio 16, VCDS(P&L) to SofS, 19 January 1979; folio 18, PS/SofS to SofS, 23 January 1979.

⁴¹³ TNA, DEFE 32/26, Duxbury (Secretary, COS Committee) to VCDS (P&L), 10 January 1979.

⁴¹⁴ TNA, CAB 129/205, CP(79)13, ‘Cash Limits 1979-80: Supplementary Notes’, memorandum by the Chief Secretary, Treasury, 20 February 1979.

⁴¹⁵ TNA, CAB 128/65, CST to PM, 22 March 1979.

term underspends. The impact of economy measures on RAF morale was another factor. Work on proposed reductions was to be done quietly and in house.⁴¹⁶

Manpower needs had been understated since LTC 1975. Establishment numbers had increased since April 1977 but there was the risk of hurried cuts as plans became unattainable. The AFB forecast 90,000 personnel by 1988, compared to 82,000 predicted in the Review, peaking at 92,090 in April 1984, 10,000 higher than projected. The Board maintained this arose from policies beyond its control, including NATO's policy of flexible response and developments outside the NATO area. These combined to increase the manpower requirement.⁴¹⁷ The tendency to underestimate manpower requirements was evident in successive LTCs. The reduction in RAF strength followed by expansion involved significant personnel turnover and loss of experience. Concerns surrounded training effectiveness, with worries about the number of inexperienced airmen and shortage of experienced officer trainers.⁴¹⁸

The issue of PVR remained critical in the RAF with levels historically high. In 1977-78 they were 66% higher than 1976-77 and over 90% higher than the 1973-76 average. Some junior officer pilots were told to anticipate waiting times of up to nine years. In addition, 'disastrous' recruiting in 1976-77, high wastage rates on flying training and an upturn in requirements made it 'mathematically sound' to persist with tight PVR quota control to protect branch strengths. However, AMP said some officers on the PVR waiting list were determined 'to secure their exits by any means possible'. This presented morale, efficiency and flight safety issues. The publicity attached to individual cases damaged the RAF and hampered officer recruitment. AMP concluded that PVR quotas had created 'widespread bitterness and dissatisfaction', working against the RAF by holding officers to stricter conditions of service than applied in the Navy and Army.⁴¹⁹ The AFB reluctantly recognised a quota system must be maintained. PVR waiting lists were longest

⁴¹⁶ AHB, AFB, 2(79), 29 January 1979.

⁴¹⁷ *Ibid.*

⁴¹⁸ AHB, AFB, 2(79), 29 January 1979; AFB, (79)3, 'Long Term Costing 1979 – Service Manpower', Note by DUS(Air), 19 January 1979. The upsurge in applications from officers for PVR during 1977, was reported to the AFB. Particular worries concerned the increased rate of applications from junior officer pilots and electrical engineers. There were concerns that to continue to apply the strict quota to man the force, some officers would have to wait at least eight years before they were allowed to go. AHB, AFB, (77)27, 'Premature Voluntary Release', Note by AMP, 20 October 1977; AFB, 9(77), 10 November 1977.

⁴¹⁹ AHB, AFB, (78) 16, 'Premature Voluntary Release', Note by AMP, 7 July 1978; AFB, 7(78), 13 July 1978.

where manpower deficits were most serious. Removing quotas risked increasing deficits and exposing the RAF to sudden outflows. In July 1978, the AFB agreed to AMP's recommendations that no officers should normally be required to wait longer than three years for PVR quota places. No change was necessary to the maximum waiting period of 18 months for airmen.⁴²⁰

In March 1979, CDS returned to the charge on manpower, the third time he had underlined his concerns to Mulley.⁴²¹ The Chiefs viewed the matter 'with the very greatest concern' and expected the AFPRB to underline 'the urgency of giving full pay comparability as soon as possible. They may even make a firm recommendation that it should be granted at once.' The alarming statistics led the Chiefs to conclude there was 'no other solution if we are to maintain the efficiency and strength of our Defence forces'.⁴²² PVR was running at the very high levels seen in 1977-78, far above previous levels. Over half of RAF officers with the option to leave after 16 years were doing so, for pilots it was 70%. Far more airmen would have left but were held back by quota controls.⁴²³ Cameron concluded:

I must therefore strongly advise you and place on record that, in the opinion of the Chiefs of Staff, only the achievement of full pay comparability on 1 April 1979, coupled with an assurance of continuing comparability, can bring about any change in the present highly damaging trends in the manpower situation in the Armed Forces, and that parallel improvements in other conditions of service are also essential if these alarming trends are not only to be checked but actually reversed.

In view of the extreme seriousness of the situation, and the potential danger to the Nation's defences, I would be grateful if you could make the Prime Minister aware of the contents of this submission.⁴²⁴

Mulley's PS was sceptical and thought the Chiefs had made 'some rather selective use of the statistics'. He did not believe the Prime Minister should be exposed to this. He recommended that once the AFPRB report was received, Mulley should highlight to Cabinet colleagues the wastage rates and recruitment difficulties. Only

⁴²⁰ AHB, AFB, 7(78), 13 July 1978.

⁴²¹ TNA, DEFE 13/1287, folio 25, CDS to SofS, 21 March 1979. CDS noted he had advised Mulley on 9 November 1978 and on 16 January 1979, the latter in respect of the requisite 'Recruitment and Outflow' section in the Defence Estimates.

⁴²² *Ibid.*

⁴²³ *Ibid.* The RAF was short of 570 officers and 2,800 airmen.

