

Adam Smith Institute
Omega Report

DEFENCE POLICY



Adam Smith Institute

Keith Hartley
Sept. 1983

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FOREWORD

PREAMBLE

The Adam Smith Institute's OMEGA PROJECT was conceived to fill a significant gap in the field of policy research. Administrations entering office in democratic societies are often aware of the problems which they face, but lack a developed programme of policy options. The process by which policy innovations are brought forward and examined is often wasteful of time, and uncondusive to creative thought.

The OMEGA PROJECT was designed to develop new policy initiatives, to research these new ideas, and to bring them forward for public discussion in ways which overcame the conventional difficulties.

Twenty working parties were established more than one year ago to cover each major area of government concern. Each of these groups was structured so as to include those with high academic qualification, those with business experience, those trained in economics, those with expert knowledge of policy discussion, and those with knowledge of parliamentary or legislative procedures. The project as a whole has thus involved the work of more than one hundred specialists for over a year.

Each working party had secretarial and research assistance made available to it, and each began its work with a detailed report on the area of its concern, showing the extent of government power, the statutory duties and the instruments which fell within its remit. Each group has explored in a systematic way the opportunities for developing choice and enterprise within the area of its concern.

The reports of these working parties, containing, as they do, several hundred new policy options, constitute the OMEGA FILE. All of them are to be made available for public discussion. The OMEGA PROJECT represents the most complete review of the activity of government ever undertaken in Britain. It presents the most comprehensive range of policy initiatives which has ever been researched under one programme.

The Adam Smith Institute hopes that the alternative possible solutions which emerge from this process will enhance the nation's ability to deal with many of the serious problems which face it. The addition of researched initiatives to policy debate could also serve to encourage both innovation and criticism in public policy.

Thanks are owed to all of those who participated in this venture. For this report in particular, thanks are due to Commander Michael Chichester, Dr.Keith Hartley, Dr.Julian Lewis and John Wilkinson, MP, among others.

1. FOREWORD *the Atlantic Alliance.*

There is more at issue in British defence policy than the nuclear debate, which has been largely won by the government. Certain fundamental choices will still have to be made.

First, although the government is committed to the NATO target of a 3% increase in real terms in British defence spending until 1985/1986, the Soviet threat continues to grow in qualitative terms and above all in long-range striking power. The Soviet threat is now global and the strategy of the Western Alliance and of the UK within it should be adapted to that fact (Parts 1 & 2).

Second, as the Chancellor of the Exchequer's statement of 7th July 1983 made clear, demanding as it did a £230 million reduction in planned defence spending only a day after the 1983 Defence White Paper was published, budgetary constraints will persist in the defence field and probably grow even more severe (Part 3).

That being the case, if the commitment of at least some £7,500 million at 1982/83 prices to procure Trident is to remain inviolate, and if the UK is to adapt its defence posture to the Soviet global threat, certain key decisions must be taken.

The preponderant emphasis on the central front (the Brussels Treaty commitment of an army of 55,000 men and a tactical air force on continental soil) needs to be modified by agreement with our allies in favour of increased British specialization on the defence of the UK base, the maritime contribution to the Eastern Atlantic and Channel commands, and intervention forces which are capable not only of guaranteeing the security of British interests beyond the NATO area, but also, and most important of all, of defending the increasingly insecure Northwestern perimeter of NATO Europe.

British defence manpower policies are not cost-effective and do not utilize the full potential of the civil community. Except for Luxembourg, Iceland, Andorra, Lichtenstein, Ireland and San Marino, Britain is the sole European country without conscription. The cost of all-regular volunteer forces is very high and much greater emphasis should be placed on the use of civilians and volunteer reservists (Parts 3-4).

Finally, British procurement processes are bureaucratic and costly, and need drastic reform. In all these areas this study, compiled by ex-regular officers, industrialists, politicians, and academics, makes carefully researched but somewhat radical suggestions.

The defence establishment has a built-in resistance to change and reform. The reforms proposed are balanced, do not involve an increase in defence spending, and are worthy of examination by all who care for the security of the United Kingdom and the

cohesion of the Atlantic Alliance. INTERESTS

The Soviet Union - its policies and its military capabilities - continues to pose the main threat to the security of the United Kingdom and our response to this threat must have the first call on our resources. In allocating these [more defence resources] we shall be taking measures which will strengthen our general defence capability by increasing the flexibility, mobility, and readiness of all three services for operational support of NATO and elsewhere(1).

INTRODUCTION

In assessing Britain's future defence policy, it is essential to have a clear idea of Britain's security interests that the United Kingdom's defences are designed to assure:

First, there is the preservation of this country's pluralist democratic political system. The imposition by force of arms of a political order which denied the democratic process or deprived individuals of their liberties under the law would be intolerable. The prevention of such an eventuality is the primary objective of the armed forces.

Second, it is assumed that any covert action or overt military intervention which put seriously at risk the livelihood and economic well-being of the British people would constitute a threat to national security and would have to be met with the appropriate political and military response. Such a situation might involve a threat to British access to raw materials, energy supplies, or overseas markets. The United Kingdom's response could be either unilateral or in concert with its allies, and it could involve political and diplomatic initiatives, military action, or a combination of these.

Although the prime military threat to the United Kingdom itself clearly lies within the NATO theatre from the forces of the Warsaw Pact, purely economic threats are harder to localize and predict. The greatest likelihood is of Soviet destabilization, or even direct or proxy Soviet aggression, within the oil producing areas of the Middle East. To meet this contingency, advance planning and mobile, flexible intervention forces will be required to secure crucial sources of raw materials and essential British interests. Similar threats could arise elsewhere in Asia or in Africa.

(1) The Falklands Campaign: The Lessons (London: HMSO, Cmd. 8758, December 1982), para 313.

1. THE THREAT TO THE UK AND ITS INTERESTS

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Economic interdependence

The advanced economies of the Western world are interdependent. Likewise, the security interests of the Western nations are interlinked. The NATO alliance is the foundation of Britain's security. In particular, the US nuclear guarantee is indispensable to the defence of Western Europe and British policy must be concerted with our West European Allies to foster and maintain a relationship of trust and mutual understanding with the USA. Good relations with the USA depend very much on a fair division of the common defence burdens between the European and American members of NATO, and a better understanding of US security preoccupations outside the North Atlantic Treaty area, such as the spread of Cuban-trained and other guerilla movements in Central America.

The NATO countries also need to concert their policies more effectively for intervention outside NATO's boundaries, and to forge out-of-area collective security systems like the ANZUS Pact or Anglo/Malaysian Defence Agreement. In some cases such as that of Pakistan, the best security arrangement is bilateral with the USA. In other instances the desire for non-alignment may inhibit the pre-planning or exercising of mutual defence arrangements. Nevertheless, since the Soviet threat either direct or by proxy is global and as the USSR has the air and seapower to project its political influence worldwide, the Western response must not be geographically limited and should be as carefully prepared as possible.

THE SOVIET PERSPECTIVE

Defence policy derives from foreign policy. Soviet defence policy will be no exception over the period 1985-2000 but it will also reflect aspects of Soviet economic and social conditions.

Strategic thinking

Economic policy

Of these other factors, it can be argued that Soviet economic policy is the most important. The USSR and its satellites feature centrally directed economies that must provide the financial basis for all domestic and overseas activities. This centrally directed economic system is inherently inefficient compared to the market-orientated responsiveness and diversity of Western free enterprise. Thus, although central direction permits the concentration of effort on specific areas at the behest of central government (for example, on defence research and development, or space exploration), the broad economic base is less productive. The Soviet bloc already lags behind the West in many important economic areas, from the basic necessities such as agriculture to the high technology building blocks for future economic growth.

In the medium term, this implies serious trouble for the Soviet

Union. Continuance of the centrally managed economy will result in the Soviet economy falling further behind that of the West. This increasing disparity in wealth between the Soviet bloc countries and the Western nations can be expected to have a fundamental effect both on Soviet domestic and foreign policy.

Inertia in domestic policy

Soviet domestic policy also reflects the nature of the one-party state and the style of Soviet social thinking. Traditional Soviet elitism and the socialist ethic of central direction have led to a highly structured society where membership of the Communist Party is the key to advancement. By the time senior Party appointments are reached the incumbents are not just elderly, but old. It is a feature of all major communist states that they are ruled by gerontocracies and it is a feature of gerontocracies that they are not innovative.

The caution of old leaders and the perpetuated dogmas of communism have led to an inertia bordering on rigidity. Changes in Soviet policy are usually painfully slow, the pace of progress being retarded by the self-interest of the elite who can enjoy a reasonable standard of living and by the fact that the sluggish economy will not support a more widespread distribution of wealth.

Unless the Soviet political system changes, which is unlikely within the foreseeable future because that would undermine the power of the Soviet political elite, the economic backwardness of the USSR will become increasingly marked. As the Polish example has shown, poverty and poor living standards can eventually induce social tensions which even the strict apparatus of socialist state control finds very difficult to keep within manageable proportions.

Strategic thinking

To a Soviet strategic planner, such a prospect would be deeply worrying. Some strategy would have to be devised to overcome the centrifugal effects on the Soviet Empire of East/West economic imbalance. He might consider two broad prospects:

- (1) improving Soviet economic performance; and
- (2) impeding Western economic performance.

The former has already been tried in every 5-year plan since the October Revolution: there is little prospect that success is any more within the grasp of Soviet economic planners now than it has been in the past.

The latter is the more dangerous course, but in a situation where other avenues are blocked off by political impracticality or by dogma it still may be tempting to the Soviets. The methods of causing a reduction in Western economic growth may vary.

Direct or indirect economic action could be used to destabilize or retard the rate of progress (e.g. by rapid fluctuations in the price of oil, gold or other commodities, by selective stockpiling and destocking). Technological espionage could be used (as it is now) both to gain R&D information for the Soviet Union and to reduce the vital free flow of information between Western states by the creation of an atmosphere of suspicion.

Yet the military possibilities will not be ignored. Direct action will always be an option - its threatened use as valuable as actual military operations. Indeed, the potential use of force by the USSR is reinforced by the position of the military as one of the pillars of Communist Party power within Soviet society. Military influence in political and foreign policy decision-making will be strong so long as Soviet politicians require the strength of the Army to maintain their position in power.

The options facing Soviet planners

So what options are likely to appeal to Soviet planners? Their political leaders are old, infused with the caution and political cunning of a lifetime devoted to working their way up through the Party hierarchy. They will tend to prefer policies of low risk to the USSR which nevertheless bring permanent strategic gains in political, military or economic fields vis-a-vis the West. They will probe for weak points and use a combination of military, political and economic pressure with the resolve that only a centrally directed authoritarian regime can deploy.

Therefore a few guidelines can be identified:

(1) Central Europe is not the most likely chosen field of conflict between the USSR and the West in the short-to-medium term, although an overspill of civil disorder in the Soviet satellite states could involve NATO nations militarily;

(2) territories enjoying the direct support of the USA would be less likely to be targeted directly;

(3) small territories with low apparent value to the West but great strategic significance to the Soviet Union would be key targets for subversion and take-over;

(4) territories of unique economic value to the West would be high priority targets.

THE MILITARY THREAT TO THE NATO AREA

The present numerical superiority of Warsaw Pact military forces, both nuclear and conventional, facing NATO on the European front, the strength of the Soviet northern fleet, particularly in submarines, the expansion of the Soviet long-range bomber fleet,

and of Soviet airborne and amphibious intervention forces, and the Soviet deployment of SS20 missiles have dramatically transformed and aggravated the threat to the NATO area since the early days of the NATO alliance over thirty years ago. This threat is now multi-dimensional, to the territory of NATO European members along the whole front in Europe, to the security of NATO airspace, to the transatlantic reinforcement route, and to the crucial sea-lanes to Western Europe and North America, including the Indian Ocean, the South Atlantic and the Caribbean. With the growth of Soviet military, naval and air power, the whole land area of Western Europe including Britain and Iceland are now more directly at risk from Warsaw Pact attack.

(a) The 23,000 ton nuclear powered KIROV class cruisers. Two have been launched so far. One is at sea.

Improvements in Soviet power ton turbine powered KRASINA class cruisers has just entered service.

The qualitative and quantitative improvements in the offensive capability of the Soviet Union in the last few years have been very marked. For example:

(1) Despite economic difficulties, the USSR is now allocating about 15 per cent of its GNP to military programmes compared with 13 per cent two years ago.

(2) The USSR has begun flight tests of two new land-based intercontinental ballistic missiles while continuing the modernisation of the deployed SS17, SS18 and SS19 ICBM force.

(3) The Soviet military space programme has grown with more manned missions, reconnaissance and targetting satellites and anti-satellite systems.

(4) The USSR has begun flight tests of a new strategic bomber aircraft, the BLACKJACK, with a range sufficient to hit almost the whole of the continental United States without in-flight refuelling. Production of the supersonic BACKFIRE continues at the rate of 30 per month. About two hundred are in service with the Soviet air force and naval aviation units.

(5) The first of the USSR's 25,000 ton TYPHOON class submarines has test-fired its MIRV 5000-mile range submarine-launched ballistic missiles. This class of submarine is faster, larger, and deeper diving than any equivalent submarine available to NATO.

(6) Three KIEV class aircraft carriers are in commission with the Soviet navy with their complement of FORGER V/STOL aircraft and helicopters. A fourth has been launched and development continues of a new class of fleet strike carrier.

(7) The Soviet navy now has 84 amphibious vessels including the formidable IVAN ROGOV assault ship. There are now five naval infantry regiments to act as intervention forces worldwide.

(8) Five Soviet shipyards have continued to produce new attack

submarines for the world's largest submarine force. The first of the new 14,000 ton OSCAR class boats is on sea trials and the second has been launched. These boats carry a complement of 24 SS19 anti-ship cruise missiles with a range of 300 miles.

(9) The titanium-hulled nuclear powered ALPHA class boats - at 40 knots the world's fastest submarines - are entering service at the rate of three per year as are the VICTOR IIIs. TANGO and KILO class diesel submarines continue to be built.

(10) Four new classes of surface warships continue to be built:

(a) The 23,000 ton nuclear powered KIROV class cruisers. Two have been launched so far. One is at sea.

(b) The first of the 13,000 ton turbine powered KRASINA class cruisers has just entered service.

(c) SOUVREMENNY (surface warfare) and UDALOY (anti-submarine) destroyers continue to augment the Soviet fleet.

(11) The Soviet merchant marine is now one of the largest in the world and plays a key role in Soviet naval strategy.

(12) On land, the modernization and forward deployment of increasing numbers of Soviet intermediate-range nuclear forces continues apace. More than 350 mobile launchers for the SS20 ballistic missile system, with triple independently-targeted warheads and reloads for each launcher, have been deployed. Two-thirds of these 2,000-mile range weapons are aimed against Western Europe.

(13) The USSR has introduced additional nuclear-capable weapons systems to its forward-deployed divisions in Europe. The new mobile SS21 short-range tactical missile system is operational as is the 152mm self-propelled gun thus adding to Soviet chemical, nuclear and conventional warfare options. The Soviets are deploying the new 203mm self-propelled gun and 140mm self-propelled artillery.

(14) The new T80 main battle tank is now in service both in the USSR and Eastern Europe, adding to the combat capabilities of the Soviet army. Soviet army units have also been receiving new 220mm multiple rocket launchers since 1978. The strength of artillery units is being greatly expanded.

(15) The Soviet helicopter force has doubled in the last five years. Soviet army aviation has a generous complement of attack and heavy lift helicopters which have been put to effective operational use in Afghanistan.

(16) Soviet frontal aviation has been comprehensively modernized and reorganized with great emphasis on all-weather, deep penetration, offensive operations. Improved training and operational capabilities are evident.

(17) Two new twin jet fighters, the MIG 29 FULCRUM and SU 27

FLANKER fighters, are being developed and will have look down/shootdown weapons systems and carry missiles capable of engaging targets beyond visual range. They may also have a secondary attack role. In addition to the existing FENCER force with its ability to hit the UK from Eastern Europe without in-flight refuelling, these two new fighters plus the SU 25 FROGFOOT ground attack aircraft much used in Afghanistan represent a dramatic modernisation of Soviet air power.

(18) The Soviet military transport aviation force remains formidable. The medium-range AN12 turboprop transport is being replaced by the four engined CANDID long-range jet transport at the rate of 30 a year. A new long range heavy lift jet transport is being developed to enter service by the mid-1980s. Although the inventory of the Soviet air transport force has declined by about 50 aircraft since 1978 its carrying capacity in ton-miles has increased by 50 per cent. It should also be remembered that in emergency or war, Aeroflot would be mobilized to supplement the Soviet military transport force. There are now 24 parachute regiments in the Soviet army, and the combined army transport force can lift a full airborne division.

