

CONFIDENTIAL

Defence



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Dear Clive, MAF 6/4

At Cabinet this morning, in the course of the item on the Falkland Islands, there was discussion of the effects of Government policy on the future naval programme. My Secretary of State gave various information and figures which could be used to refute allegations that the Government was ruining the Navy. He agreed that he would circulate to his colleagues suitable material with the aid of which they could refute such allegations. I now attach a series of points which Ministers could make in this connection, together with the lines of figures and background information. Mr Nott is particularly anxious that Cabinet members should be aware of the figures for naval expenditure as a percentage of total defence expenditure. These provide the key for the statement that this financial year we will be spending $\pounds 1\frac{1}{2}$ bn more in real terms than when the Government came to office. It will also be seen that the amount spent on the Navy in real terms has increased by over 50% since 1950/51. The Navy also takes up a greater proportion of the defence budget than it did then. Although the amount spent on the conventional naval programme will decline from a peak in 1983/84 of $\pounds 4108$ m to $\pounds 3789$ m in 1991/92, at no point will the amount spent be less, at constant prices, than the figure for 1978/79. I am sure I do not need to emphasise that these figures are based on our current LTC assumptions.

I am copying this letter to Private Secretaries to all Cabinet Members and to David Wright.

Yours ever

Nick Evans

(N H R EVANS)

C A Whitmore Esq

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THE ROYAL NAVY

Naval Budget

Talk of running down the Navy is nonsense. This financial year we will be spending £ $\frac{1}{2}$ bn more in real terms on the Navy than was spent in the year before we came to office. As to the future we will still be spending more on the conventional Navy, even when expenditure on modernising the strategic deterrent is at its peak, than we were in 1978/79.

Ship numbers

There will be more major ships and submarines operational in 1985 than there are today. A massive modernisation programme for the fleet is in hand. The principal threat to our peace and freedom will continue to come from the Soviet Union and we will be increasing the numbers of our nuclear submarines - which will be the main strike threat to the Soviet fleet - from 12 to 17.

Recent Orders

Last year we placed naval orders with British Shipbuilders to the value of over £400M. In the past few months we have decided to order the Heavyweight Torpedo, improve Sea Wolf and procure Sea Eagle. A further Type 22 frigate was ordered in February and last month we invited tenders for a further nuclear submarine and 4 minesweepers. The total programme for torpedo procurement alone amounts to more than £2,000M.

Carriers

It was made absolutely clear in the White Paper on the Defence Programme (Cmnd 8288) that 2 carriers will be kept in service. ILLUSTRIOUS will join the fleet later this year and the construction of ARK ROYAL is progressing satisfactorily.

NAVAL EXPENDITURE AS % OF TOTAL DEFENCE EXPENDITURE

	<u>1950/1</u>	<u>1960/1</u>	<u>1970/1</u>	<u>1978/9</u>	<u>1982/3</u>
1. Defence Budget	10257	14448	13342	12883	14091
2. Naval Budget	<u>2564</u>	3612	3602	<u>3607</u>	<u>4047</u>
3. (2) as % of (1)	<u>25</u>	25	27	<u>28</u>	<u>28</u>

- Notes: (1) Figures based on Estimates, not outturn.
(2) All figures at constant 82/3 prices.
(3) 1982/3 figures excludes Trident.