⁴²⁴ *Ibid.*

the Police were likely to get comparability quicker than the Services, who Mulley was told should be content with around 25%.⁴²⁵ Nevertheless, Mulley told Callaghan ‘the manning situation remains very serious’. He cited CDS’s figures and said the Chiefs had asked him to bring these figures to his attention ‘and to stress their concern’. They demanded full pay comparability on 1 April 1979. Mulley stressed this was impracticable. The commitment made in 1978 had promised to restore comparability by 1 April 1980.⁴²⁶

CDS was angry the tone of Mulley’s minute did not convey the anxiety felt by the Chiefs – ‘we now have a crisis situation on our hands’. Cameron was grateful Mulley had used the figures provided but said the Chiefs’ submission was intended to ‘much more than “stress their concern”’. Cameron continued:

As the military advisers to HM’s Government we wished to make quite clear to the Prime Minister our view of the “extreme seriousness of the situation and the potential danger to the Nation’s defences” which goes a good deal further than stressing concern.

I would thus wish to place on the record that there appears to be a considerable disparity between your own assessment of the seriousness of the outflow figures and those of the Chiefs of Staff.⁴²⁷

With a General Election campaign in full swing there is no reply from Mulley to CDS in the file. Downing Street did reply. The Prime Minister recognised the serious operational consequences the Chiefs had outlined and considered the implications sensitive. He agreed with Mulley that it was not practicable to contemplate any change to the Government’s commitment to restore comparability by 1980 but wanted Ministerial consideration of the Review Body’s Report covering the first instalment due in April 1979 to be dealt with ‘expeditiously’.⁴²⁸

Boosting Fighter numbers

Meanwhile, the Government remained under NATO pressure to boost fighter numbers. The AFBSC agreed the need was ‘unquestionable’ but there was no short-term way to increase strength due to manpower and budgetary limitations.⁴²⁹ The

⁴²⁵ TNA, DEFE 13/1287, folio 26, PS/SofS to SofS, 22 March 1979. DEFE 32/26, COS Informal Meeting, 16 March 1979, noted the AFPRB was unlikely to be available before 30 March and Mulley was then absent overseas from 1 to 4 April 1979.

⁴²⁶ TNA, DEFE 13/1287, folio 31, SofS to PM, 6 April 1979.

⁴²⁷ TNA, DEFE 13/1287, folio 31/1, CDS to SofS, 6 April 1979.

⁴²⁸ Ibid., folio 35, PPS/PM to PS/SofS, 9 April 1979.

⁴²⁹ AHB, AFBSC, 1(79), 26 January 1979.

VCAS told the AFB in late March 1979: ‘the air defence system was still largely unhardened, inflexible and small’. In contrast, ‘the threat was massive and increasing’. Initially, 60 Lightnings were provided, replaced in 1974 by 40 Phantoms, supplemented by an additional 10 from the Operational Conversion Unit (OCU). In 1975, the AFB proposed running on 24 Lightnings. This front line was the absolute minimum. By 1978 it was insufficient.⁴³⁰ There were insufficient aircraft to cover both the protection of the UK and the protection of forces in the EASTLANT. The financial situation and LTC figures meant Rapiers remained in doubt and additional radars were deferred. Only the SAMs among proposed measures contributed directly to countering potential Soviet attacks.⁴³¹

The pilot shortage and lead-time for training rendered it impossible to increase fighter numbers until the mid-1980s. Limited options were available, including forming a shadow squadron using former Lightning pilots, engineers and ground personnel. An additional Lightning squadron was possible if studies confirmed the aircraft’s life could be lengthened. This provided limited additional capability. There were major questions concerning fatigue with stringent conservation measures to maintain aircraft in front line service until 1986. This might mean an enhanced Lightning front line of perhaps 36 aircraft between 1982 and 1986 but concerns arose from Soviet ECM capabilities. Lightnings had limited range and low-level effectiveness, little scope for further improvement and would become progressively less effective. An expansion of the Lightning force by 12 aircraft would increase numbers until 1986 but not bring any qualitative improvement in air defence capability.⁴³²

The first opportunity to enhance the fighter force, other than by buying foreign-built aircraft, would be in 1986 when Phantoms could run on when Tornado entered service.⁴³³ Alongside prolonging Phantoms, it was suggested buying additional Tornado ADV at the end of the production run, forecast for 1990. NATO’s LTDP

⁴³⁰ AHB, AFB, (79)7, ‘United Kingdom Air Defence Responsibilities’, Note by VCAS, 13 March 1979.

⁴³¹ AHB, AFB, 3(79), 22 March 1979.

⁴³² AHB, AFB, (79)7, ‘United Kingdom Air Defence Responsibilities’, Note by VCAS, 13 March 1979; AHB, AFB, 3(79), 22 March 1979.

⁴³³ AHB, AFB, (79)7, ‘United Kingdom Air Defence Responsibilities’; AHB, AFB, 3(79), 22 March 1979. The plan for UK Air Defence was for 60 Tornados to replace 50 Phantom and 24 Lightnings from 1985. A further 10 Tornados were to be available from the OCU, though aircraft would not be assigned to SACEUR until the front line re-equipment was largely completed. The improved quality with the introduction of the Tornado in the late 1980s, would however be accompanied by a reduction in aircraft numbers from 104 to 100.

recommended the UK increase Tornado F2 numbers by 50%.⁴³⁴ Mulley preferred this option.⁴³⁵ The LTC made no financial provision for additional fighters. Even an extra Lightning squadron or Phantom run on necessitated an increase in the AFD target level. Nevertheless, VCAS insisted the argument for stronger air defences justified the AFD case for a greater share of the Defence Budget.⁴³⁶ The Board was urged to underline the need for more fighters and emphasised the means would ultimately have to be found. Three more squadrons constituted the ‘bare minimum’, producing a total front line of around 150 fighters. This would reduce the imbalance of more than four to one against to rather less than three to one. Increasing the front line by three squadrons of two seat aircraft produced an establishment of 150 aircrew and about 1,900 engineering and Station support personnel, excluding additional manpower required to expand training facilities.⁴³⁷