Western response

The improvements to the military capabilities of the Soviet Union which have been described are clearly aimed towards offensive warfare and the implementation of a global grand strategy. To counter this strategy effectively, the military resources of the whole Western alliance must be co-ordinated to a much greater extent than has been attempted so far and NATO must also revise its plans and share its military burdens amongst its member countries as efficiently and economically as possible.

Occupying, as it does, a crucial geographical position as the bridge between the North American and European components of NATO, **Britain has a vital role to play in ensuring the effectiveness and cohesion of the Western alliance in its new military situation.** But in assessing this role it must now be understood that as a result of the development of Soviet strategic doctrine and of its new weapons and systems the military threat to the United Kingdom itself, and to its national interest and culture, has never been greater since World War II.

There is no doubt that the security of these islands and the UK's worldwide interests are increasingly imperilled by the Soviet military build-up. We must now examine the measures which the UK will need to take to counter it.

2. THE STRATEGIC TASKS FOR BRITAIN IN NATO

NATO is a defensive alliance formed to provide collective security for the NATO area against external threat. In the years since its formation, the nature of the North Atlantic alliance has undergone a number of major changes. Circumstances now combine to highlight the need for further change.

Initially, the NATO alliance sheltered beneath the strategic nuclear superiority of the United States, maintaining some conventional forces in place whilst Western Europe recovered and was reconstructed after the Second World War. Gradually the West's conventional forces diminished still further, leaving NATO dependent on the 'tripwire' strategic nuclear deterrent to prevent potential Soviet expansion into Western Europe.

Increasing doubts

In 1967, the deficiencies of the tripwire strategy were recognized and a new defensive doctrine, called 'flexible response', was adopted. This postulated carefully graduated retaliation from conventional warfare through nuclear conflict at a tactical level to full strategic nuclear retaliation, thus attempting to provide a measured response to any level of Soviet aggression. Officially, this is still the policy of the NATO nations. Unofficially, it is clear to most strategists that the doctrine of flexible response is unlikely to be effective in preventing escalation to nuclear war in the event of Soviet aggression in Europe.

The reasons for this change of assessment of the credibility of flexible response rest in the changing nature of the threat posed by the Soviet Union and its Warsaw Pact allies. By massive investment in defence-related research and development, the defence technology deficiencies of the Warsaw Pact have been substantially reduced, and the Soviet armed forces are now equipped with the most sophisticated weapons. The Warsaw Pact now has available forces presenting new and greater threats than those faced by NATO when the policy of flexible response was evolved. In Europe, the Warsaw Pact continues to have a marked numerical superiority in conventional forces:

* 42,500 main battle tanks with guns of 90mm or greater now face a NATO force of 13,000 similar tanks.

* 31,500 artillery and mortar pieces face a NATO strength of 10,750 similar weapons.

* 78,800 armoured personnel carriers are available in Eastern Europe, compared to only 30,000 in NATO countries.

* 7,240 modern combat aircraft now pose a threat to 2,975 similar NATO aircraft.

The net effect is that it is probable that a Warsaw Pact assault on Western Europe could be countered only by a rapid NATO escalation to the use of nuclear weapons. The Supreme Allied Commander (Europe), General Bernard Rogers, is on record as stating that in view of the present disparity of forces NATO can implement only a 'delayed tripwire' strategy, implying a very early recourse to the NATO nuclear arsenal. Nuclear retaliation from the USSR could be expected in such a situation. It seems likely, therefore, that a Soviet attack on Western Europe would escalate rapidly to a tactical and possibly to a strategic nuclear exchange. Perversely, it is possible that it is this very prospect that may also constitute a major safeguard to the security of the European nations of NATO and which also forms the basis for a distinct and identifiable shift in Soviet policy.

If direct action against Central Europe is indeed unacceptably hazardous for the military-minded leadership of Warsaw Pact governments, they could still turn their attention to less well protected areas. On the other hand, if a Soviet attack on the central front were to be mounted, it would almost certainly be accompanied by major attacks on such less well-protected areas. In any conflict on the central front, the ability of the NATO alliance to sustain defensive conventional operations for a prolonged period of time would also depend critically upon the preservation of secure lines of transatlantic reinforcement.

In either eventuality, it appears that the Soviet military and political leadership has identified two flank areas of NATO that are noticeably less well protected than the central front of Europe:

* A Northwestern flank comprising the lightly defended arc stretching from the north cape of Norway through Iceland to the United Kingdom itself.

* A hidden flank represented by the invisible economic lifelines to Africa, the Middle and Far East necessary to maintain Western European economic growth and independence.

The Soviet response

If the assessment that real threats to these two flanks of NATO Europe now exist and have been identified by Soviet military planners is correct, then certain specific improvements to Warsaw Pact armed forces, not solely relevant to a continental European war, should be discernible:

* We would expect to see a marked increase in Warsaw Pact ocean-going amphibious vessels capable of striking at Atlantic islands or into the third world, but not in coastal amphibious assault craft usable only in the Baltic, Black Sea and Mediterranean:

NATO to be of major assistance in countering this growing threat to vital alliance interests outside the NATO area. As an

In the ten years from 1971 to 1981, the Pact's coastal amphibious assault craft declined slightly in volume (but improved in quality) from 190 to 155. Ocean-going assault ships more than doubled, from 7 to 16. These included the first of the large IVAN ROGOV class capable of carrying a complete naval infantry battalion plus three hovercraft, armoured personnel carriers, tanks and helicopters.

* We should expect to see an increase in the Pact's naval forces capable of operating as independent ocean-going task groups (aircraft carriers, cruisers, destroyers and frigates):

Since 1971, three Soviet aircraft carriers have appeared in service where previously there were none. The Soviet navy's cruiser and helicopter carrier force has remained relatively static at 23 vessels; the important destroyer/frigate escort classes have increased from 142 to 182, with improved long-range sea-going qualities.

* We should expect to see an increase in the range of Soviet tactical support aircraft:

In 1971 the Warsaw Pact was supported principally by short-range MIG 19 and MIG 21 aircraft. Now they feature the SU-17 with a radius of action of over 700kms, the MIG 27 with a radius of action of over 1,200kms and the SU-24 with a radius of action of over 1,800kms. Whilst in 1971 Soviet tactical aircraft could only reach Austria, Western Germany or Southern Norway, now their range could extend to most of Western Europe and the Southern UK.

* We should expect to see an increase in the capability of the Warsaw Pact air transport force to provide a parachute assault or air-landed assault capability rapidly at long ranges:

The four-engine AN112 CUB carrying 60 paratroops over 1,400kms is being replaced by the IL-76 CANDID which carries 140 paratroops over 4,900kms. A new heavy transport with the ability to drop parachute loads as large as tanks is being developed.

AN UNDER-DEFENDED FLANK

These key aspects of Soviet military improvement are designed primarily to carry out operations at long ranges from the Soviet Russian, East European or Far Eastern bases. **Within the NATO area this threat to the Northwestern flank is one to which as yet NATO has devoted few resources collectively. In consequence it is under-defended and at risk.**

As regards the hidden flank of the alliance, Britain's maritime tradition and association with many third world nations places the United Kingdom in a strong position among the European members of NATO to be of major assistance in countering this growing threat to vital alliance interests outside the NATO area. As an

island nation with 95% of its trade carried out by sea, Britain stands to suffer more than most of the other NATO European countries from any Soviet offensive against the hidden flank.

The Royal Air Force already plays a significant part in the policing of the airspace of NATO's Northwestern flank. As part of the NATO air defence system the RAF, which controls the UK air defence region, tracks and identifies an increasing number of Soviet naval and long-range air force aircraft probing the Northwestern flank. In war the RAF could give a good account of itself against the previous numbers of Soviet aircraft capable of reaching the UK air defence region; but on present trends it will soon be inadequate, swamped by an increasing number of attackers. **There is an urgent need for a major improvement of the Royal Air Force Air Defence capability, including better radars, more Airborne Early Warning (AEW), more fighters and many more surface-to-air missiles. Increased Warsaw Pact air threats also require major improvements to the UK's civil defence capability.**

The Royal Navy is still the largest NATO European navy, and provides 70% of NATO's Eastern Atlantic maritime forces. **But it will be unable to maintain this contribution if the reductions in fleet strength proposed in the 1981 Defence Review are implemented in full.** The total of destroyers and frigates will have to be maintained at least at the 1982 levels, as will the navy's amphibious capabilities and the size of the Royal Marine forces. All these are flexible and mobile forces capable of operating both within and beyond the NATO area in support of allied or national aims. **Since operations outside the NATO area will require substantial fleet afloat support resources, a programme of selective equipment and arming of some merchant ships for naval service needs to be included in future defence plans.**

With 35% of Regular strength permanently deployed in West Germany as the British Army of the Rhine, the equipment, training and combat philosophy of the British Army has become closely associated with the problems of the defence of the central front of NATO in Europe. But the counter-insurgency operations, peace-keeping duties, and local wars in which the Army has been involved (and is still involved) during the past two decades require rather different weapons, combat techniques and training methods from those required for the defence of the central front and this also applies to the rapid deployment and mobile intervention components of the army (the Parachute Brigade, SAS Regiment, Army Air Corps and air support units). These types of forces are now needed in larger numbers to provide a more effective British army contribution to the defence of the northwestern and hidden flanks of NATO already referred to, including the land defence of the United Kingdom itself which has become neglected as a result of the increasing cost of the continental commitment.

The necessary reorganization

A considerable reorganization of the British army has, therefore,

become necessary to meet the new threats to the security of the alliance. Whilst a substantial presence is required in West Germany in order to demonstrate to our European allies our commitment to assist in their defence, a greater proportion of the British defence effort and higher priority in budgetary allocations must now be accorded to the defence of the North-western flank of NATO and of the alliance's hidden flank further afield. **The flexible and mobile elements of the British army must therefore be expanded and supported by increased strategic transport and enhanced close air support elements of the Royal Air Force, together with merchant ships earmarked for requisition in emergency as store ships and troop carriers.** Expertise in air mobility is already considerable in the British armed forces and along with French and Italian air-mobile forces provides an almost unique capability amongst the armies of NATO Europe. **These arrangements will help to counter the growing vulnerability of the NATO area to professional, large scale, and higher speed 'back-door' attacks.**

The revised role of the British armed forces in NATO which is proposed and the reorganization and redeployment of those forces which its adoption would entail, in no way reflect on the political importance of the defence of the NATO central front in Europe. They result from a recognition of the additional threat posed by the Soviet Union and its Warsaw Pact allies which has developed in the past decade. **Whereas previously the Warsaw Pact could mount a direct conventional attack on the United Kingdom only with difficulty, such attacks are now well within its capabilities.** Britain is the natural NATO partner to deal with this threat. However, the defence of the central front cannot be neglected. Any proposal for the redeployment of BAOR units would require a measure of land force compensation from our NATO allies and thus their prior agreement.

To meet these new threats and challenges, it is now a matter of urgency that Britain reorganize and redeploy her armed forces at the earliest opportunity. This in turn requires that the British government initiate discussions within NATO to prepare a comprehensive and agreed scheme to rationalize the burdens of the defence of the NATO area against the new threats in a manner which is relevant to the strategic situation of the eighties and realistic in relation to the economies of the nations involved. However, it must be stressed that these proposals do not require further increases in defence spending. They are based on the current defence budget and the government's declared public expenditure plans.

In one respect, British defence policy requires neither any redeployment, nor reorganization, rather confirmation. The provision by the United Kingdom with France of our independent strategic nuclear deterrent enhances the overall level of deterrence available to the European members of NATO. As it represents the ultimate guarantee of British sovereignty and national independence it must be fully credible as far ahead as can be foreseen and for this reason the decision of the govern-

ment to modernize the British strategic nuclear deterrent is fully justifiable. It will, in the words of the former Secretary of State for Defence, John Nott, enable us to 'retain that vital, and purely European second centre of decision-making that adds so significantly to the uncertainties faced by any aggressor contemplating an attack on Europe' (1).

Three factors are likely to affect UK defence policy in the 1980s:

(1) Budget limitations. There is a limited defence budget, with many demands on it; hence, some difficult choices have to be made. Currently, UK military expenditure exceeds £15,000m per annum or more than 5% of GDP, and it is planned to rise at an annual rate of 3% up to 1986. A defence Committee report summarized the dilemma:

'...it is very difficult to see how it will be possible to give top priority to the Trident programme throughout the decade without something else being squeezed out, unless economic conditions improve dramatically. Other equipment programmes are likely to be displaced in terms of time, quantity, or quality or lost altogether' (1).

(2) The costs of weapons and the trend towards rising costs. A nuclear-powered submarine costs £175m, a Type 22 frigate costs £120m; a Tornado strike aircraft £11.4m and a Challenger tank £1.5 m (unit production costs, 1980 prices). Moreover, in real terms, a new strike aircraft is four times as costly, as its predecessor, a new guided weapon is 3.5 times as costly and a frigate is three times more expensive.

(3) Demography. After 1985, the number of males aged 15-24 will fall substantially and continue falling up to 1996. There will be a reduction of almost one million in the prime recruiting age group. Clearly, such a population change is likely to have a major impact on the costs of maintaining an all-volunteer force of the current size although the final outcome will depend on the demand for, and supply of, labour including technical progress in the armed forces and in the rest of the UK economy (2).

Thus, there will be competing demands for a limited defence budget, which means that choices cannot be avoided. At the level of general principles the range of possible choices and options is extensive.

(1) HC 36, Defence Committee, Strategic Nuclear Weapons Policy (London: HMSO, June 1981), p. xix.

(1) Rt Hon John Nott, MP, Secretary of State for Defence, Speech to North Atlantic Assembly, London, November 1982.

3. DEFENCE BUDGET PROBLEMS AND SOLUTIONS

THE ECONOMICS OF UK DEFENCE POLICY: SOME GENERAL PRINCIPLES

The problem for UK defence policy: choices cannot be avoided

Three factors are likely to affect UK defence policy in the 1980s:

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The principles of defence policy

Four principles can be formulated:

(1) HC 36, Defence Committee, Strategic Nuclear Weapons Policy (London:HMSO, June 1981), p.xix.

(2) G. Harries-Jenkins (ed.), Armed Forces and the Welfare Societies: Challenges in the 1980s (London: Macmillan, 1982).

The choice set.

In principle, UK defence policy embraces a set of choices relating to:

(1) The level of defence spending. Decisions are required on the preferred size of the defence budget in relation to other government and private spending (e.g., schools, hospitals, lower taxes). This implies the choice of a level of 'protection' where protection needs to be specified in operational terms (e.g., an ability by the UK to conclude a successful operation like the Falkland Islands campaign within ten weeks; or the ability to fight a conventional war in Western Europe for, say, one week, before resorting to nuclear weapons).

(2) Nuclear or conventional forces. Choices are required between Trident or cruise missiles; strategic or tactical nuclear weapons; nuclear weapons or conventional aircraft, missiles, ships and tanks.

(3) The relative sizes of each of the armed forces. Limited budgets have to be allocated between each of the armed forces, so that the navy, army and air force are competing for scarce resources. Governments have to choose between land, sea and air forces to achieve their defence objectives.

(4) Manpower versus weapons. Choices have to be made between weapons and manpower. Weapons and equipment can be used to replace labour with, say, strike aircraft replacing soldiers and tanks; maritime aircraft replacing frigates and nuclear weapons replacing large standing armies.

(5) Different types of manpower. Within manpower, further choices arise between an all-volunteer force or conscripts; between full-time soldiers or reserves; between men and women; and between soldiers and civilians.

(6) The geographical distribution of forces. Limited forces can be allocated between different parts of the world. Thus, the available armed forces can be used to defend the UK only; or to defend the UK and NATO Western Europe; or the wider NATO area embracing the flanks; or east of Suez; or the South Atlantic. Furthermore, the geographical choices might require a Rapid Deployment Force.

The principles of defence policy

Four principles can be formulated:

(1) The principle of choice. No government can ignore choices and in the 1980s something will have to be sacrificed. Of course, governments might continue with current levels of defence spending and current commitments by accepting a reduction in the effectiveness of forces (i.e., reduced protection

resulting from older weapons; or the allocation of forces to the South Atlantic at the expense of NATO).

(2) The principle of substitution. Defence output in the form of protection and security can be achieved with varying combinations of manpower and weapons, nuclear and conventional forces, or army, navy and air forces. In this context, the Trident decision involved the sacrifice of £7500m (1982-83 prices) of expenditure on conventional forces. Which makes the greater contribution to the UK's defence output: Trident or the equivalent expenditure on other weapons?