If the American F18 became part of AST 403, that aircraft might be an option for the additional fighters. However, any approach was cautioned as it may prejudice European negotiations over AST 403, unless the approach was specifically for F4s [Phantoms]. The possibility of buying or leasing further Phantoms was considered worth exploring. The Hawk trainer provided an element of daylight and localised air defence. It was a ‘useful but limited’ supplement to fighters and SAM, in short-range low-level point defence, and the possibility of fitting Sidewinder air to air missiles was under evaluation. The Board agreed in principle the Phantom should run on to sustain an expanded front line with a shadow Lightning squadron formed.⁴³⁸

⁴³⁴ TNA, AIR 8/2863, Presentation on the RAF Programme to US of S (RAF) by ACAS (Pol), 17 May 1979. NATO’s LTDP had underlined this weakness. It proposed the UK provide 46 extra Tornado F2s (AD Variant) for SACEUR - 30 for the UK and 16 for the Central Region. It was also suggested that a small number of American F14s or F15s could be purchased to counter the Soviet high-flying threat. The RAF’s programme was unable to make provision for these additional aircraft, although it was planned to arm the Hawk with SRAAM (Short Range Air to Air missiles).

⁴³⁵ AHB, AFB, (79)7, ‘United Kingdom Air Defence Responsibilities’, Note by VCAS, 13 March 1979; AHB, AFB, 3(79), 22 March 1979.

⁴³⁶ AHB, AFB, 3(79), 22 March 1979.

⁴³⁷ AHB, AFB, (79)7, ‘United Kingdom Air Defence Responsibilities’, Note by VCAS, 13 March 1979; AHB, AFB, 3(79), 22 March 1979.

⁴³⁸ AHB, AFB, (79)7, ‘United Kingdom Air Defence Responsibilities’, Note by VCAS, 13 March 1979; AHB, AFB, 3(79), 22 March 1979. It was generally agreed that UK air defence could not rely on any direct support by allied forces, such as US Air Force resources, within the UK Air Defence Region. The formation of the shadow Lightning squadron was the only immediate option. The long term requirement for more fighters was best served by procuring 50 additional Tornado F2s. Even in early 1979 it was mooted that the German lack of enthusiasm for the Harrier under AST 403 might lead to a complex scheme involving McDonnell Douglas building more Harriers under licence to British Aerospace and

These issues arose at the AFB on 2 April 1979, the last under the Labour Government. CAS questioned the conclusions to the previous meeting [22 March], concerning studies on a further Phantom buy or lease and a greater NATO role in UK air defence, accurately reflected their decisions. There was little chance of manning new Phantoms quickly. NATO involvement in UK air defence required a change to Alliance policy, had been raised before and subsequently dropped. In respect of fresh studies, constraints arose from rules on initiating new business with an election pending. Wellbeloved maintained both studies should start. A further submission to the Board would be necessary before any formal Ministerial approach to the US Government or to the manufacturers, on a possible Phantom lease or buy.⁴³⁹ Wellbeloved and Labour were soon out of office. However, these short and medium-term options to bolster the fighter force were subsequently explored by the incoming Conservative administration.

The Way Ahead?

Experts forecast that difficult military and political decisions would soon be required concerning the future priorities of Defence policy. Sir Arthur Hockaday, Second PUS in the MoD, warned in November 1978 of the ‘extremely serious political and military implications’ of cutting or drastically reducing one of the UK’s major NATO commitments. No other state would make up the margin. Even posing the question raised significant political issues. Hockaday viewed such a scenario probable:

I would deplore most strongly any suggestion of a reduction in our contribution towards either NATO’s continental or its maritime strategy, but I think one is bound to envisage the possibility that the inexorable pressure of economic forces may at some time bring us hard up against choices of priority between them. It is this sort of direction that I see a possible watershed in the area of defence budgeting.⁴⁴⁰

Meanwhile, 'The Way Ahead' work proceeded and received press coverage following Cameron’s speech at Oxford University on 25 October 1978 on ‘British Defence Policy – *The Way Ahead*’.⁴⁴¹ The *Daily Mail* claimed it was an attempt by

Rolls Royce and providing their F 15 Eagle to fill the air defence gap, leading to the cancellation of Tornado ADV. David Fairhall, 'Confusion in the wake of the Tornado', *Guardian*, 3 January 1979.

⁴³⁹ AHB, AFB, 4(79), 2 April 1979.

⁴⁴⁰ Sir Arthur Hockaday, 'Budgeting for Defence', *RUSI Journal*, December 1979, pp. 3-10.

⁴⁴¹ Neil Cameron, *In the Midst of Things* (London: Hodder and Stoughton, 1986), p. 220.

the Chiefs 'to draw up a comprehensive catalogue of their complaints'. Mulley described this as 'tendentious and misleading' and rejected 'the assertion of a serious lack of confidence between the Chiefs of Staff and myself'.⁴⁴² The Foreign Secretary, David Owen, was so concerned about the Defence programme and spending that he circulated papers to selected DOPC colleagues.⁴⁴³ Owen claimed Defence had fared better than transport and education. If economic growth was slow and the 3% increase was maintained [post-1980-81] Defence spending could approach 6% of GNP by the mid-1980s. Challenges ahead included significant rises in Service pay, demands for better logistical support, reserve stocks and training support, and increasing real costs for equipment. Owen thought the programme would be constrained, leading to projects slipping. Moreover, no provision was made for increased spending on nuclear forces. Owen wanted figures for Defence in 1981-82 and 1982-83 to be provisional, dependent on acceptance throughout NATO of the 3% increase for these years and the assumption UK growth would be sufficient to hold Defence to below 5% of GDP.⁴⁴⁴

Mulley agreed the long-term economic implications of Defence policy raised fundamental questions but rejected using the 1979 *Defence Estimates*, considered by Cabinet in January, to launch a full discussion of policy and expenditure. This would only generate political and party problems.⁴⁴⁵ Healey highlighted Owen's doubts about whether the fairly even distribution of resources between the three Services made best use of the budget. He wanted resource allocation to drive the 'Way Ahead', with ministers given options for redistributing resources between the Services and between the North Atlantic and European roles.⁴⁴⁶ The CPRS also hoped it would provide genuine options; not the 'inevitable conclusion' of 'fair shares for the three Services'. This envisaged the 'Way Ahead' becoming a mini

⁴⁴² Henry Stanhope, "'Disloyalty' by Chiefs of Staff is denied", *The Times*, 31 October 1978; David Fairhall, 'Mulley denies rift over defence', *Guardian*, 31 October 1978. Fairhall's article mentioned Cameron's comments in China in April-May 1978 saying the Soviet Union was London and Peking's shared enemy and his support for higher service pay in the wake of the firemen's strike was 'symptomatic of an increasing tendency for the service chiefs and the services collectively to debate military issues openly and to argue their own case in public'. Mulley would later say that while Cameron was a good communicator, he did not always appreciate the political implications of what he was saying and was not as perceptive as some. AHB, ID3/99/88 Part 1, Papers relating to *In the Midst of Things* – the autobiography of Lord Cameron, interview with Lord Mulley, 31 July 1985.

⁴⁴³ TNA, PREM 16/1575, Foreign Secretary to PM, 'Defence Expenditure and the Current Defence Programme', 14 November 1978.

⁴⁴⁴ *Ibid.*

⁴⁴⁵ *Ibid.*, SofS to PM, 21 November 1978.

⁴⁴⁶ *Ibid.*, CHX to PM, 28 November 1978.

Defence Review but should be done quietly. Service morale was 'still not very high' and NATO viewed the UK as 'potential back-sliders'.⁴⁴⁷

Following Owen's intervention, the Cabinet Secretary Sir John Hunt outlined three options. He rejected another Defence Review or creating an interdepartmental group under Cabinet Office chairmanship. Hunt advocated taking 'The Way Ahead', which Callaghan had discussed with the Chiefs at lunch on 13 December, as a starting point. Hunt had met with CDS and the FCO, Treasury and MoD PUSs to ensure it would incorporate adequate costings and present genuine alternative options to Ministers, not just a preferred strategy or critical level. Taking 'The Way Ahead' route embraced ongoing work and avoided the impression of another Defence Review imposed from outside. DOPC could delegate further work to a senior interdepartmental group. This had echoes of the Defence Review Steering Committee of 1974-75.⁴⁴⁸ Callaghan wanted Way Ahead briefing before the quadripartite talks in Guadeloupe (January 1979) to ascertain the structural changes which might be applied to the UK's Defence capability. He sought Cameron's 'considered views' on whether the balance of the defence effort should be changed, and if so, in what directions.⁴⁴⁹ The Chiefs insisted the draft paper should not be seen as anticipating further studies in the context of the Way Ahead; in particular it was not to constrain subsequent consideration of any of the four main roles of the Services.⁴⁵⁰ Meanwhile, Hunt stressed the discussion Owen wanted should occur in DOPC when 'The Way Ahead' was considered.⁴⁵¹ A frustrated Mulley told Callaghan that using the *Defence Estimates* to open up important new policy issues was 'unreal'.⁴⁵²

⁴⁴⁷ TNA, CAB 164/1506, Berrill (Director, CPRS) to Hunt (Cab Sec), 13 December 1978.

⁴⁴⁸ TNA, PREM 16/1575, Hunt (Cab Sec) to Cartledge (PS/PM), 15 December 1978. DEFE 25/754, DCM(78)^{7th} Meeting, 18 December 1978 noted the working paper on defence policy issues which the Prime Minister had asked for at lunch with the SofS and Chiefs.

⁴⁴⁹ TNA, DEFE 71/164, Stowe (PPS/PM) to Facer (PS/SofS), 13 December 1978. See also DEFE 32/26, COS 1st Meeting/79, 9 January 1979 when it was suggested the Prime Minister was considering making a major speech on Defence, possibly in spring 1979.

⁴⁵⁰ TNA, DEFE 4/285, 22nd Meeting/78, 19 December 1978.

⁴⁵¹ Ibid., Foreign Secretary to PM, undated; Hunt (Cab Sec) to Cartledge (PS/PM), 21 December 1978.

⁴⁵² Ibid., SofS to PM, 21 December 1978. Mulley was similarly frustrated when Owen pointed to the growing power and influence of the Federal Republic. In defence relations he thought it unhelpful to talk of a 'German problem' and cautioned against destabilising force changes to British Forces Germany, which might imperil UK influence. TNA, CAB 148/178, DOP(79)11, 'Defence Relations with Germany', Memorandum by the Secretary of State for Defence, 16 February 1979; DOP(79) 4th Meeting, 21 February 1979. There were fears that the 'dreadful' relationship between President Carter and Chancellor Schmidt was leading the Federal Republic to plot a new course, dissatisfied at the US and NATO. SACEUR, General Alexander Haig, told CDS that the German government thought the US was

At Chatham on 24 October 1978, the Chiefs had commissioned two papers and identified the need to ‘think radically but provision incrementally’ and consider ‘various options for change’⁴⁵³ They had further discussion on the Way Ahead in December. Cooper observed the specification had changed because of DOPC interest and the developing attitudes of Ministers on Defence matters. He wanted to keep Defence issues ‘in-house’ and avoid losing the initiative to an inter-departmental ministerial committee. Cooper insisted that draft DOPC papers for Mulley on present strengths and weaknesses and on future threats and NATO’s strategy for meeting it, ‘would need to stress that rapid changes of policy could not be made at the stroke of a pen’. It was agreed great care was needed in drafting the papers for DOPC [for February/March] so MoD would retain the initiative for further work.⁴⁵⁴