(3) The principle of efficiency. Choices and substitution possibilities cannot be divorced from efficiency considerations. Are there lower cost methods of achieving specific objectives? In this context, problems arise since choices, substitution possibilities and efficiency implications are each drawn up by the MOD. As a bureaucracy, the MOD is a monopoly supplier of information and defence services to the government. To protect or raise its budget, it has every incentive to over-estimate the demand for defence or to under-estimate the cost of its preferred weapons projects (e.g., cost escalation on modern weapons is typically in the region of 2.0 or more: actual development costs can be twice their original estimates in constant prices).

(4) The principle of competition. Competition between private companies each risking their own funds, generates greater efficiency. In other words, state-owned enterprises in protected markets are unlikely to be efficient. Similarly, there are possibilities for extensive experiments in contracting-out services that are normally undertaken in-house by the armed forces.

Policy proposals

Acceptance of the above principles suggests various options for UK defence policy in the 1980s:

(1) Substitution possibilities. A hard look at our objectives may lead to the conclusion that some substitution is possible, resulting in cost reduction. For example:

- (a) Civil air charter for strategic troop airlift.
- (b) RPVs (Remotely Piloted Vehicles) in place of manned aircraft in forward battle areas, for some reconnaissance functions.
- (c) Reserves to replace Regulars.
- (d) Women to replace men in support functions.
- (e) Civilians to replace soldiers in support, and some operational, roles.
- (f) Troops based in the UK could be flown to Western Europe and the Falklands, so replacing large overseas garrisons.

(2) Extending privatization. There is no economic logic for

monopoly state agencies such as the Royal Naval Dockyards, Royal Ordnance Factories and government R&D establishments: these activities could be undertaken by private sector firms. Similarly, some functions could be transferred to the private sector through the use of private contractors - e.g., training of pilots and drivers, transport and the maintenance of weapons.

(3) Extending civilianization. Questions can be raised about some of the functions currently undertaken by the forces and whether a reserve of capacity can be created through access to civilian resources. For example, since a civilian transport capability exists in the land, sea and air spheres, why should the forces possess more than a basic minimum specialist transport capability? In some instances this policy is already being pursued, but it could be considerably extended. Where necessary, subsidies can be used to induce civilian transport firms to strengthen or modify their transport for specialized military requirements. The principle of civilianization can also be extended to question the need for some specialist and expensive purpose-built weapons - e.g., do we need expensive purpose-built aircraft carriers when it is possible, within days to convert merchant ships to perform this role?

(4) Extending competition and fixed price contracts. More privatization and more civilianization are necessary, but not sufficient, for improving efficiency. Competition is also required and needs to be a central feature of defence procurement policy. A competitive procurement policy would not be restricted to UK firms; it would involve 'shopping around' and buying from the lowest-cost suppliers which will usually be located in Europe and the USA. The major aim would be to create a market environment in which foreign and UK firms were rivals for competitively-determined fixed priced defence contracts. Competition would act as a policing mechanism for prices, costs, escalation and profits. As a result, the Review Board for Government Contracts could be abolished.

(5) Allowing each of the armed forces to buy its own weapons subject to a fixed budget and clearly-defined output constraints (e.g., output could be defined in terms of performance in exercises, or assessed through competition between units). Weapons procurement agencies would also be required to confine themselves to defence considerations, ignoring wider national economic objectives such as jobs, exports and technology which are the proper concern of other government departments. Where other departments wish to use such arguments for buying British, they would be required to compensate MoD and the forces for any extra costs involved. Similarly, within each of the Armed Forces, there is scope for further delegation of procurement decisions with the purchase of individual items being conducted at a level much closer to the front line than now exists. Why should units not buy their own furnishings and local facilities to meet their own needs? This does, of course, suggest changes in employment contracts so that individuals have inducements to behave efficiently.

(6) Introducing efficiency incentives into the employment contracts of civil servants and military personnel. Individuals and groups in MOD and the forces require inducements (rewards and penalties) to search for substitutes and to economize. At present, they have every incentive to spend rather than save, since this enhances the status of their office.

For example, there are no inducements to question expensive 'gold-plating' and 'prestige' weapons projects; nor are there any inducements to reduce voluntarily the ratio of senior to total staff (e.g., the number of admirals per ship; or the number of civil servants per soldier). A comparison of such ratios in other nations provides at least some check on efficiency. Indeed, the existing system encourages expenditure since staff derive satisfaction from adding the latest technology (their individual trade-mark) to a new weapon. Since staff tenure in any single post is relatively short, they can always shift the consequences (costs) of their decisions onto their successors; and they can avoid individual responsibility by claiming that they followed proper procedures and that the ultimate decision was made by the appropriate committee. Furthermore, the pressure to spend is accentuated by the belief that any savings will accrue to their rivals (e.g., navy, army, or air force) or to the Treasury.

Clearly, there is scope for extensive experiments with different forms of employment contract. The possibilities include payment by results, 'profit-sharing' schemes and the voluntary formation of groups which would agree to share any savings which they achieved.

THE APPLICATION OF THE GENERAL PRINCIPLES

A more detailed explanation is now required of how these general principles might be applied to UK defence policy.

The financial reality

In considering a new defence and strategic policy for Britain, the realities of the economic constraints likely to be imposed on future British defence budgets, and the difficult choices which these constraints will force on the British government require careful examination. Without such examination, policy proposals will be unrealistic and unconvincing. It is an unfortunate fact that the additional financial resources allocated to defence to make good the losses incurred in the Falkland Islands campaign and to fund the costs of defending the islands, have allowed these realities to be put aside by the Thatcher government, at least in the short term, and have enabled ministers to claim that the defence budget is no longer under strain. Whilst this may be true for 1983-84, it will certainly not be the case during the latter years of this decade, particularly when the full impact of the costs of the Trident programme have to be taken into account

(£7,500m, 1982-83 prices).

It is not only foreign policy considerations which have fostered the British concentration on the primacy of the NATO central front in Europe in strategic policy (the 'single scenario'), and caused Whitehall to play down the changing strategic environment and new threats developing both within and beyond the NATO area.

Particularly from 1974-79, this preoccupation was cultivated by the British Chiefs of Staff who were then fighting to protect the armed forces (and their budgets) from the excessive cuts being pressed on them by ministers - cuts which in their view would create unacceptable risks to national security. Withdrawal from east of Suez deprived them of arguments about the need to maintain overseas military commitments. Thus, they were left with only one weapon to fight their campaign, namely the continuing dangers to European security created by the strength of Warsaw Pact forces, and, in particular, the vulnerability of the central front where, by something of an historical accident, a substantial proportion of the shrinking British army was now deployed to defend an important 65km sector in the heart of West Germany. In Whitehall, the Chiefs of Staff found useful allies to support their campaign.

By now deeply involved in the internal politics of the EEC, the Foreign Office was already manifestly Eurocentric in its views, which caused it to underrate the growth of the Soviet global threat to vital Western interests and the increase in the strategic options available to Moscow in furthering its campaign of world-wide political advancement. The diplomatic view was that Britain must be seen to be a 'good' ally to our continental partners in NATO. For this reason, the maintenance of the Brussels Treaty commitment to station 55,000 troops and a tactical airforce in West Germany in peacetime until 1992 was paramount. Any proposal to reduce, let alone withdraw, our forces there to create economies in the defence budget would, it was alleged, weaken the confidence of our European allies and could have serious consequences for NATO.

In the services, it had been possible to maintain the Brussels Treaty commitment without too severe reductions in the size and capabilities of the other arms and forces outside the Rhine Army or in RAF Germany. But, by 1981, the emergence of yet another crisis in British defence spending as well as in the pay and emoluments of the all-Regular forces revealed the dangers to national security which unquestioned adherence to the policy of priority for the continental commitment was creating.

The dangers can be simply stated. **Such has been the magnitude of the rise in defence costs that Britain can no longer afford to maintain conventional armed forces sufficient in size both to fulfil our historic multi-role contribution to NATO's collective security system and to meet the needs of national security whether in the defence of the United Kingdom or of Britain's**

residual territories and vital interests overseas. Further, during the next few years the adverse impact of rising costs on Britain's conventional forces will be reinforced by the costs of modernizing Britain's strategic nuclear deterrent force.

There is no doubt that by 1981 the planning of future defence costings up to 1990 was already being affected by the need to accommodate the anticipated cost of the Trident programme. Whilst allocations to the conventional arms of all three services will be cut for this purpose, those of the maritime forces will suffer most severely because the provision and operation of Trident will be a naval responsibility. Naturally, in the prevailing climate of financial stringency in which the 1981 Defence Review was prepared, the other two services were not disposed to quarrel with this decision.

In the summer of 1981 there was no time to discuss with the allies the need for a new strategy to deal with the changing threat to the NATO area and the most suitable part for Britain to play in such a strategy, bearing in mind the future constraints on British defence spending which were the cause of the Defence Review then under preparation. Faced, on the one hand, with strident political demands for economies in the costs of conventional forces coupled with instructions to provide for the modernization of the deterrent force, and on the other, by government unwillingness to review the Brussels Treaty commitment, the Chiefs of Staff could hardly renege on their previous emphasis upon the vulnerability of the central front without allegations of inconsistency being levelled at them by their political masters. Here, then, were the origins of the pivotal statement of the 1981 Defence Review:

'Despite all the financial pressures on our defence effort, the government has decided that the contribution (represented by the large proportion of our land and air forces we maintain permanently in the Federal Republic) is so important to the alliance's military posture and its political adhesion that it must be maintained (1)'.

But Fate moves in mysterious and unpredictable ways. Who would have foreseen that less than a year later, the dangers of a strategic policy based on a single (and increasingly unlikely) scenario would be so dramatically and convincingly exposed by the need to fight a limited campaign in defence of British overseas territory in an area where only maritime and air power could carry and deploy the level of force that was needed? **The future is uncertain and no one can predict it accurately: uncertainty means that the UK requires a set of general purpose forces, capable of being used in a wide variety of situations.**

(1) The Way Forward (London: HMSO, Cmnd 8288, 1981), para 16. Budget allocation, manpower and administration

As the description of the threat now posed to the NATO area by Soviet and Warsaw Pact forces and of its extension beyond the NATO area has shown, the concept of a single scenario strategy for Britain neither meets the requirements for national security nor represents the most suitable and effective contribution Britain can make to NATO's collective defence plans. But a new defence and strategic policy for Britain must take realistic account of the likely level of financial resources available for defence budgets over the next decade. These considerations suggest the following modifications to British defence budgeting, manpower policies and administration:-

(1) The attempt to finance the cost of modernizing the strategic nuclear deterrent force within the limits of the annual defence budget should be abandoned. Ideally, the capital costs of this modernization should be met by an increment added annually to the defence budget for conventional forces to cover those parts of the modernization programme which have to be met that year. The deterrent force only requires modernization every 20-25 years and the peak costs of each modernization when it occurs should not last for more than a 5-10 year period. The annual running costs of the strategic deterrent force should continue to be met by the budget for whichever of the three services is charged with the responsibility for its operation.

(2) The annual defence budget should cover the costs of the conventional forces and reserves, their weapons, equipment and stores, etc., as now, productions, procurement and research and development, together with the running costs of the strategic nuclear deterrent force. The size of the conventional forces and their reserves, their equipment and weapons, and their professional capabilities should be determined by the assessment of the Chiefs of Staff (a professional judgement) of what is required to execute the defence and strategic policy laid down by the government and subject to a limited budget. This policy should seek to strike the most realistic balance possible between the defence of the realm and the most appropriate British contribution to NATO's collective security system for the defence of the NATO area (which, of course, includes the United Kingdom and the North-East Atlantic). Priority should be given to areas where the defence interests of Britain and of the NATO alliance coincide. For example, the defence of the UK island base which is vital to NATO's ability to fight any full-scale conventional war for more than a few days.

(3) The present level of defence costs and the certainty of future increases in these costs have shown that Britain will be unable to afford properly-equipped conventional armed forces sufficient in size even for the revised roles proposed here, so long as the present policy of all-regular professional forces is the only source of uniformed manpower. **New and more economical defence manpower policies are needed as a matter of urgency**, with the size of the armed forces being increased by recruitment of part-time volunteer reservists for all three services. These would serve for varying periods of military duty each year

combining this service with a civilian job under a national 'job sharing' scheme. The financial details of the scheme would have to be agreed between the Treasury and Inland Revenue, the employers and the trade unions (see Part 4). On completion of their regular engagements, forces personnel should be encouraged to continue their military service on a part-time basis by joining these reserves.

There are many people in civilian life who already possess some skills of immediate value to the armed forces by virtue of their everyday work experience or leisure pursuits, and they should be encouraged to join the volunteer reserves and use their skills in the service of the country for a part of each year. Successful schemes for part-time military service already exist in countries such as Israel and Switzerland and these should be examined with a view to their introduction here as part of any new plan for forces' manpower. The following categories come to mind:

Airline fixed-wing and helicopter pilots;
merchant navy officers and seamen, fishermen, RNLI, and coastguards;
management and technicians within the electronics, weapons and related manufacturing industries;
air traffic controllers;
members of security companies and organizations;
medical and nursing personnel;
heavy vehicle mechanics, drivers, etc;
members of specialist sports and outdoor pursuits clubs (sub-aqua, yachting and sailing, gliding and flying, rifle, mountaineering and climbing, to mention only a few).

In addition to the use of part-time volunteer reservists, and to the existing Home Service Force (for the defence of key points) there should be established at least the skeleton organization of a Home Defence Force on the lines proposed by a study group in the spring of 1983 (1). This force should consist of naval, land and air elements working closely under the reserve forces organization in their areas of the country. People in the categories described above who are unable to join the volunteer reserves (or are too old) should be encouraged to join this force, the establishment of which would greatly enhance the preparedness of the country's defences.

As the numbers of volunteer reservists builds up, so can the total of regular manpower be gradually reduced and a larger total of overall military manpower established without unacceptable increases in the forces' manpower budget.

(1) Admiral of the Fleet Lord Hill-Norton, Air Marshal Sir F Sowrey, Sir David Wills and General Sir A Farrar-Hockley, Defence Begins at Home

(4) With ever-mounting weapons and equipment costs it is essential that the organization, working practices, career structures and general management of the armed forces themselves are designed in the most cost-effective and economical way with the overall aim of achieving the best possible 'teeth-to-tail' ratio in each of the services. For example:

(a) **The numbers of senior officers (naval flag rank and its equivalents) required in each of the services could be reduced whilst retaining a reasonable balance between the need for adequate career structures in each branch of each service and the changing structure, role, and size of the forces generally.** As an example, in 1982 the flag list of the Royal Navy contained in addition to those holding the rank of Admiral of the Fleet and Admiral no fewer than eleven Vice-Admirals and thirty-eight Rear-Admirals, only three of whom were actually serving afloat in operational commands. In the other two services similar examples of an over-bearing of senior officers can also be found.

(b) The ratios of officers to men (other ranks) in each of the services should be reviewed, particularly in the Royal Navy.

(c) Manning levels in the forces need to be re-assessed with a view to raising productivity in peacetime. For example, the Royal Air Force has a strength of some 92,000 officers and men and 700 combat aircraft whereas the Israeli Air Force consists of 30,000 officers and men and 678 combat aircraft - i.e., a ratio of 131 officers and men per combat aircraft in the UK compared with 44 officers and men per aircraft in Israel. Such differentials are indicative of the scope for a critical re-appraisal of manning levels in the UK forces.

PROCUREMENT POLICY

Weapons procurement policy provides further opportunities for applying our general principles and so obtaining efficiency improvements. More than minor adjustments to the system are required if the objective is to be fully achieved. If a significant improvement in effectiveness is to result, what is really called for is a radical approach to the procurement process which will totally transform it over a period of 5-10 years.

The procurement expenditure budgeted for in 1983/84 is some £7.9 billion of which the production of equipment accounts for about £6.0 billion (75%). The balance - totalling £1.9 billion - is for research and development (1). Also, it is an essential

(1) Statement on the Defence Estimates (London: HMSO, Cmnd 8951, 1983), Part 1, Fig 1, Part 2, Table 3.1.

part of our commitment within NATO that UK equipment should enjoy certain common standards and inter-operability with the equipment of our partners if full combat effectiveness is to be realized.

42,000 civilians are employed within the Procurement Executive representing 20% of the total MOD civilian staff. Procurement represents nearly 50% of the total defence budget (1). It is therefore vital that the procurement process should be fully cost-effective. But how cost-effective is it? To what extent should MOD(PE) be involved with the procurement of minor needs as well as major programmes? Could the development presently being carried out in the government R&D establishments be better handled within industry?