CDS advised Mulley if capabilities were to be cut there were no soft options. The four main pillars of UK Defence all directly affected national security. The MoD insisted the preliminary survey provided for Callaghan was not ‘a recommendation for immobility’. If there was reasonable growth of the Defence budget, then challenges ahead could be managed. If not, cuts or changes to the UK’s roles were inescapable from the mid-1980s. Any major cuts in roles or radical shifts between them would be very challenging in terms of military capability and NATO relationships.⁴⁵⁵ Within the MoD there were doubts the ‘Way Ahead’ work provided sufficient material. Even its audience was questionable – was it pitched to the current Government or the next? If it was the former, it was questionable they would wish to consider the next two decades, with more pressing matters over the coming months. If it was the next Government, did the MoD want to commit itself, perhaps irrevocably, to changes in policies, priorities and programmes on which a new administration may have strong views? The best tactic was to play for time.⁴⁵⁶ Although the options had to be serious, each had to show the penalties involved. There was no intention of recommending instant decisions or permitting instant decisions to be imposed on Defence.⁴⁵⁷

prepared to sell Europe down the river to get SALT II agreement but General Wust, German CDS, insisted it would be impossible politically for West Germany to come to an accommodation with the Soviet Union. Cameron reckoned Haig had drawn ‘a too powerful and deep-seated conclusion’. DEFE 32/26, folio E29, PSO/CDS to PS/SofS, 2 November 1978.

⁴⁵³ Summarised in TNA, DEFE 32/26, COS 10th Meeting/78, 19 March 1979.

⁴⁵⁴ TNA, DEFE 32/26, COS 21st Meeting/78, 12 December 1978.

⁴⁵⁵ TNA, DEFE 71/164, CDS to SofS, ‘The Way Ahead’, 20 December 1978.

⁴⁵⁶ *Ibid.*, D.C. Humphrey (AUS(AS)) to DUS (Policy), ‘Defence Policy’, 26 January 1979.

⁴⁵⁷ *Ibid.*, folio 67/2, Minute by D.C. Humphreys, AUS(AS), ‘Way Ahead’, 6 February 1979.

Cameron praised the DPS paper on Defence Posture for its review of policy. However, CAS worried it placed insufficient emphasis on the shortcomings of land and air forces, in contrast to its detailed discussion of maritime weaknesses. Michael Quinlan's DUS (Policy), paper on Defence Policy led the Chiefs to observe the need 'to maintain a range of essential capabilities in all three Services'. It was pointless for Ministers to discuss the allocation of the budget by Service, the breakdown should be by role as with the *Defence Estimates*. Similarly, the paper on Defence Policy in the Longer Term noted the commitment to a study of NATO strategy, incorporating the UK's thoughts of the likely duration of a conventional conflict with Warsaw Pact forces, adhering to the concept of the Critical Level of capability and preferring incremental rather than radical change.⁴⁵⁸ The Chiefs and senior officials aimed to give Ministers a limited selection of the most important issues. An honest appraisal of options was required, including those which were unpalatable. Hard and specific material was essential and 'to counter the tendency which Ministers might have to seize prematurely on superficially attractive options', Quinlan suggested the covering note for Mulley should attempt to concentrate DOPC's discussion into certain areas.⁴⁵⁹ The 'Way Ahead' did not offer Ministers attractive or panacea solutions. The Chiefs agreed:

The only possible stimulus for a radical change in defence policy would be shown to be financial, and possibilities for change should highlight the attendant political and military implications. The overall aim was to seek political guidance for, and to maintain the initiative in, any further work.⁴⁶⁰

Cooper described the political environment into which the DOPC papers would be introduced as having 'rarely been more difficult' with little to comfort the Government or the Opposition at home and abroad. However, he did not think the current administration would take a radical course, especially in Defence.⁴⁶¹ The draft second paper on the Way Ahead was savaged by the VCAS, AM Sir John

⁴⁵⁸ TNA, DEFE 4/286, COS 3rd Meeting/79, 30 January 1979.

⁴⁵⁹ *Ibid.*, COS 6th Meeting/79, 8 February 1979; 7th Meeting/79, 15 February 1979. Although the Way Ahead was looking out towards 2000, it was argued that the economic and financial arguments might need to be considered in a more limited timeframe to avoid the Treasury being able to demonstrate the need for the defence budget to be cut in the longer term. It was also thought a covering note for Mulley could underline that Way Ahead was not a cuts exercise or a short-term exercise.

⁴⁶⁰ *Ibid.*, COS 6th Meeting/79, 8 February 1979.

⁴⁶¹ TNA, DEFE 32/26, COS 10th Meeting/79, 19 March 1979. The paper was submitted to Mulley on 23 March.

Nicholls, who described it as ‘over-long and inconclusive’, lacking purpose and a military conclusion, ‘looking at too close a timescale...heavily biased towards the options for cuts, and...generally pessimistic in tone’.⁴⁶² Having sent the scene-setting paper on 20 February, Quinlan eventually sent the revised draft of ‘United Kingdom Defence Policy – The Future’, which he had produced in cooperation with the DPS and others, to Mulley via CDS on 20 March.⁴⁶³ The Way Ahead and the requisite papers were discussed by Mulley and the Chiefs on 27 March. Cameron stated there was a strong military case for allocating more resources to Defence. There was no military case for reducing any of the four major contributions to the Alliance. Mulley said large increases in resources for Defence could only be found if there was substantial economic growth – no Government was likely to allot more than 5% of GDP to Defence. However, he accepted there was no case on military grounds to give up any major commitment.⁴⁶⁴

Mulley was tasked with bringing the ‘Way Ahead’ to DOPC in March 1979. He assembled the Way Ahead material for circulation but then the Government lost a Vote of No Confidence on 28 March. Callaghan called a General Election. Mulley did pass papers to the Prime Minister as an introduction for the consideration of future policy. Mulley suggested, ‘we should seek broadly though not too rigidly to maintain our present posture’. There were ‘no easy options for major change or easy room for manoeuvre’. Mulley rejected radical policy shift. That course ‘could be done only on the basis of tackling some very fundamental and difficult questions, essentially long-term political ones, about the pattern of the international security scene, how it might develop and how our actions might affect it’.⁴⁶⁵ Callaghan and Mulley would not have to grapple with such questions.

⁴⁶² TNA, DEFE 25/355, folio E19, VCAS to DUS(P), ‘DOP 2 – The Way Ahead’, March 1979. AM Nicholls added, ‘As this paper stands we shall be putting ideas into Ministers’ heads.’ Quinlan had admitted the draft was too long and deliberately made no general round-up points. He also said in his covering note: ‘I have judged it generally more effective to present arguments fairly coolly, and to leave Ministers to deduce the bottom line for themselves, than to paint in deep colours and to draw dismissive conclusions.’ DUS(P) to VCNS, VCGS, VCAS, ‘Way Ahead: DOP 2’, 12 March 1979.

⁴⁶³ *Ibid.*, DUS(P) to PS/SofS through CDS, ‘Way Ahead’, 20 March 1979.

⁴⁶⁴ *Ibid.*, PS/SofS to PSO/CDS, ‘The Way Ahead’, 29 March 1979.

⁴⁶⁵ TNA, PREM 16/1987, folio 2, SofS to PM, ‘Future Defence Policy’, 6 April 1979; DEFE 5/204, COS 6/79, ‘Defence Policy Study – 1979’, 10 February 1979. The FCO found the Way Ahead paper ‘disappointing’, having expected something more fundamental in approach, viewing the MoD draft as ‘short-term in outlook and defensive in purpose’ and, moreover, based on questionable assumptions. These included the premise that UK GDP would grow by between 2 and 2½% per annum and the growth rate of 3% in the defence budget would be sufficient to sustain existing defence posture into the 1990s.

These were open to doubt. The FCO hoped the Way Ahead would address fundamental issues of Defence policy for the next two decades; instead, it provided a 'debateable rationale for maintaining the status quo'. DEFE 71/165, Moberly (FCO) to Quinlan (DUS(P)), 1 May 1979.

Conclusion

Following the painful readjustments and reductions of the 1960s, the RAF entered the 1970s with a degree of optimism. Its front line had numerous new aircraft and the election of a Conservative Government in 1970 seemed to offer some stability for the Services. However, the new Government implemented most of the withdrawals and cuts recommended by its predecessor and the Treasury soon attempted to reduce the percentage of GDP earmarked for Defence to help fund other spending areas. Matters accelerated rapidly in late 1973 with the global Energy Crisis which sent the UK economy into recession and put public spending under the spotlight, with the RAF confronting a mounting fuel cost burden.

A Defence Review was on the cards whichever party won the February 1974 General Election. Labour was committed to deep cuts. Many in the Party were ideologically averse to the Armed Forces. The Defence Review of 1974-75 took a far more measured approach. The Prime Minister, Foreign Secretary and Defence Secretary mitigated matters, retaining capabilities and seeking to remain onside with the United States by prioritising collective defence in NATO. CDS's strong support for the concept of the Critical Level helped ensure that the Defence budget was shaved rather than slashed. There was still real pain for the RAF. Personnel was reduced by 18,000 with thousands of compulsory redundancies imposed. Air Transport aircraft were cut by 50% and most of the few remaining faraway stations closed. Domestically, the station footprint was also much lighter. The Defence Review hit the RAF hardest but there was relief that the Service's future was assured. Hopes were invested in the two variants of the Tornado, designed to replace five existing aircraft. The collaborative nature of this procurement helped it to avoid cancellation as costs mounted and budgets tightened.

As this study has shown, the main problem was what happened next. Mason's review was far from the last word. The economy lurched from crisis to crisis as GDP fell and inflation reached record levels. Britain was stricken by stagflation. Ultimately, a bail out was obtained from the IMF in December 1976 with tough spending conditions attached. The period 1975-1977 was characterised by a series of damaging ad hoc defence cuts which angered allies and demoralised personnel. UK credibility was on the line at NATO. Procurement slippage, arising from industrial disputes and other delays, alleviated the cuts to an extent but was bad news for the Services longer term. Defence faced multiple problems. Morale across all three Services slumped and record numbers attempted to leave. The RAF's pilot deficit grew. Pay rises failed to match inflation, with increases lower than elsewhere in the

economy. The Government's path to pay parity for the Services was a slow process. In an era of strong trade unions, the Armed Forces did not have a militant voice although their invaluable assistance during high profile strikes was appreciated by the Government. Nevertheless, it seemed that Government ideology was not geared to Defence priorities. Its commitment to 3% annual real increases to Defence spending was grudging, only due to come into effect from 1979-80, after the General Election.

However, adherence to the 3% commitment helped placate President Carter and NATO and hinted at more favourable financial settlements for Defence in the years ahead. Concurrently, the spectre of future affordability was a factor in the work of the Way Ahead Study Group as Defence policy and the shape of the Services came under scrutiny. Inherent economic and political difficulties remained. Defence spending faced formidable competing priorities. Increased spending on Health, Education and Welfare were bigger vote-winners. The 1970s was a difficult decade for the RAF but with Tornado in-service dates on the horizon and belated [cross-party] political interest in enhancing UK air defence, it appeared better times lay ahead.

Appendices

Appendix 1: Way Ahead Study Group - Terms of Reference¹

- 1 As a result of direction by the Chiefs of Staff Committee the WAY AHEAD STUDY GROUP is to make a major assessment of short and long-term British Defence Policy to be used by the Chiefs of Staff in advising HMG on strategy and on the size, shape and deployment of the armed forces.
- 2 Your task is to consider all the factors, strategic, political, economic, industrial and others which go to makeup the likely future scenario i.e., for the next 2-3 decades and how these factors and the advent of new technology will shape force structures, posture and deployments and what may be the options and priorities.
- 3 As a starting point you are to identify the major strengths, shortcomings and shortages in present capabilities, equipment, logistics and personnel in our armed forces and to indicate where lie the main areas of weakness in the defence of the United Kingdom against current strategic requirements.
- 4 The Study Group is to be responsible directly to the Chiefs of Staff Committee. It is to have full access to all central and single-Service defence staffs and is to consult with other Government departments and other agencies as appropriate.
- 5 The Study Group is to forward, by 15 March 1978, its proposals for the assumptions on which its studies are to be based, for the agreement of the Chiefs of Staff. Progress is to be discussed with the Chiefs of Staff as may be required; and the final report is to be completed by 1 November 1978.