The role of the procurement executive. The justification for a procurement executive can only be to facilitate the translation of development objectives and equipment needs into reality. The procurement executive function should be simply that of a buying office, seeking to obtain best value for money. Procurement priorities should be laid down by central staffs - the men on whom the responsibility to defend the nation and its interests at time of threat actually rests. How well is the procurement executive functioning today? And can it withstand the pressures imposed on it by a threat situation?

As far as the essentially day-to-day needs of the services are concerned, the Falklands war provided a very impressive demonstration of just how quickly the services can be provided with equipment in an emergency. Procedures which in peacetime quite typically were - and are now again - taking months to enact, were reduced to just a matter of weeks or even days. Such a remarkable - and crucially important - achievement was the result not only of extended hours worked in both MOD and industry, but of significant departures from normal practice. The telephone was extensively used in place of written communications, and decisions were taken swiftly. There was very great reliance on trust and goodwill, with virtually no evidence of the customer's urgent need being exploited by suppliers. The Falklands experience stands in marked contrast to the peacetime norm. Is it sensible or necessary to operate in peacetime a system we must abandon in time of tension or war? Delays in normal peacetime procurement cost money.

A dependence on written communication may be appropriate in peacetime, but this is not the only reason for the interminable nature of the normal procurement exercise. There is also an unnecessary duplication of activity. Examples abound of 'front line' men having to refer minor issues to their opposite numbers within MOD(PE). It is not as if those in MOD(PE) responsible for taking the decision are in many cases better qualified to do

(1) Statement on the Defence Estimates (London: HMSO, Cmnd 8951, 1983), Part 2, Tables 2.1 and 5.3.

so: for their next tour, each might well take the other's place!
The following is a not untypical example of the bureaucratic system as it is at present:

- a. RAF Hullavington - issues a requisition for equipment
- b. No 1 Group - approves the requisition
- c. No 16 Maintenance Unit, Stafford - nil stock - approves the requisition
- d. Supply Management (RAF) SM30, Harrogate - pass the requisition
- e. Finance Branch F6, Harrogate - approves the requisition
- f. Production Branch AP13, MoD London - approve supply
- g. Contracts Branch CB/A66, MoD London - determines the supplier
- h. H M Treasury, London - approves finance
- i. Contracts Branch, CB/A66 - places an order on the contractor
- j. Contractor manufactures the equipment
- k. AQD inspects
- l. Contractor despatches the equipment to 16MU
- m. 16MU despatches to RAF Hullavington

It is quite normal for this process to take 12-18 months. In the Falklands crisis, totally new equipment not in service inventories were, on a number of occasions procured, and installed inside two weeks. Why is there such a disparity? The gross delays in normal defence procurement cause overstocking in some areas, shortages in others, unnecessary expense, over-manning, undue delays in times of national emergency, little or no control by service units over their own equipment levels, and technological drag by the slow-down of procurement.

Further, the strategic importance of delay must not be overlooked. In terms of the supply of existing equipment, the Falklands experience serves as an eloquent example. In the case of the development of new equipment, every day of unnecessary delay in the introduction of technical innovation is a day lost to the technical advance of our potential enemies. Even more extraordinary is the fact that many of the service staff involved in HQ approvals or procurement executive bureaucracy are in fact cross-posted so that the same officer may have no authority at unit level, some authority at HQ level or full authority at procurement executive level.

The duplication of judgement and activity which presently prevails, together with the inordinate accompanying delays, cannot be justified. Full use needs to be made of discretionary budgeting and delegation within the operation branches, whilst ensuring such regulatory and control disciplines as are absolutely essential. **Direct procurement could cut the time required in half**, and suppliers (already AQD and DefStan approved) should be held fully responsible for their own quality control and the fitness for purpose of the equipment supplied.

Thus, an improved and more efficient procurement policy might

incorporate the following features:

- (a) allocation by the central staffs of strategic procurement priorities across all three services;
- (b) individual service procurement budgets within the centrally directed strategy with:
- (c) procurement executive management subordinated to Service Staff officers even in major programmes; and
- (d) the by-passing of MoD procurement staffs altogether for the myriad minor purchases at unit levels within a ceiling of, say, £50,000 per item, and a total unit budget equivalent to present centrally managed procurement less 20%.

The limitations of annual budget

Another matter which contributes to inefficiency is the annuality problem. What is not spent in a given year's budget cannot be carried through to the next year. The result is a 'last-quarter' scramble for spending, not only to ensure that total resources are not lost, but also in order to maximize credibility of the forward year's demands (another example of the incentives to spend). The situation would be laughable if its consequences were not in fact detrimental to national defence interests. It is even alleged that cases empty of goods have been shipped in order that invoices could be issued. Whether or not this actually happened is not clear: what is certain is that the current system leads to bad judgement and untimely purchasing actions which are themselves wasteful. In moving responsibility for procurement increasingly from the procurement executive to the services, it would be wrong not to deal with this issue also.

A simple solution would be to allow further underspend carry-through either in total or in large measure, with the procurement budget being operated with annual review, on a five-year rolling basis.

Fixed-price competitive tendering

Wherever the actual acquisition of equipment is involved, at the prototype stage as well as at production status, the use of 'cost-plus' contracts should be quite exceptional: **fixed-price competitive tendering should be the norm.** The 'cost-plus' mechanism works on the basis of the agreed cost for the job plus a margin of profit agreed between the supplier and MoD(PE). Although this may sound sensible in theory, the practical reality is that, to the supplier, a well-managed 'cost-plus' contract is a licence to print money (a blank cheque contract). The higher the demonstrated costs of the contract, the greater the supplier's profit. There is thus every incentive for the supplier to make his price as high as possible and no incentive

to keep the price down.

The House of Commons Committee on Public Accounts recently reported that the profit margin being allowed on contracts was 20 per cent on capital, despite a fall in the rate of inflation to around 5 per cent. This was giving contractors a real rate of return of about 11 per cent, compared with the 3.7 per cent intended by the Review Board, and was costing the defence budget up to £75 million a year, representing profits over-and-above those thought reasonable.

With competitive tender, there is a constant drive amongst the contractors concerned towards the lowest-cost approach, something with which the majority are fully familiar if they are also involved in serving the needs of the increasingly competitive commercial world. In the USA, where competitive tender is more widely used than in the UK, the accepted bids are published and circulated, so that those whose tenders were denied understand the price at which business was accepted and can make a clear choice the next time around either to reduce price or to lose the business. **Public bid declaration should be a primary means of achieving cost reduction.** Bid declaration is also a guard against corruption.

Competitive tender does of course require the clearest possible design and performance specification, for naturally the contractor will seek the lowest possible cost of manufacture within the contract in order to maximize his profit. The advantages of competitive tender are most obvious with repeat ordering of existing and unchanging designs. However, the very scale of some projects is such that only one contractor might be in a position to take on the work. In this event, a distinction can be made between the repeat ordering of an existing design and the development and design of new equipment. In the former case, the contracts should be drawn up in such a way that mutual advantage results from cost reductions; in the latter case cost-plus might be justified when it is essential for the design rights to be owned by the Crown. It would be better, however, for industry to be encouraged to develop suitable designs in their own commercial right so that the value of any requirement unique to the national defence interest is minimal. Moreover, arguments which assert that only one contractor might be capable of undertaking the work are of doubtful validity. This might be the case if procurement is confined to UK firms. However, competition is available once foreign firms are allowed to bid for UK defence contracts.

It is inappropriate for the procurement executive to be limited to a role of essentially investigative accounting: a 'policing' activity directed to the wrong end-purpose. Rather, the process should be such that its concern can simply be whether the best price offered is justified by the value of the goods received. Cost-plus contracting can only be justified in a minority of cases, if maximum effectiveness in the procurement of equipment is to be achieved.

The privatization and contracting-out of R&D and other activities

The proportion of the total defence budget dedicated to R&D is around 12 per cent. It might be thought that because 28 per cent of this is carried out by the MoD in-house, duplication with other alliance programmes would be small. Several observers better qualified than ourselves have stated that in fact this is not the case (1).

The cost-effectiveness of the procurement function could be significantly improved by both a further shift towards R&D privatization and a dedicated attempt to eliminate duplication of R&D within NATO. The trend of the last decade towards international consortia activity on major equipment programmes could extend very naturally toward joint industrial R&D - without prejudice to national security - so that increased R&D privatization could be expected itself to deal with some aspects of the duplication issue. A responsibility would still devolve upon a group within NATO in consultation with our own armed service chiefs and UK government to ensure that alliance R&D needs were handled without unnecessary duplication.

There has already been a welcome move towards R&D privatization in recent years, and the same is true in respect of provision of other services. Consider the following military activities which could be hived-off to the private sector, such as the maintenance of buildings, vehicles and weapons, transport pools (e.g., taxis), catering, the basic training of skilled manpower (e.g., drivers, pilots, air traffic controllers, navigators, electricians, computer personnel, etc.), the construction of ships, tanks and armoured vehicles (e.g., the Royal Naval Dockyards and Royal Ordnance Factories could be sold off to the private sector), military hospitals or services within them (e.g., cleaning, catering, laundries).

Such privatization is attractive, because the level of cost savings likely to be achieved are significant and well documented (2). Privatization, whether of R&D or services, has the additional benefit that, in time of crisis, a larger reserve of semi-trained civilians is available for either support or mobilization.

Privatization alone is not sufficient for improved efficiency. Competition is also required to ensure that any public sector in-house activity which is offered to an outside contractor is subject to alternative bids from rival firms. On this basis, competition and contracting-out might result in typical cost

(1) See Michael Chichester and John Wilkinson, The Uncertain Ally: British Defence Policy 1960-1990 (Aldershot: Gower Publishing Co, 1982), p. 214.

(2) M. Forsyth, The Myths of Privatisation (London: Adam Smith Institute, 1983).

savings of at least 10 per cent and more likely 20 per cent per year.

STANDARDIZATION AND COLLABORATION

Further cost savings in weapons procurement might be available from greater standardization and collaboration within NATO.

The problem: Is NATO efficient? Supporters of standardization claim that NATO is an inefficient organization for the procurement of weapons and manpower and for the provision of defence services. There are too many different types of aircraft, ships and tanks, with adverse effects on the efficiency of the armed forces and of the weapons industries in NATO. The result appears to be a wasteful duplication of R&D work, a failure to exploit scale economies and an allocation of development and production work which does not reflect each member state's competitive advantage in weapons industries, (i.e., what it does best). Similar duplication exists amongst the armed services, with each NATO member maintaining a full range of land, sea and air forces, with duplicate organizations for administration, support and training. Thus, critics of the present NATO arrangements claim that there is excessive duplication of effort, resulting in an estimated annual waste of over \$10 billion (1975 prices) (1).

The case for weapons standardization. Usually, a rise in Warsaw Pact military spending has led to demands for similar increases by NATO. However, successive years of peace have meant that alliance nations have been under pressure to reduce defence expenditure and to allocate more resources to the social services and personal consumption. Also, rising weapons costs have placed further pressure on the defence budgets of NATO nations at the same time as they have been constrained by limited economic performance (stagflation, recession). In the circumstances and in response to the Warsaw Pact's military expenditure, NATO continues to emphasise weapons standardization as a means of obtaining lower cost equipment and so improving the efficiency of its defence spending.

Expressed in its simplest version, advocates of weapons standardization claim that massive cost savings are available if only NATO nations would use the same weapons. For example, the USA and European nations are currently developing and producing at least ten different types of combat aircraft. And the European weapons industries lack the scale and learning economies associated with the long runs typical of the USA. For combat aircraft, US production runs of 1,000+ of a type are typical (F15, F16, F18), sometimes extending to 5,000 units (F4), at

* T A Callaghan, US-European Co-operation in Military and Civil Technology (Georgetown University, September 1975).

output rates of 12-30 units per month. In contrast, a typical UK domestic order for a military aircraft might be 200-300 units at a rate of 2-4 per month. Usually, each doubling in cumulative aircraft output reduces unit production cost by about 10 per cent. Not only are there differences in the scale of output, and hence unit costs, between European and US weapons industries, but there are further major differences between NATO and the USSR. For example, in 1982 the USSR produced 2,500 tanks, 4,500 other armoured fighting vehicles and 1,700 towed field artillery pieces; the corresponding figures for total NATO output were 760 tanks, 960 armoured fighting vehicles, and 160 artillery units, respectively (1).

Supporters of standardization argue that NATO nations should emulate the long production runs of the Warsaw Pact.

Weapons standardization is believed to offer reductions in unit costs through a more efficient use of NATO's resources allocated to defence industries. It is claimed that cost savings will result from:

(a) Savings in development resources as 'duplication and overlap' in R&D work is reduced.

(b) Economies due to long production runs. Compared with a variety of small scale outputs, the pooling of orders leading to one large production run will result in scale and learning economies and hence lower unit costs.

(c) Gains from international specialization and trade will result if standardization leads to the creation of a NATO free trade area in weapons. In such a free trade area, each nation would specialize in those parts of the weapons development and production process in which it has a competitive advantage (i.e., what it does best).

In this 'ideal' situation, it has been estimated that standardization in weapons procurement could result in unit cost savings of 20-30%. However, the actual experience of standardization policy suggests that governments are likely to impose constraints which will prevent the exploitation of the maximum potential economies suggested by the 'ideal' case (2).

International collaboration: Is it worthwhile? Collaborative ventures involving two or more nations in developing and producing a weapons project are often presented as a model for standardization and for creating a European-wide defence industry capable of competing with the USA. Current examples involving

(1) Soviet Military Power (Washington DC: Dept of Defense, USA, 1983) p.80.

(2) K. Hartley, NATO Arms Co-operation (London: Allen and Unwin, 1983) chapters 3-4

the UK, France, West Germany and Italy include the Jaguar and Tornado strike aircraft, the Alpha Jet Trainer, helicopters and missiles. In the ideal case, European collaboration is supposed to lead to cost savings from the sharing of R&D expenditures, together with the scale and learning economies from the pooling of orders (e.g., the Tornado output of 809 units, consists of 385 for the UK, 324 for Germany and 100 for Italy). **However, political bargaining between the partner governments, bureaucracies and contractors creates considerable potential for inefficiency in collaborative ventures.** In aerospace projects, this inefficiency can arise from:

(1) the equality of work sharing. Each partner nation demands its fair share of each sector of advanced technology and production work; hence, work is allocated on equity and bargaining criteria rather than efficiency criteria;

(2) the duplication of development and production work, with each partner requiring a flight testing centre and an assembly line;

(3) the administrative and organizational costs resulting from excessive government bureaucracy and duplicate organizations for procurement and supply;

(4) each nation demanding modifications for its order so raising R&D costs and reducing the economies from a long-run of one type.

The result of political bargaining is that joint aircraft projects involve higher R&D costs compared with a national programme, possibly an extra 30 per cent. Similarly, joint production is inefficient. Assuming a 5 per cent collaboration premium on production work and a doubling of output compared with a national programme, a joint aircraft venture might save 5 per cent on unit production costs. Thus, even with some collaborative inefficiencies, joint ventures can result in cost savings compared with a national project. There is, though, scope for improving the efficiency of collaborative ventures.

Some policy guidelines: how can efficiency be improved? The efficiency of European joint ventures could stand much improvement. Two broad policy guidelines are suggested:

(1) abolish protection for collaborative projects by expanding the opportunities for competition in European weapons markets - e.g., abolish entry barriers into national markets, so creating the basis for a European common market in defence equipment. In this way, any collaborative venture would be subject to competition and rivalry;

(2) allocate collaborative R&D and production work on the basis of efficiency criteria and comparative advantage as reflected in competitive bidding and the greater use of fixed price contracts. Firms need to be allowed to select their part-

ners on a voluntary basis using commercial criteria.

In addition, we believe that there is merit in having some nations specialize in the development of certain types of weapon systems. This is not a matter for the UK alone, but we would urge that the UK takes a lead in such a development within NATO. As an additional benefit, such a policy might lead to easier implementation of the 'two-way street' between European NATO and the US for the design and supply of defence material.

Britain does not have national military service (conscription). Instead, Britain's defence manpower policy is based on quality rather than on quantity. Her armed forces are arguably the most efficient, the best disciplined, and the best trained in the Western alliance; their performance in the 1982 South Atlantic campaign won admiration from the NATO allies.

However, this policy of professional excellence is expensive. Rates of pay are rightly high, but it is the additional emoluments, allowances, and benefits paid to the forces which add greatly to the costs of regular service manpower. These include housing, family welfare services, and children's education, all of which are included in the annual defence budget, as are the costs of the indexed pensions awarded to long service regulars on retirement. In 1983-84, retired pay and pensions for the armed forces amounts to 4.7 per cent of the total defence budget (£755m).