¹ TNA, DEFE 25/355, Attachment to COS 1033/182 Way Ahead Study Group - Terms of Reference, 24 January 1978.

Appendix 2: The RAF in April/May 1979

On 1 April 1979, the total strength of the Armed Forces was about 315,000. The reductions consequential to the Defence Review resulted in the RAF's strength, 86,300, reflecting a cut of over 20% since 1973. It was later admitted, 'The intentions were good, but we cut too far.' As a result:

The effects of these cuts have been compounded by the poor recruiting performance over the past few years and the exceptionally high rates of premature retirement. We are faced with serious shortages of aircrew and of some ground skills. To remedy these we must raise our recruiting targets, ensure that pay and conditions of service are adequate to secure the number of recruits we require, and increase the output of the training schools.²

RAF strength was 1.5% below its 87,600 requirement, despite 10,000 new recruits in 1978-79 when recruitment had exceeded outflow. Worrying shortfalls were identified, including a 21% deficit in flight controllers and a 13% deficit in air engineers. A substantial number of RAF officers (including pilots), with the option to retire at 38 or after 16 years service, had chosen to leave. The pilot shortage had reduced the front-line pilot to aircraft ratio. In May 1979, the shortage was forecast to exceed 290 pilots by April 1981, before the situation gradually improved.³ The scarcity of Air Engineers led to some transport tasks being put to civil contract. The recruitment in branches and trades, such as engineers and technicians, was particularly challenging. This was not unique to the RAF as these skills were in short supply nationwide.⁴

² TNA, AIR 8/2863, Presentation on the RAF Programme to PUSofS (RAF) by ACAS (Pol), 17 May 1979.

³ *Ibid.*, folio 1, AFBS presentation to New Ministers, 14 May 1979.

⁴ TNA, AIR 8/2862, folio 23/2, 'Briefing of New Ministers', Note by MJ Sands, (DS 14), 3 May 1979. In contrast, the Royal Navy/Royal Marines at 73,000 officers and men was 5.8% below its overall requirement and the Army, at 156,000 was 3.9% below.

RAF total strength, recruitment and outflow, 1974-1979⁵:

Year	Total RAF strength
1 April 1974	99,200
1 April 1975	95,000
1 April 1976	90,700
1 April 1977	86,900
1 April 1978	84,600
1 April 1979	86,300

Financial Year	RAF recruitment	RAF outflow
1974-75	8,200	12,300
1975-76	7,300	11,600
1976-77	7,000	10,800
1977-78	7,600	9,900
Average 1974-75 to 1977-78	7,500	11,100
1978-79	10,000	8,300

Royal Air Force Premature Voluntary Release	Officers' applications for premature release	Servicemen premature voluntary exits
1974-75	447	2,206
1975-76	472	1,628
1976-77	497	1,749
1977-78	778	1,996
Average 1974-75 to 1977-78	549	1,895
1978-79	601	1,103

Looking ahead, the threat to RAF Germany was increasing in all aspects as the Warsaw Pact enhanced its forces quantitatively and qualitatively. However, the

⁵ Ibid.

Tornado's likely introduction from the early 1980s, provided a great improvement in capability, particularly with night and bad weather operations. The major RAF project for the 1980s involved the provision of replacements for the Harrier and Jaguar—AST 403, which covered the future requirement for offensive support (OS) aircraft. Neither aircraft was not viewed as a real match for Warsaw Pact capability in the 1980s. This called for an aircraft 'which will complement the Tornado and which will be versatile enough to operate effectively in the offensive support role whilst possessing an agile air combat performance'. Ministers preferred European collaboration, but this was not promising in the RAF's proposed timescale of an in-service target of 1987. A national programme, Anglo-American project or off-the-shelf buy were also mooted, as the RAF tried to refine a single preference.⁶

The AFBSC was told a two aircraft mix was preferable for the future Offensive Support (OS) fleet.⁷ The Jaguar fleet was a wasting asset from 1986 and the Harrier force from about 1988, unless topped up.⁸ This would provide 'a range of aircraft

⁶ TNA, DEFE 71/168, folio E1, 'Future Tactical Combat Aircraft', c. September/October 1977; folio E 7/1, CA to VCAS, 14 October 1977; folio E30, VCAS to CA, c. October/November 1977; folio E 34/1, minute by ACAS(OR), 11 November 1977. Discussions with the French and Germans had taken place at the IEPG since 1975 with the Ad Hoc Group for a future Tactical Combat Aircraft (TCA). The common military operational requirement was the major stumbling block. An AST had been endorsed by the ORC in 1971 to replace the Harrier and Jaguar from 1982-83. Following discussions of aircraft concepts and feasibility studies, AST 403 was endorsed in April 1976 with a planned in-service date of 1986-87.