The cuts in British defence expenditure undertaken by successive governments between 1966 and 1979 left their mark on the size of Britain's armed forces, especially on the Royal Navy. Although the first Thatcher government reversed the trend of defence expenditure, the continuous rise in the costs of new weapons and equipment, and the need to make future provisions for the Tornado and Trident programmes over the rest of the decade, caused it to look again at manpower totals in its search for means of keeping defence expenditure within acceptable limits. In the year to April 1983, therefore, there was a decrease of 7,000 in the numbers of servicemen and women to a total of 320,623. This confirmed the government's intention to complete the programme of manpower cuts announced in the 1981 Defence Review, albeit with some alleviation for naval manpower as a result of the Falklands campaign. Unless manpower policies are changed, the 1981 target of less than 300,000 UK males by 1986 will be adhered to. This total is almost the same as the figure of 299,700 to which the forces had been allowed to fall by the time of the 1979 general election through a policy of neglect and indifference to national security. Already, by the end of 1982, amongst all the NATO countries Britain had one of the lowest percentages of its active population in the armed forces (2.2%); only Canada, Denmark, and Luxembourg produced a lower figure.

4. PROPOSED FORCES LEVELS AND STRUCTURES

In emergency or war, Britain's regular forces would be reinforced by a reserve force composed of former members of the armed forces with a liability for reserve service and by the volunteer

NEW MANPOWER POLICIES

Since 1962, Britain's armed forces have consisted of relatively small (and gradually contracting) numbers of professional long service regular volunteers. With the exception of Luxembourg and Iceland, Britain is the only NATO European country which does not have national military service (conscriptioin). Instead, Britain's defence manpower policy is based on quality rather than on quantity. Her armed forces are arguably the most efficient, the best diciplined, and the best trained in the Western alliance; their performance in the 1982 South Atlntantic campaign won admiration from the NATO allies.

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UK island base, and the provision of a strategic nuclear deterrent force) has undergone no significant change, but the overall size of this contribution has been reduced and this process is continuing. Further, the effect of manpower cuts has been to unbalance the total contribution and distort the

Insufficient reserves forces.

In emergency or war, Britain's regular forces would be reinforced by the regular reserves composed of former members of the armed forces with a liability for reserve service and by the volunteer reserves composed of civilians who make themselves available for a few weeks training each year. Budgetary restraints limit both the effectiveness and the size of the reserve forces. In the case of the regular reserves the annual training obligation written into the reservist's liability has not been invoked for many years, so that in practice these reservists are civilians lacking any training in or knowledge of modern weapons and fighting methods. The volunteer reserve forces are too small, and their structure is unbalanced, making them unsuitable for the military threats now facing NATO in general and Britain in particular. There are only a few hundred air force volunteer reserves and no active flying component either fixed wing or rotary. There are some six thousand Naval and Royal Marine volunteer reservists but the sea-going training of the former is limited to mine warfare and even for this role their resources are grossly inadequate.

Over eighty per cent of the volunteer reserve forces is now represented by the Territorial Army, the volunteer reserve arm of the regular army. The previous Conservative government authorized an increase in this strength from 70,000 to 86,000; at April 1983 its strength was 72,600. Unlike the volunteer reserves of the other two services, the Territorial Army comprised all arms and specializations and on mobilization would provide over one third of the order of the whole British army. Under present plans half of it would be despatched to West Germany on the declaration of war to reinforce Britain's Rhine Army and would quickly become fully engaged in the defence of the central front. This is another aspect of the 'single scenario' strategy which has dominated British defence policy since the withdrawal from east of Suez. **Britain needs to restructure and increase her reserve forces, particularly her naval and air reserves, and to allocate more of them to roles connected with the defence of the United Kingdom base, the lynch-pin of the defence of the NATO Northwestern flank to which reference has already been made.**

Source: The Military Balance (International Institute for
The strategic consequences of Britain's defence manpower policies

During the past decade, the threat to the NATO alliance posed by the Warsaw Pact has greatly increased and its nature and extent has been changed by new weapons and by the expansion of the Soviet navy. During this period, Britain's multi-purpose role in NATO (a contribution to the defence of the central front, a major maritime role in the East Atlantic and Channel, the defence of the UK island base, and the provision of a strategic nuclear deterrent force) has undergone no significant change, but the overall size of this contribution has been reduced and this process is continuing. Further, the effect of manpower cuts has been to unbalance the total contribution and distort the

of
structure / the armed forces.

Maintenance of the Brussels Treaty commitment in the face of manpower cuts has meant that a far higher proportion of the British army is now stationed in West Germany than was the case when this commitment was first undertaken in the mid-fifties, and this is true to a lesser extent in the case of the deployment of the Royal Air Force. To make way for this, Britain's naval contribution to NATO has been reduced and the resources available for the defence of the United Kingdom itself have been consistently run down. It has recently been estimated that on mobilization the total number of troops available to defend the homeland would be less than the present total of police in the country.

It is true that the fall in British forces manpower over the period of growing threats has not differed greatly in magnitude from the reductions in some other NATO countries. But in Britain's case the effects of the cuts in regular manpower are magnified by the lack of a regular flow of trained reservists.

For the next ten years or more, Britain will have to undertake a massive reorganization of its industrial, employment, social and fiscal policies in order to meet the demands and challenges of high technology and automation with the fall in the requirement for human labour which this second industrial revolution will bring about. Changes in Armed Forces Manpower to the future pattern and methods of employment of people will be essential. Shorter working hours, more 1972-82 and holidays, job-sharing, greater mobility of labour, the ability to change jobs without financial penalties such as the loss of pension rights: all these measures and Country will come to be Percentage Change

| Country | Percentage Change |
|--------------|-------------------|
| West Germany | +6.0 |
| France | -1.5 |
| U.S.A. | -11.4 |
| U.K. | -12.9 |
| Italy | -13.4 |
| Netherlands | -14.9 |
| U.S.S.R. | +9.8 |

Source: The Military Balance (International Institute for Strategic Studies)

In 1983, there is another reason why Britain's defence manpower policies need to be changed. This is the growing argument that NATO should raise the nuclear threshold in Europe from its present low level by an all-round increase in its conventional military capability designed to enable it to fight a full-scale conventional war in defence of the NATO area for more than the very few days which it could manage with current levels of war stocks and manpower, both regulars and reservists. This would lengthen the period during which a Soviet assault could be sustained before resort to the use of nuclear weapons became

imperative. of part time volunteer reserves (1)

Higher numbers of forces, particularly of trained reserves, would be a prime requirement of any such increase in NATO's conventional strength. Yet if faced with such demands, Britain would be unable to respond to any adequate degree since the cost of increasing defence manpower solely by enrolling more regular forces with all the associated expense would absorb too high a proportion of the defence budget. Despite the relative generosity of the post 1979 Conservative administrations towards defence spending, it is inevitable that this budget will soon be subjected to yet another searching review as part of a renewed government drive to reduce the level of future government expenditure (1). **The increased use of trained reservists in peacetime is therefore seen as an economic imperative in the light of the many legitimate calls on our national resources.**

The need for a new approach

For the next ten years or more, Britain will have to undertake a massive reorganization of its industrial, employment, social and fiscal policies in order to meet the demands and challenges of high technology and automation with the fall in the requirement for human labour which this second industrial revolution will bring about. An imaginative and flexible approach to the future pattern and methods of employment of people will be essential. Shorter working hours, more leisure and holidays, job-sharing, greater mobility of labour, the ability to change jobs without financial penalties such as the loss of pension rights: all these measures and more will come to be needed. (period of four weeks of such service will be essential). Longer periods could be

This period of innovation and fundamental change will provide a unique opportunity for a review of present defence manpower policies. The aim of such a review should be to provide means whereby the people can contribute more widely and actively to the defence of the country as part of the changes in employment which will be introduced. Part time military service on a voluntary basis should be an available option for people when deciding how to make use of greater leisure and more flexible working and career patterns. The primary means will be through the expansion of the existing volunteer reserve forces and their transformation into a recognised element of the armed forces providing manpower for part time military service in peacetime in order to augment the regular element and also increase the numbers of trained reservists available on mobilization.

Civilian employers would not pay volunteer reservists during

(1) For further details see M Chichester and J Wilkinson, The Uncertain Ally: British Defence Policy 1960-1990 (Aldershot:

(1) This process has already begun. On July 7 1983, the Chancellor of the Exchequer announced a cut of £230m in the 1983-84 Defence Budget, details of which had been published in the annual Defence White Paper only the day before.

The concept of part time volunteer reserves (1)

The basic concept is the creation of a greatly expanded force of volunteer reservists for all three services, built up from the existing structure of the Royal Naval Reserve and the Territorial Army and in the case of the Royal Air Force Reserves by expanding the Royal Auxiliary Air Force to include active flying squadrons, both fixed wing and rotary. These volunteer reserve forces would provide a larger proportion of the total manpower of the armed forces, which would eventually consist of somewhat smaller numbers of regular professionals than today and a greatly increased numbers of volunteer reservists. A proportion of these latter would carry out part time military service throughout the year and it is only for these periods of service that they would receive military pay.

The composition of the forces has been designed to meet the requirements. The volunteer reserve forces will be allocated certain military tasks and duties to perform in peacetime which are at present performed by regular personnel. For reasons of economy and administrative simplicity these tasks will mostly be concerned with the UK, e.g., fishery protection, search and rescue, inshore maritime patrol, defending key installations etc. Each unit in the volunteer reserve forces will be required to provide continuously throughout the year a flow of reservists carrying out their annual period of part time service which is sufficient to perform the tasks assigned to it. It will be necessary to introduce a national job-sharing scheme to cover the case of people in civilian employment who voluntarily join the reserves and undertake to carry out a period of military service annually (a minimum period of four weeks of such service will be essential). Longer periods could be undertaken by young people awaiting a first job, or by people changing jobs, and flexibility in administering the scheme will be essential.

Whilst undergoing his service, the volunteer reservist will receive the basic pay awarded to regular personnel of his rank or status but no allowances of any kind, housing, or any welfare services. Nor will any pension accrue as a result of part time military service. His pension arrangements will either be with an occupational scheme organised by his civilian employer or through a personal pension plan. The greater use of such plans as has been recently discussed would greatly assist this scheme of part time military service (2).

Civilian employers would not pay volunteer reservists during

(b) A compensating expansion in the size of the Royal Naval

(1) For further details see M Chichester and J Wilkinson, The Uncertain Ally: British Defence Policy 1960-1990 (Aldershot: Gower Publishing Co, 1982).

(2) Personal and Portable Pensions (London: Centre for Policy Studies, June 1983).

their periods of absence on military duties which would not, of course, come out of holiday entitlement. Discussions would be necessary between the government, employers' organizations, and the trade unions to work out the financial details of the scheme. Some compensatory element might be needed to encourage employers to provide job-sharing arrangements for volunteer reservists and conversely the volunteers themselves should not suffer any reduction in pay whilst serving.

The following tables describe in detail our proposals for the strength and composition of each of the services under new manpower policies embodying a combination of regular professional forces and volunteer reserves carrying out an annual period of military service on a part time basis as already described.

The composition of the forces has been designed to meet the requirements of the new strategic tasks for Britain in NATO discussed in Part 2, including the formation of a Rapid Deployment Force and the maintenance of civilian assets at short notice to augment the movement and support of such a force in an emergency.

Once the principle of part time volunteer reserve service has been accepted and parliamentary approval given for the expansion of the volunteer reserve forces, priority in its introduction should be given to the expansion of the Royal Naval Reserve and to the re-establishment of Royal Auxiliary Air Force flying squadrons in view of the current shortage in these classes of reservists. Early financial provision will also be needed to authorize the provision of ships, aircraft, stores and equipment etc., for the newly established reserve units (1).

THE PROPOSED RESTRUCTURING OF THE ROYAL NAVY

Introduction

The tables which follow compare the 1983-84 strength of Britain's maritime forces as given in the 1983 Statement on Defence (2) with our proposals for the future strength of these forces. These are based on the following principles:

(a) A reduction in the size of the professional regular component of the Royal Navy including an improvement in the overall officer-to-man ratio.

(b) A compensating expansion in the size of the Royal Naval

(1) In each table proposed strengths are compared with those contained in the 1983 Statement on the Defence Estimates (London: HMSO, Cmnd 8951) I and II.

(2) HMSO, Cmnd 8951, I and II, July 1983. Para 130.

Reserve including an enlarged air element and the allocation to it of responsibility for the execution of certain naval tasks in UK and surrounding waters currently performed by regular personnel.

(c) The maintenance in peacetime of a larger force of destroyers and frigates than the long term total of 'about 50' envisaged in the 1983 Defence Statement (1). Proposals for

(d) The maintenance by RNR personnel of a reserve fleet of destroyers, frigates, and mine warfare vessels at two weeks notice for service. This is an essential component of any programme to raise the nuclear threshold in Europe by improving Britain's ability to fight a conventional war for longer than is likely to be possible with present fleet plans.

(e) The designation in peacetime of a number of merchant ships of British registration for conversion to military service at short notice and the maintenance of equipment and weapons for emergency fitting in them to provide an enlarged logistic support force for the Royal Navy and for the seaborne RDF.

Royal Marines

| | | |
|------------|-------|-------|
| Officers | 700 | 635 |
| Servicemen | 7,100 | 7,400 |

Royal Navy Regular Reserves

| | | |
|--------|--------|--------|
| Male | 24,200 | 20,000 |
| Female | 200 | 100 |

Royal Naval Reserve (Volunteers)

| | | |
|--------|-------|--------|
| Male | 4,200 | 30,000 |
| Female | 1,200 | 1,750 |

Royal Marines

| | | |
|--------------------|-------|-------|
| Regular Reserves | 2,300 | 2,100 |
| Volunteer Reserves | 1,000 | 1,500 |

(1) HMSO, Cmnd 8951, July 1983, I and II, Para 330.

Table 4.1

NAVAL MANPOWER: PRESENT AND PROPOSED

| Category | Numbers as at 1.1.84 (Regulars) 1.1.83 (Reserves) | Proposals for the future |
|---|---|-----------------------------|
| <u>Royal Navy</u> | | |
| Male | | |
| Officers | 8,800 | 7,000 |
| Servicemen | 49,600 | 45,000 |
| Female | | |
| Officers | 400 | 400 |
| Servicewomen | 3,400 | 3,000 |
| <u>Royal Marines</u> | | |
| Officers | 700 | 635 |
| Servicemen | 7,100 | 7,400 |
| <u>Royal Navy Regular Reserves</u> | | |
| Male | | |
| Female | 24,200 | 20,000 |
| | 200 | 100 |
| <u>Royal Naval Reserve (Volunteers)</u> | | |
| Male | | |
| Female | 4,300 | 30,000 |
| | 1,200 | 1,750 |
| <u>Royal Marines</u> | | |
| Regular Reserves | | |
| Volunteer Reserves | 2,300 | 2,100 |
| | 1,000 | 1,500 |
| Ice patrol ship | | |
| Surveying ships | 11 | |
| Troop ship | 1 | |

(1) Statement on Defence Estimates. (London: HMSO, 1983), Cmd 8951-I Annex C.

(2) Manned by Royal Naval Reserve

Table 4.2

PROPOSED FLEET STRENGTH 1983-84 (1)

| Type/Class | The operational fleet | | The reserve fleet |
|--|-----------------------|----------------------|---------------------|
| Type/Class | RN manned fleet | | (stand-by squadron) |
| | Active | Refit/ Conversion | RNR manned (1) |
| <u>Submarines</u> | | | |
| Polaris | 3 | 1 | |
| Fleet SSN (Nuclear Powered) | 9 | 3 | |
| Patrol SS | 10 | 3 | 2 |
| <u>Surface Fleet</u> | | | |
| Invincible class aircraft carriers | 2 | 2 | |
| Anti-Submarine Warfare (ASW) commands | 1 | | |
| Carrier (Hermes) | | | |
| Assault Ships | 1 | 1 | |
| Guided Missile (GM) destroyers | 13 | | |
| Large frigates (Leander/Type 22) | 26 | | 4 |
| Small frigates | 17 | | |
| Offshore patrol vessels | 9 | | |
| <u>MCM Vessels</u> | | | |
| Hunt class | 6 | | |
| Minesweepers | 5 | | 11 (2) |
| Minehunters | 15 | | |
| Misc patrol craft | 19 | | |
| Support ships/tenders | 9 | | |
| Royal yacht | 1 | | |
| Ice patrol ship | 1 | | |
| Surveying ships | 11 | | |
| Trials ship | 1 | | |

(1) Statement on Defence Estimates, (London: HMSO, 1983), Cmnd 8951-I Annex C.

(2) Manned by Royal Naval Reserve RNR at two weeks' notice for service

Table 4.3

PROPOSED FLEET STRENGTH UNDER NEW MANPOWER POLICY

| Type/Class | The operational fleet of squadrons | | The reserve fleet | |
|------------------------------------|------------------------------------|---------------------|-------------------|----------------|
| | RN manned | Refit or conversion | RNR manned | RNR manned (1) |
| <u>Fixed wing</u> | | | | |
| Sea Harrier | 3 | | | |
| Jetstream | 1 | | | |
| <u>Helicopters</u> | | | | |
| <u>Submarines</u> | | | | |
| Sea King | 1 | | | |
| Polaris/ Trident force | 1 | | | 35 |
| Fleet SSN | 3 | | | |
| Patrol SS | 2 | | | 27 |
| <u>Surface Fleet</u> | | | | |
| Wasp | | | 1 | |
| Messier | | | | 5 |
| Invincible class aircraft carriers | | | 1 | |
| Assault ships | | | 1 | |
| GM destroyers | | | 1 | |
| Type 42 | 12 | 1 | | 1 |
| Large frigates | | | | |
| Type 22 | 12 | 1 | | 1 |
| Small frigates (Type 23 or other) | 24 | | | 6 |
| Offshore patrol vessels (OPVs) | 2 | | 9 | |
| <u>MCM Vessels</u> | | | | |
| Hunt class | 11 | 1 | | |
| Single role mine hunters | 3 | | 10 | |
| Minesweepers, medium (trawlers) | | | 22 | 22 |
| Misc patrol craft | | | 11 | |
| Royal yacht | 1 | | | |
| Surveying ships | 10 | 2 | | |

(1) Reserve fleet maintained by RNR at two weeks' notice for service

Table 4.4

NAVAL AIRCRAFT, 1983-84 (1)

| Type | Role | Role | No. of squadrons (each 10 aircraft) | No. of squadrons | No. of flights (1 flight every 4 hours) | No. of flights plus |
|--------------------|------------------|------------------|-------------------------------------|------------------|---|---------------------|
| <u>Fixed wing</u> | | | | | | |
| Sea Harrier | FRS | FRS | | 3 | | |
| Jetstream | Aircrew training | Aircrew training | | 1 | | |
| <u>Helicopters</u> | | | | | | |
| Sea King | ASW | ASW | | 5 | | |
| Sea King | Assault | Assault | | 1 | | |
| Sea King | Training | Training | | 2 | | |
| Lynx | ASVW/ASW | ASVW/ASW | | 1 | | 35 |
| Lynx | Aircrew training | Aircrew training | | 1 | | |
| Wasp | ASW | ASW | | | | 27 |
| Wasp | Aircrew training | Aircrew training | | 1 | | |
| Wasp | Miscellaneous | Miscellaneous | | | | 5 |
| Wessex | ASW | ASW | | | | 1 |
| Wessex | Assault | Assault | | 1 | | |
| Wessex | Aircrew training | Aircrew training | | 1 | | |
| Wessex | SAR | SAR | | 1 | | |
| Wessex | Miscellaneous | Miscellaneous | | 1 | | |
| Gazelle | Aircrew training | Aircrew training | | 1 | | |

(1) Statement on the Defence Estimates 1983-I, Annex C, Table 4
(London: HMSO, Cmnd 8951-I)

In store at two weeks notice for RFA's, converted merchant Navy ships, etc., in emergency.

12 Sea Harriers
24 Sea King ASW
12 Sea King Assault
24 Lynx ASW

Table 4.5

NAVAL AIRCRAFT; PROPOSED STRENGTH

| Type | Role | Number of squadrons (each 10 aircraft) | | No. of flights (1 aircraft plus 4 HQ for every 12 flights) | |
|-------------------------|-----------------------|--|------------|--|-----|
| | | RN manned | RNR manned | RN | RNR |
| <u>Fixed wing</u> | | | | | |
| Sea Harrier | FRS | 3 | 1 | | |
| Training aircraft | Training | 1 | 1 | | |
| <u>Helicopters</u> | | | | | |
| Sea King or replacement | ASW | 5 | | | |
| Sea King | Assault | 3 | | | |
| Sea King | SAR & Training | - | 2 | | |
| Lynx | ASW/ASVW | 1 | | 70 | |
| Lynx | Training | 2 | 1 | | |
| Sea King/ Lynx | Miscellaneous | 1 | | | 5 |
| Gazelle RM | RM support & training | 2 | 1 | | |

Reserve Aircraft

In store at two weeks notice for RFAs, converted Merchant Navy ships, etc., in emergency.

- 12 Sea Harriers
- 24 Sea King ASW
- 12 Sea King Assault
- 24 Lynx ASW

Raiding squadrons RM 3 (2)

(1) one volunteer reserve squadron
 (2) one volunteer reserve squadron

Table 4.6

THE ROYAL FLEET AUXILIARY SERVICE

| Type of vessel | Strength 1.4.83 | Proposed strength |
|---|--------------------|----------------------|
| Fleet tankers, large | 4 | 4 |
| Fleet tankers, small | 5 | 4 |
| Support tankers | 5 | 5 |
| Fleet replenishment ships | 4 | 4 |
| Helicopter support ship | 1 | 1 |
| Landing ships, logistic | 6 | 5 |
| Large fast tankers/underway replenishment force | | 6 |
| Offshore support vessels/fleet repair ships | | 2 |
| General cargo/military storeships | | 4 |
| Trawlers/Minesweepers | | 13 |

Table 4.7

ROYAL MARINE COMMANDO FORCES

| | Strength 1.4.83 | Proposed strength RM Regular Forces | RMFVR |
|--------------------------------------|--------------------|--|-------|
| Brigade HQ, RM | 1 | 1 | |
| RM commandos | 3 | 3 | |
| Commando regiment RA | 1 | 1 | |
| Commando squadron RE | 2 (1) | 1 | 1 |
| Light helicopter support squadron RM | 1 | 1 | 1 |
| Commando logistic regiment RM | 1 | 1 | 1 |
| Special boat squadrons RM | 1 | 1 | 1 |
| Raiding squadrons RM | 3 (2) | 3 | 2 |

- (1) one volunteer reserve squadron
- (2) one volunteer reserve squadron

Table 4.8

SELECTED MERCHANT SHIPS DESIGNATED TO BE TAKEN UP FROM TRADE AT TWO WEEKS NOTICE FOR MILITARY SERVICE

These ships will form the logistic support element of the seaborne Rapid Deployment Force (RDF).

| MN Type/Military Task | Number |
|---|--------|
| Passenger liners/troop carriers | 1 |
| RO-RO ferries/assault ships | 2 |
| Container ships, V/STOL and helicopter carriers (e.g., Atlantic Conveyor) | 4 |
| Large fast tankers/underway replenishment force | 6 |
| Offshore support vessels/fleet repair ships | 2 |
| General cargo/military storeships | 4 |
| Trawlers/Minesweepers | 12 |

- Notes:
- (1) All above fitted for Replenishment at Sea (RAS)
 - (2) Pre-fabricated flight decks for Sea Harrier and/or helicopter operation either fitted in or available in store for first four categories (liner, ferries, container ships and large tankers). Containerized hangers and aircraft maintenance workshops kept in store at Royal Dockyards for quick installation in emergency.
 - (3) Containerized lightweight Sea Wolf missile launchers and stocks of missiles for all except trawlers to be kept in store at Royal Dockyards at short notice for use.
 - (4) Containerized light AA weapons (guns) for trawlers.
 - (5) Containerized basic RN communications kits, for all ships.

Once each year during major NATO exercises, a proportion of the above will be chartered by MoD for two weeks for naval participation in the exercise to test procedure for equipping ships as above and using them for military service.

The concept of a voluntary part-time Royal Naval Reserve

This force would form the naval component of the new type of voluntary part-time reserves for all three services as proposed above.

Volunteers would join RNR for a minimum of three years' part-time service during which they must serve with their unit for at least four weeks' continuously per annum, preferably more; first year training, other years active service.

Under this proposal there would be eleven RNR Divisions spread over the United Kingdom each responsible for the following naval tasks at present performed by Regular RN.

(1) Manning and maintaining the 8DDs and FFs in reserve fleet at 2 weeks notice for service. These ships will be HQ ships for 8 of the 11 Divisions replacing present HQs (e.g., HMS President).

(2) Operating all fishery protection and EEZ and offshore patrols using the 9 OPVs and 11 patrol craft in the fleet. Each division will man one OPV and/or one or more patrol craft which will be distributed accordingly. They will be under the operational command of the local naval flag officer (as now) and will carry one RN liaison officer.

(3) Operating all (except three) single role mine hunters, and MS trawlers and maintaining 11 of the latter in reserve at two weeks' notice. Manning these for exercises and other duties. These vessels will be distributed to each RNR division to provide mine warfare forces throughout the coasts of the UK.

(4) RNR air squadrons will fly all Sea King SAR and other inshore tasks presently carried out by the RN. Pilots to be ex-RN or ex-commercial helicopter pilots, or current commercial pilots. RNR air personnel will also man one reserve Sea Harrier squadron normally shore based except for an annual training period embarked in RN or RFAS ships.

(5) Women's RNR officers and ratings will complete administrative staffs of each RNR division and there will also be vacancies in maritime headquarters staffs for them and also for older RNR officers to perform various tasks, especially during major NATO exercises, e.g., NCSO duties.

(6) Suggested location of RNR Division HQs are: Shetlands and Orkneys and Western Isles, HQ Kirkwall, (recruiting mainly fishermen); Forth, working closely with FO Scotland and MHQ Pitreavie, HQ Rosyth; Tyne, HQ Newcastle; Humber, HQ Grimsby; Thames/Medway, HQ Sheerness with sub-HQ in London; Channel, HQ Portsmouth, working closely with FO Portsmouth, Southwick MHQ and naval establishments in area; SW Approaches, HQ Plymouth, working closely with FO Plymouth, MHQ Plymouth, and naval establishments in area; Wales and Bristol Channel, HQ Swansea; Mersey, HQ

Liverpool; Clyde, HQ Greenock; and Ulster, HQ Belfast.

Each RNR division will also liaise with local maritime branches of the Home Defence Force (if formed), yacht clubs, sub-aqua clubs, etc., and will be responsible for preparing and maintaining defence and mine clearance plans for ports, channels, etc., in its area. Maritime defence of UK will thus be greatly enhanced.

(7) Approximately 2,950 reservists will be needed for any one period of service to man the above ships, organize and run the HQs and perform the other tasks allocated to the RNR, and also provide new entry training. This number will be the total in receipt of RNR pay at any one time. The total strength of the RNR will depend on the average length of service. If this average time is the minimum four week period then the total of 2,950 x 13 would be needed to provide continuous all the year service for the allotted tasks = 38,350. But only 2,950 would actually be paid whilst serving, so the total cost would be for 2,950 people only per annum. For budgetary purposes a total of 30,000 men and 1,750 WRNR has been included in the manpower proposals (see table 4.1).

THE PROPOSED RESTRUCTURING OF THE ROYAL AIR FORCE

The change in emphasis from one of principal support to the central regions of Europe to a more wide-ranging support of NATO interests both within Europe and outside the Continent requires substantial restructuring of the Royal Air Force.

The main move will be the withdrawal of all five Jaguar squadrons from RAF Germany to bases in the United Kingdom from which they may be deployed rapidly as required. This will be accompanied by a major increase in our ability to defend the United Kingdom and the Northwestern flank of NATO by improved air defence and maritime capabilities, and to support NATO interests in the hidden flank and worldwide with the UK Rapid Deployment Force.

A major plank in the cost-effective creation of these improved capabilities will be the greatly increased use of Royal Auxiliary Air Force personnel. Hitherto these have been restricted to maritime headquarters and airfield defence roles. The recent success in raising the six RAux AF airfield defence squadrons leaves little doubt that there is a large pool of dedicated volunteers to fly and support aircraft operations. **We propose creating eight new RAux AF flying squadrons, four in a full-time status and four in a 'shadow' status for use when required.**

The four full-time RAux AF squadrons (see table 4.9) would be:

* 2 local Air Defence Squadrons equipped with Hawk (armed with AIM9L air-to-air missiles) to counter the increasing Warsaw Pact Tactical Air Army threat to Southern and Eastern England.

* 1 short range maritime patrol squadron equipped with 10 Coastguarders to provide better cover in the North Sea and around Scotland, and to release Nimrods for long-range maritime tasks.

* 1 lightweight AWACS flight equipped with lightweight AWACS aircraft co-located with the Nimrod AEW force to improve low-level air defence cover.

The four shadow RAux AF squadrons would be based on use of civil transport aircraft to improve our strategic transport and air-to-air refuelling (AAR) tanker capability. They would have a nucleus based on the major civil airports at Heathrow, Gatwick, East Midlands and Manchester airports from which to direct air transport and AAR operations by the four shadow squadrons in tension or war. Payment would be made to civil air transport operators for use of the aircraft as needed and there would be an annual reimbursement of extra expenses incurred by the reserve commitment and AAR aircraft conversion.

In addition to these major roles, the Jaguar aircraft returned from Germany would be used by RAux AF pilots. Up to six RAux AF pilots would be attached to each of 5 regular Jaguar Squadrons, making use of airframes released by the redeployment of regular RAF pilots to form the cadres of the RAux AF fighter, AEW and SRMP squadrons. Two regular RAF squadrons would thus lose their identity, but a total of 8 new RAux AF squadrons would be formed. RAux AF transport and tanker squadron cadres would be provided by the cross-posting of RAF aircrew to the new RAux AF squadron headquarters: four on a full-time status with their own RAux AF air and ground crews: four on a shadow status based on existing civil sources.

It should also prove practicable to expand short-range air defence (SHORAD) by greater use of RAux AF personnel. In view of the major redeployments planned with the change of priorities to NATO's Northwestern and hidden flanks, this would follow later. A development of a close-in weapons system (CIWS) based on a similar concept to that being examined by the Royal Navy may prove suitable for RAux AF SHORAD.

Finally, it would be necessary to tackle the long neglected tasks of battle damage repair at military and civil airfields. There is at present little formalized provision for runway repair, bomb clearance, extra fire service cover or additional medical facilities in time of war. Urgent plans would be set in train to assure that each base necessary for the defence of the nation has the appropriate level of battle damage cover.

The aim of using RAux AF personnel in such numbers - and we envisage some 1,700 extra personnel in active and shadow squadrons plus up to 1,300 more as battle damage repair specialists - would be to have personnel available in war who would not carry the full burden of peacetime rates of service pay, accommodation charges and pension requirements. A major additional benefit would undoubtedly be the improved integration

of the dedicated but sometimes isolated service personnel with the local civil community. Whilst leaving the bulk of the RDF commitment to professional servicemen and to the RAux AF pilots, the home-based RAux AF squadrons and support personnel would provide a highly cost-effective means of meeting the new Northwestern flank task.

| | <u>PRESENT PLANS</u> | | <u>PROPOSAL</u> | |
|-----------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | <u>RAF</u> (Squadrons) | <u>RAUX AF</u> (Squadrons) | <u>RAF</u> (Squadrons) | <u>RAUX AF</u> (Squadrons) |
| <u>AIR DEFENCE</u> | | | | |
| Fighter | 10 | | 10 | 2 |
| SAM | | | | |
| Medium range | 2 | | 2 | |
| SEORAD | 6 | | 6 | |
| Airborne early warning | 1 | | 1 | 1 |
| <u>LAND/AIR WARFARE</u> | | | | |
| Interdiction | 7 | | 5 | |
| Reconnaissance | 2 | | 2 | |
| Close air support | 5 | | 5 | |
| <u>MARITIME WARFARE</u> | | | | |
| Long range maritime patrol | 4 | | 4 | |
| Short range maritime patrol | | | | 1 |
| Strike attack | 2 | | 4 | |
| <u>GENERAL PURPOSE</u> | | | | |
| Tanker | 3 | | 2 | |
| Tanker/transport | 1 | | 1 | 3 |
| Strategic transport | 1 | | 1 | 2 |
| Tactical transport | | | | |
| - Fixed wing | 4 | | 4 | |
| - Rotary wing | 4 | | 4 | |
| Search and rescue | 2 | | 2 | |
| Airfield defence | 5 | 6 | 5 | 6 |
| Movement | | | | |

THE PROPOSED RESTRUCTURING OF THE ARMY

Table 4.9

The army would be substantially reemployed and restructured as a result of the proposed change of emphasis in the defence strategy. The PRESENT AND PROPOSED SYSTEM is such that a substantial period of time must be allowed in order to make the phased restructuring possible without causing major imbalance at any one time, and hence introducing risk to the defence posture of the UK element of NATO ground forces.

| | <u>PRESENT PLANS</u> | | | <u>PROPOSAL</u> | | |
|-----------------------------|---------------------------|-------------|-----------|---------------------------|-------------|-----------|
| | <u>RAF</u> (Squadrons) | <u>RAux</u> | <u>AF</u> | <u>RAF</u> (Squadrons) | <u>RAux</u> | <u>AF</u> |
| <u>AIR DEFENCE</u> | | | | | | |
| Fighter | 10 | | | 10 | | 2 |
| SAM | | | | | | |
| Medium range | 2 | | | 2 | | |
| SHORAD | 6 | | | 6 | | |
| Airborne early warning | 1 | | | 1 | | 1 |
| <u>LAND/AIR WARFARE</u> | | | | | | |
| Interdiction | 7 | | | 5 | | |
| Reconnaissance | 2 | | | 2 | | |
| Close air support | 5 | | | 5 | | |
| <u>MARITIME WARFARE</u> | | | | | | |
| Long range maritime patrol | 4 | | | 4 | | |
| Short range maritime patrol | | | | | | 1 |
| Strike attack | 2 | | | 4 | | |
| <u>GENERAL PURPOSE</u> | | | | | | |
| Tanker | 2 | | | 2 | | |
| Tanker/transport | 1 | | | 1 | | 2 |
| Strategic transport | 1 | | | 1 | | 2 |
| Tactical transport | | | | | | |
| - Fixed wing | 4 | | | 4 | | |
| - Rotary wing | 4 | | | 4 | | |
| Search and rescue | 2 | | | 2 | | |
| Airfield defence | 5 | | 6 | 5 | | 6 |
| Movement | | | | | | |

* the creation of a highly mobile UK Rapid Deployment Force integrated with RAF and RM elements for world-wide operations
 * the increase of the Territorials to meet the requirements

THE PROPOSED RESTRUCTURING OF THE ARMY

The army would be substantially redeployed and restructured as a result of the proposed change of emphasis in the defence strategy. The scale and scope of the changes are such that a substantial period of time must be allowed in order to make the phased restructuring possible without causing major imbalance at any one time, and hence introducing risk to the defensive posture of the UK element of NATO ground forces.