⁷ The AFD's assumptions for the 1979-80 Estimates and LTC 79 notably described AST 403 as an offensive support aircraft to replace the Harrier and the Jaguar. It was to be effective in the battlefield attack and air combat roles and be developed as a collaborative project. First deliveries to the Operational Conversion Unit were projected for mid-1990 and the first operational squadron was to form at Wittering in 1991. Two alternatives were detailed. Under the first AST 403 would be met by a UK aircraft with first deliveries to the OCU in 1988 and the first operational squadron formed the following year. The second alternative would be for AST 403 to be met by an American aircraft, likely to be the F18L which would be built in the UK under licence, with deliveries starting in mid-1987 and the first squadron being formed at Wittering in 1988. AHB, AFBSC, 78(2), 'Main Assumptions for Estimates 1979/80 and LTC 79: and Longer Term Assumptions for the post-LTC Period', Note by DUS(Air), 14 April 1978. The Chiefs endorsed AST 403 in November 1978. TNA, DEFE 4/285, COS 17th Meeting/78, 14 November 1978. Advice was to be provided to Ministers by summer 1979. Various European (German and French) and US options were being considered. DEFE 4/285, COS 19th Meeting/78, 27 November 1978; AHB, AFBSC, (79)1, 'The Future Requirement for OS Aircraft: Solutions to AST 403', Position Paper by VCAS and CA, 25 January 1979; AFBSC, 1(79), 26 January 1979. AST 403 set targets for a replacement offensive support aircraft to replace the Harrier and the Jaguar and which had sufficient speed, agility, and armament to operate effectively in the presence of hostile fighters and ground defences, with an air combat alongside a ground attack capability. Emphasis was also placed on the replacement aircraft being able to operate from short air strips.

⁸ TNA, DEFE 71/169, folio E 38/1, CDS to SofS, 15 November 1978. As the Minister of State led on the programme it was stressed that while AST 403 called on a single aircraft to replace Harrier and Jaguar

with both a good airborne and field capability'.⁹ The AFBSC also insisted that VSTOL capability must be retained in the front line. An improved Harrier was planned to replace the existing aircraft and be operationally effective until the end of the century. However, the French and West German air staffs prioritised maximum performance in the air. They had little interest in a vectored thrust aircraft. They also required a two engine aircraft. Collaborative discussions were more fruitful over Jaguar replacement, with a bi-lateral arrangement with France being viewed as a possible option in May 1979. The Chiefs had said in a progress report in November 1978 a decision on collaborative options for AST 403 was required by mid-1979 [when Defence ministers would meet] to ensure the in-service date did not slip beyond 1990. Other alternatives including buying from the US [US Navy F18] or a purely UK programme, were under consideration.¹⁰

The RAF was also firmly NATO-centric. All RAF combat and transport aircraft and ground-based missile systems, excepting helicopter squadrons in Cyprus and Hong Kong,¹¹ were either assigned to NATO or available to support NATO operations. They were deployed protecting the areas where the UK most effectively contributed to Alliance defence – the Channel and Eastern Atlantic areas and the Central and UK Air Defence Regions of ACE. Strike Command and RAF Germany constituted the two operational commands into which combat and transport forces were organised. The Commander-in-Chief, Strike Command, was Principal Subordinate Commander (PSC) to SACEUR with the NATO title of Commander-in-Chief UK Air Forces (CINCUKAIR), responsible for the defence of the UK and naval forces and shipping in the surrounding waters. Strike Command's responsibilities extended to providing offensive aircraft for SACEUR's land operations, as well as providing aircraft for the other two major NATO Commanders – CINCHAN and SACLANT. Strike Command's aircraft were organised into four Groups – No. 1 Group, No. 11 Group, No. 18 Group and No. 38 Group. The Commander-in-Chief RAF Germany held the NATO appointment of Commander Second Allied Tactical Air Force, to which all RAF Germany aircraft were assigned. He was jointly headquartered at

it might not prove possible with likely technology to satisfy all the requirements in one airframe. See folio E88, PS/CAS to APS/Minister of State, 8 December 1978.

⁹ AHB, AFBSC, 'The Future Requirement for OS Aircraft'.

¹⁰ TNA, AIR 8/2862, Script for DCDS (OR) – Ministerial Briefing, 1 May 1979; AHB, AFBSC, (1)79, 26 January 1979; AHB, AFBSC, 79(1), 'The Future Requirement for OS Aircraft'; Henry Stanhope, 'RAF keeps choice open to attract jet partner', *The Times*, 4 September 1978.

¹¹ These additional deployments outside NATO were one squadron of Whirlwind helicopters in Cyprus in the search and rescue role and in support of UNFICYP and one squadron of Wessex helicopters in Hong Kong in the air transport role. See TNA, AIR 8/2862, folio 18/1, Briefing New Ministers, Royal Air Force Combat Forces, April 1979.

Rheindahlen, with the Commander-in-Chief, BAOR.¹² In conclusion, front-line RAF squadron strength on 1 April 1979 is detailed below:¹³

Serial	Role	Aircraft, Surface-to – Air Missiles, Ground Defence	Squadrons – UK	Squadrons – RAF (Germany)
1	Strike/Attack	Vulcan B2 Buccaneer Jaguar	6 2	2 4
2	Ground Support	Harrier Jaguar	1 2	2
3	Maritime Patrol	Nimrod	4	
4	Reconnaissance	Canberra PR9 Canberra PR7 Vulcan SR2 Jaguar	1 1 1 1	1
5	Air Defence	Lightning Phantom FGR Phantom FG1 Bloodhound missiles Rapier missiles	2 4 1 1 1	2 1 4
6	Airborne Early Warning	Shackleton	1	
7	Air Transport	Hercules VC10 Wessex helicopters Puma helicopters	4 1 1 2	1
8	Tanker	Victor K2	2	
9	Search and Rescue	Wessex helicopters Whirlwind helicopters	½ 1½	
10	Ground Defence	RAF Regiment	4	1

¹² TNA, AIR 8/2863, List of Briefs for PUSofS (RAF), May 1979 – 2. Royal Air Force Command Structure

¹³ TNA, AIR 8/2862, folio 18/1, Briefing New Ministers, Royal Air Force Combat Forces, April 1979. RAF Support Command, headquartered at Brampton, Cambridgeshire was also mentioned to Ministers in the context of training provision as well as communications, engineering, supply, medical and administrative support.



A Jaguar GR.1 -XX762/H – of No. 14 Squadron based at Bruggen, West Germany, 31 July 1975. Photograph: AHB (RAF).