The effect of the redeployment of our national defensive resources to meet the increasing Soviet threat to NATO's Northwestern and hidden flanks is to bring much of the BAOR assets back to the UK. From here they may be moved rapidly to cope with Soviet threats to our NATO or national interests. But they clearly do not need the same types of equipment that are needed for the armour-intensive warfare of the central region. There must therefore be a major restructuring not only of the types and roles of army units, but also of our defence procurement.

At the same time as this restructuring takes place to bolster the Northwestern flank and cope with the hidden flank threat, it would be folly to allow the central region to weaken substantially. **The only course is to negotiate with our European allies for a period of transition to a stronger defence by them of their own territory whilst the United Kingdom picks up the burden of the new defence tasks including the vital enhancement of British airpower and reinforcement capabilities.**

Thus the detail of the changes necessary in the army will depend not only upon the demands of the new UK strategy, but also upon the responses of our European allies. We must convince them that it is in their interests that the US should not shoulder the hidden flank burden alone. It may be that the ACE Mobile Force is enlarged and re-roled to play a part in this task; if so, we may adjust our restructuring of the British Armed Force accordingly.

Notwithstanding such negotiations, our policy should be based on: (see table 4.10)

- * the reduction of BAOR by up to one half in order to fund the RDF and Northwestern flank capabilities;

- * the maintenance of a strong anti-armour capability in the central region using high technology army-operated weapon systems (e.g., armed helicopters, attack and reconnaissance RPVs and 'smart' artillery), backed by offensive support aircraft of the RAF based in the UK in peacetime;

- * the creation of a highly mobile UK Rapid Deployment Force integrated with RAF and RN elements for world-wide operations;

- * the increase of the Territorials to meet the majority of the

Northwestern flank UK defence task. This would include a major increase in the Territorial artillery, the creation of armoured reconnaissance and armoured units, an increase in voluntary special forces and the creation of two Territorial Army Air Corps regiments.

PRESENT PLANS (1) PROPOSALS

There is scope for flexibility in implementing the above proposals: the philosophy, however, must meet the new challenge being posed by the Soviet Union. Historically, we do not have a very good record at responding to a change in threat. Our army went into the Boer War wearing scarlet uniforms; it went into the First World War riding horses and into the Second World War to dig trenches. We now face the major challenge of equipping our army to help it meet not only the inordinate strength of Warsaw Pact armour massed across the iron curtain in Central Europe, but also the highly mobile new generation Soviet armed forces and their surrogates in their drive to destroy Western democracy and its economic base throughout the world.

This cannot be achieved by the army alone, nor by its supporting naval and air force elements. There must be renewed military agreements for co-ordination or co-operation with our friends wherever they may be. There is a basis for this in the ANZUK, ANZUS and 5-Power Defence Agreements in the Far East: we should strive to extend this type of informal Treaty to the regions of the Middle East and Africa that are vital to our economic well-being.

| | | | | | | |
|----------------------------|----|----|---|----|---|----|
| 1 Cdo regt) | 2 | 3 | 2 | 5 | 5 | 6 |
| Heavy regts | 2 | | | 1 | | |
| Missile regts | 1 | | | 1 | | |
| Guided weapon regts | | 1 | | | 1 | |
| Independent A/T batteries | 4 | | | 4 | | |
| Air defence regts | 2 | 1 | 3 | 2 | 1 | 3 |
| Locating regts | 1 | | | 1 | | |
| Engineers | | | | | | |
| Engineer regts | 5 | 4 | 1 | 7 | 4 | 7 |
| Armoured engineer regts | 1 | | | 1 | | |
| Amphibious engineer regts | 1 | | | 1 | | |
| Infantry | | | | | | |
| Battalions | 17 | 30 | 3 | 35 | 9 | 32 |
| Gurkha battalions | | 1 | 5 | | | 6 |
| Special Air Service | | | | | | |
| Regiments | | 1 | | 2 | | 4 |
| Army Air Corps | | | | | | |
| Regiments | 3 | 1 | | 4 | 3 | 3 |
| Corps squadrons | 1 | | | | | |
| Non Artillery Co Regiments | | | | 1 | | 1 |

(1) Present plans, based on Statement on the Defence Estimates 1983, Cmnd 8951-1, Annex D.

(2) These are TA elements of the regular UK/RDF headquarters.

5. OUTLINE BUDGET

Table 4.10

THE STRENGTH OF THE ARMY

| | PRESENT PLANS (1) | | | | PROPOSALS | | |
|-------------------------------|-------------------|-----------------|----|----|-----------------|------------|----|
| | Regular Army | | TA | | Regular Army | | TA |
| | BAOR/ Berlin | UK Elsewhere | UK | UK | BAOR/ Berlin | UK/ RDF | UK |
| <u>Headquarters</u> | | | | | | | |
| Corps HQ | 1 | | | | 1 | | |
| Armoured div HQ | 3 | | | | 2 | | |
| Infantry div HQ | | 1 | | | | | |
| Artillery div HQ | 1 | | | | | | |
| Brigade HQ | 9 | 13 | | | 4 | 10(2) | |
| Field Force HQ | | | | | | | |
| <u>Armour</u> | | | | | | | |
| Armoured regts | 9 | 3 | | | 6 | 2 | 2 |
| Armoured recce regts | 4 | 3 | | 5 | 2 | 4 | 4 |
| <u>Artillery</u> | | | | | | | |
| Field regts (incl 1 Cdo regt) | 9 | 5 | | 2 | 5 | 5 | 6 |
| Heavy regts | 2 | | | | 1 | | |
| Missile regts | 1 | | | | 1 | | |
| Guided weapon regts | | 1 | | | | 1 | |
| <u>Independent A/T</u> | | | | | | | |
| batteries | 4 | | | | 4 | | |
| Air defence regts | 2 | 1 | | 3 | 2 | 1 | 3 |
| Locating regts | 1 | | | | 1 | | |
| <u>Engineers</u> | | | | | | | |
| Engineer regts | 5 | 4 | 1 | 7 | 5 | 4 | 7 |
| Armoured engineer regts | 1 | | | | 1 | | |
| Amphibious engineer regts | 1 | | | | 1 | | |
| <u>Infantry</u> | | | | | | | |
| Battalions | 17 | 30 | 3 | 35 | 9 | 38 | 42 |
| Gurkha battalions | | 1 | 5 | | | 6 | |
| <u>Special Air Service</u> | | | | | | | |
| Regiments | | 1 | | 2 | | | 4 |
| <u>Army Air Corps</u> | | | | | | | |
| Regiments | 3 | 1 | | | 4 | 3 | 3 |
| Corps squadrons | 1 | | | | | | |
| <u>Hon Artillery Co</u> | | | | | | | |
| Regiments | | | | 1 | | | 1 |

(1) Present plans, based on Statement on the Defence Estimates 1983, Cmnd 8951-I, Annex D.

(2) These are TA elements of the regular UK/RDF headquarters.

5. OUTLINE BUDGET

We are conscious of the need to illustrate the possible budget implications of these proposals. Table 5.1 provides an illustration of the broad orders of magnitude of the potential budget changes. The figures have been derived from the Statement on the Defence Estimates 1983, and should be regarded as illustrative only, showing approximate orders of magnitude. The unit cost figures, for example, are crude averages. Ideally, we need data on the extra costs of an additional unit - i.e., an extra squadron of aircraft might not require a whole range of support units. Nor has any allowance been made for headquarters and general support costs: it has been assumed that there is spare capacity in these overhead categories. It should be stressed that the budget figures are on an annual basis. Table 5.1 simply shows the estimated changes to the latest defence budget which would result from the introduction of our proposals. However, we recognise that major changes of the kind we are suggesting cannot be introduced instantly and will take time to be implemented. Also, it is assumed that future defence budgets will grow at 3% per annum up to 1986, as indicated in the government's plans for public expenditure.

Our main proposals are to make greater provision than now for the defence of the Northwestern flank of NATO and of the alliance's hidden flank beyond the confines of the present NATO area (see Part 1). Thus, we recommend a strengthening of the UK air defences, no further reductions in naval strength, and the creation of a Rapid Deployment Force. We also propose radical changes in Britain's defence manpower policies, the expansion of privatization in defence related activities, and more competitive procurement procedures, all aimed at achieving greater cost effectiveness in the overall defence budget. The outline budget does not claim to have costed all the details of our proposals: it concentrates on the major items, especially those where data are available. On this basis, the estimates in Table 5.1 are based on the following assumptions.

(1) Nuclear strategic forces. The figures show the annual running costs of the existing fleet of four Polaris submarines. It is assumed that these will be replaced by the Trident force at an estimated cost of £7,500m (1982-1983 prices) which will be financed from planned future defence spending.

(2) Navy general purpose combat forces. It is assumed that the number of regular personnel in the Royal Navy will be reduced by approximately 10% from the January 1983 total of 60,200 but there will be a compensating expansion in the size of the Royal Naval Reserve through the recruitment of volunteer reservists to carry out annual periods of part-time military service in the Royal Navy (see Part 4 for details). There will be subsidies of £50m for strengthening and arming selected merchant ships to be earmarked for military service at short notice (see Part 4). In

estimating the savings from reductions in the number of regular personnel, the total defence budget has been divided by the total number of service personnel - i.e., almost £50,000 per head (i.e., including all support costs, etc).

(3) European army. Cut BAOR by 50% (currently 58,800 excluding the Berlin garrison), but re-allocate 5,000 soldiers to the Rapid Deployment Force (RDF) giving a net reduction in the regular army of 24,400. The average cost of each BAOR soldier is £28,900: hence the estimated cost of 5,000 soldiers for a Rapid Deployment Force is £145m.

(4) Other army: it is assumed that there will be no change. The current defence budget estimates that the South Atlantic force will cost £105m in 1983-1984.

(5) Air Force. Air defence and maritime aircraft-squadrons will be increased through the use of reserves via the RAux AF. In addition, the five squadrons of Jaguars currently based in RAF(G) will be withdrawn and re-allocated to the UK-based Rapid Deployment Force.

(6) Reserves. We propose a major expansion in reserve forces to replace regulars:

(a) Navy reserves. A doubling in the existing numbers of personnel is assumed to require a doubling in the current expenditure on the RNR. Also an extra £200^m is allocated to the RNR for expenditure on new equipment. Lⁿ

(b) Army. It is proposed to increase numbers by 50% from the current strength of 217,300: hence the 50% increase in the costs of army reserves. Initially, the expanded reserve force could use surplus equipment released following the reduction in BAOR.

(c) Air force. A doubling in personnel is proposed from the current strength of 29,700. In addition, it is proposed to form (i) 2 RAux AF squadrons of Hawk aircraft for local air defence: 30 aircraft at £5m per copy (=£150m) plus running costs of £10m per squadron (assumed to be 20% of normal annual squadron costs of £50m per squadron based on 1.5 to 2 days per week but using existing facilities); (ii) 1 RAux AF maritime squadron consisting of 10 Coastguard aircraft at a cost of £5m per copy (=£50m) plus running costs of £7m per squadron (20% of normal annual squadron costs of £35m), (iii) a RAux AF flight of 3 AEW aircraft at £20m per copy (£60m) plus annual running costs of £5m. /10

(7) R&D. Assume 20% cost savings by adopting competitive procurement policies, shopping around and buying from the least-cost suppliers in NATO (1).

(8) Training Assume 20% cost savings from privatization, contracting-out and competition for fixed price training

(1) See K Hartley, NATO Arms Co-operation: A Study in Economics and Politics (London: Allen and Unwin, 1983).

contracts (e.g., competition from private industry and specialist training schools, as well as from other armed forces - e.g., allow the army to compete for the training of RAF and RN personnel).

(9) Production and repair. Assume 20% cost savings via privatization, competition and a greater use of fixed price contracts. Allow open competition from private and publicly-owned firms in the UK and abroad, each competing for weapons contracts and repair business. State-owned weapons firms such as RN Dockyards and Royal Ordnance Factories, as well as government R&D establishments to be sold to private enterprise (1).

(10) Other support. Assume a 20% reduction in Whitehall organization (civil servants), including major reductions (abolition?) in MOD/PE but the re-allocation of some procurement staff to the armed forces (see Appendix). There will also be savings on pensions and personnel services due to a smaller regular force. Currently, pensions and associated services cost £3,075 per member of the armed forces. A net reduction in the regular army of 24,400 might result in annual savings of £75m on these items. To avoid double-counting, the reduction in RN regulars has been excluded from the calculation - i.e., the saving on RN regulars is a 'full-cost' saving.

(11) Formation of a Rapid Deployment Force to be located in the UK. A force of 5,000 soldiers will cost £145m, partly offsetting the savings from a 50% cut in BAOR. It is assumed that the 5 Jaguar squadrons re-allocated from RAF(G) will result in no net change in the budget. The reduction of 5 Jaguar squadrons in RAF(G) will reduce the strength of RAF(G) from 11 to 6 combat aircraft squadrons. The Jaguars in the RDF will, of course, be available for deployment in Germany or anywhere else if required.

(12) The total defence budget. Our proposal assumes that defence expenditure will remain at its current level of almost £16 billion. Our proposals suggest an annual 'surplus' of some £1,250m for new programmes, etc. To allow for estimating errors, let it be assumed that a more accurate estimate is some £1,000m, with the reduction in BAOR accounting for major savings. The annual surplus of £1,000 becomes available for new programmes such as:

(a) the acquisition of more stocks of spares and ammunition, so allowing a longer conventional war (i.e., reducing the probability of a nuclear war);

(b) an expansion in civil defence;

(c) the acquisition of 2 more squadrons of Tornado ADVs, at a capital cost of some £500m and annual running costs of £100m for 2 squadrons or the development of a new agile combat aircraft for

(1) See M Forsyth, The Myths of Privatisation (London: Adam Smith Institute, 1983); K Hartley, 'Why Contract Out?', RIPA Conference on Contracting-Out (London: RIPA, 1983).

the RAF.

Table 5.1

(d) the acquisition of new equipment which might otherwise be lost as a result of funding the Trident programme - say, two extra nuclear fleet submarines at £175m per copy plus three frigates at £120m per copy.

| Programme | Expenditures (£m) | Proposals | Savings (-£m) | Increase in (+£m) cost |
|-------------------|-------------------|--|---------------|--|
| 1. Nuclear forces | 383 | | | |
| 2. Navy | 2,149 | Reduce regulars by 6,000. Subsidies for transport vessels | -300 | + 50 |
| 3. European Army | 2,443 | | | |
| BAOR | 1,700 | Reduce by 500, but re-allocate 5000 troops to RDF | -850 | |
| UK | 703 | | | |
| 4. Other Army | 191 | No change | | |
| 5. Air Force | 3,207 | | | |
| Air defence | 579 | | | |
| Strike, support | 1,040 | Reduce RAP(G) by 5 Jaguar squadrons and re-allocate to RDF | | |
| Maritime | 139 | | | |
| 6. Reserves | 312 | | | |
| Navy | 15 | Double numbers; extra 33,200. Purchase of new equipment for RNR | | + 15 |
| Army | 279 | Increase numbers by 500 | | +200 |
| Air Force | 18 | Form 2 squadrons Hawks for air defence Form 1 maritime squadron Coast-guard aircraft Form 1 flight of 3 aircraft for AEW Double personnel; extra 29,700 | | +140 +150 + 200 + 30 + 700 + 600 + 500 + 18 |

Capital costs
running costs

REVISIONS TO THE 1983-84 DEFENCE BUDGET ON OUR PROPOSALS

| <u>Programme</u> | <u>Expenditures (£m)</u> | <u>Proposals</u> | <u>Savings (-£m)</u> | <u>Increase in cost (+£m)</u> |
|--------------------------|--------------------------|---|----------------------|-------------------------------|
| 1. <u>Nuclear forces</u> | 382 | | | |
| 2. <u>Navy</u> | 2,149 | Reduce regulars by 6,065. | -300 | |
| 10. <u>Other Support</u> | | Subsidies for transport vessels | | + 50 |
| 3. <u>European Army</u> | 2,445 | | | |
| BAOR | 1,700 | Reduce by 50%; but re-allocate 5000 troops to RDF | -850 | |
| 11. <u>UK</u> | 703 | | | |
| 4. <u>Other Army</u> | 191 | No change | | |
| 5. <u>Air Force</u> | 3,207 | | | |
| Air defence | 579 | | | |
| Strike, support | 1,040 | Reduce RAF(G) by 5 Jaguar squadrons and re-allocate to RDF | | |
| 12. <u>Maritime</u> | 139 | | | |
| 6. <u>Reserves</u> | 312 | | | |
| Navy | 15 | Double numbers: extra 33,200. Purchase of new equipment for RNR | | + 15 +200 |
| Army | 279 | Increase numbers by 50% | | +140 |
| Air Force | 18 | Form 2 squadrons Hawks for air defence | | +150 cap cs + 20 cap cs |
| | | Form 1 maritime squadron Coast-guarder aircraft | | + 50 cap cs + 7 cap ds |
| | | Form 1 flight of 3 aircraft for AEW | | + 60 cap cs + 5 cap cs |
| | | Double personnel: extra 29,700 | | + 18 |

Source: Cmd 8951, Statistical Tables for the Defence Estimates 1983 (London: HMSO, 1983), vol 1, para 4.1.

capital costs
running costs

| | | | | |
|--|--------|---|--------|------|
| 7. <u>R&D</u> | 1,896 | Assume 20% savings by competitive procurement and shopping around | -380 | |
| 8. <u>Training</u> | 1,230 | 20% cost savings by privatization and competition | -246 | |
| 9. <u>UK Repair Facilities</u> | 1,040 | 20% cost savings by privatization and competition | -208 | |
| 10. <u>Other Support</u> | 2,631 | | | |
| Whitehall | 222 | Reduce by 20% | - 44 | |
| Pensions, family and personnel services | 995 | Savings due to smaller all-volunteer force | - 75 | |
| 11. <u>Formation of Rapid Deployment Force</u> | | 5000 Regulars | | +145 |
| | | 5 Jaguar squadrons | | |
| 12. <u>Total</u> | 15,973 | | -2,103 | +860 |

There are a number of unnecessarily complex examples:

Source: Cmnd 8951, Statement on the Defence Estimates 1983, (London: HMSO, 1983), Vol 2, Tables 1.2, 2.2 and 4.1).

finance stage, e.g., RAF Hullavington, No 1 Group, No 16 Maintenance Unit, Supply Management (RAF).

By giving the operational unit (e.g., RAF Hullavington) direct access to the RAF stores computer (Harrogate), it becomes unnecessary to consult the maintenance unit. The command centre (No.1 Group) can also be excluded by the rationalization and identification of stores to be held by the operational unit (RAF Hullavington). This scheme will have the immediate effect of reducing administrative staff at the maintenance units and command centres.

The current local purchase order system could be expanded easily. If each command centre granted an annual budget for equipment purchase to each operational unit, the latter could decide when and where to buy. The current limits placed on units of £50 to £150 (dependent upon the size of the unit) are ridiculously small. Sums of between £3,000 and £15,000 would be more realistic.

(a) The operational units would benefit - quicker supplies of the equipment of their choice.

APPENDIX low value orders would be handled by maintenance units and supply management.

THE PROCUREMENT EXECUTIVE OF THE MINISTRY OF DEFENCE - WHAT COST SAVINGS MIGHT BE EXPECTED?

Part 3 of the main report discusses features of the present procurement process and made suggestions for improved cost-effectiveness. This appendix simplifies some of the proposals and describes the thinking on which cost and manpower savings have been estimated. The outcome of the exercise was:

- (1) A probable saving of one third (i.e., 15,000) of present MOD(PE) civilian staff.
- (2) An immediate net cash saving of between £500m and £1,000m (i.e., about 10% of present total procurement expenditure) for the same procurement functions and equipment standards.
- (3) Shorter procurement timescales.
- (4) Further cash savings - not quantified - which would inevitably result from (3).

The present procurement sequence PE) functional branches listed

Whilst the number of offices handling any particular requirement varies considerably depending on the nature of the stores being purchased, the 14-step example of RAF Hullavington used in the main report is again taken as the basis for illustrating readily-achievable improvements.

There are a number of unnecessary duplications within this example:

The requisition is approved four times before it reaches the finance stage, e.g., RAF Hullavington, No 1 Group, No 16 Maintenance Unit, Supply Management (RAF).

By giving the operational unit (e.g., RAF Hullavington) direct access to the RAF stores computer (Harrogate), it becomes unnecessary to consult the maintenance unit. The command centre (No 1 Group) can also be excluded by the rationalization and identification of stores to be held by the operational unit (RAF Hullavington). This scheme will have the immediate effect of reducing administrative staff at the maintenance units and command centres.

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- (a) The operational units would benefit - quicker supplies of the equipment of their choice.

(b) Fewer low value orders would be handled by maintenance units and supply management.

Finance is approved twice - at both F6 Harrogate and at the Treasury in London. If funds were allocated directly to each of the armed services, F6 could decide whether or not they could afford to buy within their own budget and priorities. This change may well involve some transfer of staff from the Treasury to HM forces.

This proposal is a direct expansion of the demand order and local purchase order procedures.

Quality. The item is quality approved twice - by the contractor and by AQD. A contractor with quality approval should take full responsibility for the articles supplied without further reference to AQD.

The order of savings available

With both the above and the proposals outlined in the main body of the report in mind, the MOD(PE) functional branches listed below should be dealt with as follows.

Contracts branch. The greater level of procurement by the armed services themselves allows a substantial reduction in the contracts branches. Their activities should be confined to the 60 or so defence contractors whose MoD turnover is in excess of £5m annually, together with any other single contracts in excess of £500,000.

Production branches. Identification of requirements (i.e., specifications, drawings, etc.) and contractor assessment to be passed to the visiting technical officers (part of R&D). The latter service would have to be increased marginally to cope.

Progress to be a function of supply management (HM forces).

Accounting services and technical costs. Currently they are responsible for determining overheads and profit with approved contractors.

By confining their activities to the 60 largest contractors and perhaps a two or three yearly investigation into contractors with an MoD turnover in excess of £1m, considerable savings can be envisaged.

Quality Assurance Directorate. The function of this department can and should be limited to (1) the assessment of defence contractors, and (2) the provision of laboratory and technical services as required by HM services.

Routine inspection and quality control to be passed to defence contractors and the inspection/quality already operating within

HM services.

Accounts. Perform very efficiently - contractors are paid regularly and promptly thanks to a recent re-organization which pays out on a monthly basis. Nevertheless they are notorious for 'nit-picking' - the failure to 'cross a t' or 'dot an i' will cause the rejection of an invoice. One suspects that they are over-manned in the clerical grades and suffer from a lack of product knowledge. With the transfer of small value purchases to HM forces (viz., contracts branches above), staff reductions are possible.

Central Packaging Unit. Storage life and transport packaging are better determined by the contractor, HM forces and the R&D Departments.

Transport. Transport is better and more quickly arranged direct between HM forces and the contractor.

Stationery. Should be ordered by HM forces from commercial printers.

Research and Development Departments. The function of these Departments is to act as 'middlemen' between HM forces, R&D establishments and the defence industry. From the point of view of co-ordination of requirements and presenting the products and facilities of both contractors and MOD R&D establishments, they serve very usefully.

Experience would suggest, however, that they are somewhat overpeopled by semi-retired serving officers with no particular technical qualifications, that the clerical staff are too numerous, that the higher grades (Assistant Director and above) overlap in their responsibilities, and that they would benefit from centralization, rather than being scattered in offices throughout the UK.

R&D establishments. The previous administration had already commenced a programme of reorganization and the transfer of many projects to industry. This policy should be extended so that only a few projects would be carried out within the R&D establishments themselves, although many of the scientific staff might be involved in project liaison and management. Their unique laboratory and technical services would remain.

The transfer of further projects to industry would be expected to show a net saving.

It is on the above basis that one can estimate a saving to the civil service of around 15,000 employees, with a budget benefit between £500m and £1,000m for the same procurement function and standard of equipment.

The British defence industry would be strengthened, and this would make it more competitive internationally with benefit not

SUMMARY AND RECOMMENDATIONS

only to our balance of payments but also to the cost-effectiveness of all defence work undertaken. The greater autonomy given to HM forces in securing needed supplies would be to the benefit of morale and ultimately accountability regarding choice and quality of equipment. Procurement timescales would be considerably shortened, with further financial benefits, and the prevention or frustration of military action which could jeopardize the livelihood or well-being of the British people. Whilst one of these interests is principally threatened in the European theatre, the other is equally at risk outside the NATO area.

(2) The growth of Soviet military power, especially at sea and in the air, has created a global challenge to the Western allies. They need concerted action to develop an ability to intervene in regions beyond existing NATO boundaries.

(3) In the medium term, the economic disparities between East and West may be expected to increase. This will add to social and political tensions within the Soviet bloc, encouraging intensified efforts to undermine the USSR's economic position. Considerations of military prudence are likely to favour Soviet moves in those territories of strategic and economic value which are not directly protected by a NATO or United States presence.

(4) In addition, Soviet military expansion has greatly increased the threat to NATO territory, air and sea lanes, and has rendered the United Kingdom more vulnerable to direct attack by sea and air than ever before.

THE STRATEGIC TASKS FOR BRITAIN IN NATO

(5) On the central front in Europe, the Warsaw Pact's conventional superiority greatly undermines the ability of NATO to respond flexibly to non-nuclear aggression. However, the consequently greater risk of nuclear escalation in a Central European war increases the likelihood of Soviet adventurism being directed towards alternative theatres less hazardous to attack.

(6) Furthermore, such additional theatres would be liable to simultaneous attack in any protracted campaign in Central and Western Europe, and would still need to be defended by adequate conventional means. In particular, they would include NATO's Northwestern flank from Northern Norway through Iceland to the United Kingdom base, and NATO's hidden flank comprising Western economic lifelines to and from the Middle East, Far East and Africa.

(7) Analysis of its military growth suggests that the Warsaw Pact has been systematically acquiring capabilities which are relevant to more than a Continental European conflict.

(8) It has consequently become an urgent necessity to

SUMMARY AND RECOMMENDATIONS

THE THREAT TO THE UNITED KINGDOM AND ITS INTERESTS

(1) Britain's principal security interests are the preservation of the pluralist democratic system of the United Kingdom and the prevention or frustration of military action which could jeopardize the livelihood or well-being of the British people. Whilst one of these interests is principally threatened in the European theatre, the other is mainly at risk outside the NATO area.

(2) The growth of Soviet military power, especially at sea and in the air, has created a global challenge to the Western allies. They need concerted action to develop an ability to intervene in regions beyond existing NATO boundaries.

(3) In the medium term, the economic disparities between East and West may be expected to increase. This will add to social and political tensions within the Soviet bloc, encouraging intensified efforts to undermine the West's economic position. Considerations of military prudence are likely to favour Soviet moves in those territories of strategic and economic value which are not directly protected by a NATO or United States presence.

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(7) Analysis of its military growth suggests that the Warsaw Pact has been systematically acquiring capabilities which are relevant to more than a Continental European conflict.

(8) It has consequently become an urgent necessity to

strengthen the defensive potential of the Royal Air Force and the United Kingdom base, including civil defence against conventional bombardment.

(9) If the fleet reduction proposals of the 1981 Defence Review are implemented in full, the Royal Navy will become incapable of fulfilling its tasks, in NATO or beyond its boundaries, in a protracted non-nuclear conflict.

(10) A sizeable British Army presence in Germany remains essential as an earnest of our political commitment to the defence of Western Europe. Nevertheless, a restructuring is necessary so that a greater proportion of the army than at present is available for rapid deployment to deal with the increased threats to the alliance's Northwestern and hidden flanks - including large-scale 'back-door' attacks against the British Isles directly. This will require agreement and a degree of land force compensation by Britain's NATO allies.

(11) Such restructuring, within existing economic constraints, will also serve to enhance continental deterrence below the nuclear threshold, just as the United Kingdom's decision to modernise its strategic nuclear forces will enhance deterrence above it.

DEFENCE BUDGET PROBLEMS AND SOLUTIONS

(12) Limited budgets and rising defence costs mean that Britain will have to choose. We can no longer afford to maintain our current commitments to NATO, our obligations to defend overseas territories, and also our requirement to protect the United Kingdom base.

(13) New and more economical defence manpower policies are needed. We suggest that the part-time volunteer reserve forces should be increased and the basis of a Home Defence Force should be established. The number of senior regular officers should be reduced.

(14) Economic considerations suggest that there should be a greater level of 'direct procurement' (i.e., procurement by the armed services themselves) with the minimum of duplication, and only such regulatory and control disciplines as are absolutely essential (e.g., via experiments with alternative employment contracts).

(15) The maximum delegation of responsibility to 'front-line' men for decisions on day-to-day purchases is desirable. Once again, this would require changes in budgeting arrangements and in employment contracts to provide incentives to economise and rewards for successful performance (as well as penalties for avoidable failures).

(16) Where it is clearly in the national interest for a

procurement executive body to handle procurement, the number of approval stages in the process should be reduced. Due recognition should be given to the calibre and responsibility of the men raising the requisitions on the one hand, and to the quality standard of the contractor on the other.

(17) The annuality problem must be fully overcome and a rolling equipment procurement budget should be introduced.

(18) The emphasis should be on fixed-price competitive tendering with the elimination of cost-plus contracting for all but the most exceptional cases. There should be public declaration of bids successful under competitive tender.

(19) Further savings are possible following a vigorous move towards the privatization, contracting-out and competition for research and development, procurement, and other activities traditionally undertaken 'in-house' by the Ministry of Defence and the forces. This is certainly an area where there is scope for a series of carefully controlled and monitored experiments.

(20) Although there appear to be substantial cost savings from standardization and collaboration within NATO, political bargaining creates - in reality - considerable potential for inefficiency in international collaboration. The efficiency of joint European ventures could be improved by creating a European common market in defence equipment, with competitive bidding and fixed price contracts.

PROPOSED FORCES LEVELS AND STRUCTURES

(21) Unless present policies are changed, by 1986 forces manpower will have declined to fewer than 300,000 males. The United Kingdom already has one of the lowest percentages in NATO of active population in the armed forces.

(22) Britain's naval and air force reserves are pitifully small, and half of the Territorial Army is earmarked for immediate commitment to the continent on the outbreak of war.

(23) Successive manpower reductions have led to an unbalancing of British defence commitments in favour of the defence of the central front at the expense of that of the United Kingdom base. Nevertheless, the nuclear threshold on the continent remains dangerously low.

(24) A modest reduction in the overall number of regulars would make possible a substantial expansion of trained part-time volunteers in the Royal Naval Reserve, the Royal Auxiliary Air Force, and the Territorial Army. We propose that there be a substantial increase in Naval Reserve manpower; that eight new Auxiliary Air Force squadrons be formed (four in a full-time status); and that a fifty per cent reduction be made in the manpower strength of the British Army of the Rhine. This last

would enable, inter alia, an increase in Territorial Army strength to meet the Northwestern flank defence task; to increase the flexibility of NATO's potential response to aggression on the central front; and to create a highly mobile United Kingdom Rapid Deployment Force, integrated with Royal Naval and Air force elements, for world-wide operations in defence of the hidden flank of the West.