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Defence.

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10 DOWNING STREET

From the Private Secretary

14 December, 1982.

Dear Richard,

Falklands White Paper: Ship Replacement Orders

The Prime Minister saw over the weekend your letter of 10 December and the accompanying draft announcement on ship orders which your Secretary of State proposes to make. You explained in the letter that Mr. Nott considered that the announcement should indicate an even-handed approach as between Cammell Laird and Vosper's with regard to the order for the fourth replacement ship.

I also conveyed to the Prime Minister the view of the Secretary of State for the Environment that it would be preferable to indicate that this order would be placed with Cammell Laird subject to a satisfactory price being quoted.

After further enquiries about the prospect of the contract for the British gas rig going to Cammell Laird, the Prime Minister has taken the view that the announcement should adopt the even-handed approach suggested by Mr. Nott. Mrs. Thatcher believes that it is desirable to refer to Cammell Laird before Vosper Thorneycroft, and I note that the latest version of the text, enclosed with your letter of 13 December, does this.

I am sending copies of this letter to the Private Secretaries to the other Members of OD, the Secretaries of State for Industry, Employment, and the Environment, the Chief Secretary, Paymaster General, Chief Whip and Sir Robert Armstrong.

Yours ever
John Goss.

Richard Mottram, Esq.,
Ministry of Defence.

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PRIME MINISTER

Falklands White Paper: Ship Replacement Orders

A decision is needed tonight.

You asked (see attached minute) what the present position was on the possibility of Cammell Laird obtaining the contract for the British gas rig. I understand that Mr. Atkinson of British Shipbuilders considers that he has taken matters as far as he can. He is "utterly confident" that the rig contract will go to Cammell Laird but he does not want to apply further pressure to the British Gas Corporation, who are not yet willing to put anything in writing.

We will therefore have to decide whether, in his statement tomorrow, Mr. Nott should use the balanced wording: "The ship will be put out to competitive tender - Vosper Thornycroft and Cammell Laird will be strong contenders for this order". Or whether he should say, as Mr. Heseltine prefers: "An order for a further ship to complete the replacement of ships lost in the Falklands will in due course be placed with Cammell Laird, subject to a satisfactory price being quoted".

This is largely a political decision. But I am myself inclined to think that, in the absence of a firm decision that the work should go to Cammell Laird, it would be better to stick to Mr. Nott's wording.

Do you agree?

A.J.C.

13 December 1982

MR. COLES

FALKLANDS WHITE PAPER:
SHIP REPLACEMENT ORDERS

The Secretary of State for the Environment has seen the reference to Cammell Laird's in the draft announcement on ship orders. He feels that the final sentence is less effective than the formulation used by the Defence Secretary at the meeting of OD on 7 December 1982. He would strongly urge the replacement of the final sentence with the words used by the Defence Secretary at OD: "An order for a further ship to complete the replacement of ships left in the Falklands would in due course be placed with Cammell Laird's subject to a satisfactory price being quoted."

The Secretary of State for the Environment feels that an announcement on these lines would be enormously helpful in political terms and would confirm the Government's confidence in the ability of the Merseyside shipbuilding industry to compete.

David Edmonds
Department of the Environment
10 December 1982

PRIME MINISTER

Falklands White Paper: Ship replacement orders

Please see the attached MOD letter.

The only sentence of Mr. Nott's proposed draft announcement which may be controversial is the last one stating that the fourth replacement ship will be put out to competitive tender and that Vosper Thornycroft and Cammell Laird will be strong contenders for the order.

Mr. Nott has chosen this wording to demonstrate that our approach is even-handed and to safeguard the Government from accusations of unfair treatment. His Private Secretary tells me, however, that he believes this is entirely a matter for political judgement and that if you wished the wording to be slanted towards Cammell Laird, he would not object.

Meanwhile Mr. Heseltine's office have told me that he would much prefer wording of the kind used by the Defence Secretary at OD, namely:

"An order for a further ship to complete the replacement of ships lost in the Falklands would in due course be placed with Cammell Laird, subject to a satisfactory price being quoted".

He believes this would be very helpful politically and would confirm the Government's confidence in the ability of the Merseyside shipbuilding industry to compete.

Do you prefer Mr. Nott's wording or Mr. Heseltine's?

A & C. What was the result of the enquiry about the 5 or 6? Patrick Senter was going to ask Mr. Atkinson

10 December 1982

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MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~230 7000~~ 218 2111/3

MO 5/21

10th December 1982

Dear Sir

FALKLANDS WHITE PAPER: SHIP REPLACEMENT ORDERS

Following the discussion in OD on Tuesday 7th December about ship replacement orders, there have been further consultations at official level with the Treasury and the Departments of Industry and the Environment and with Mr Robert Atkinson, the Chairman of British Shipbuilders. The Prime Minister may wish to know where matters stand.

Mr Atkinson warmly welcomed the Government's intention to announce orders next week for five Type 22 frigates and accepted without reservation that the first four of these ships, which can be ordered immediately, should be placed (as proposed in the Defence Secretary's minute of 6th December) with Swan Hunter (22-09 and 10) and Yarrow Shipbuilders (22-11 and 12). He considers that the order for the fifth ship should go out to competitive tender in which in his view the main contenders would be Cammell Laird and Vosper Thornycroft. Mr Atkinson expressed the hope that the order for the fifth ship would be placed as early as possible in 1983, recognising that the first step would be for Yarrow's to complete the drawings on which the tenders would be based.

Mr Atkinson confirmed that both Cammell Laird and Vosper Thornycroft needed additional steel warship orders. But the employment position in neither yard in the short term was critical to the point of threatening early closure. Cammell Laird had been successful in obtaining substantial sub-contracted steel work for offshore rigs from Scotts. In addition, he confidently expected very shortly a rig order for British Gas. (This has been confirmed by Department of Energy officials). With this order, he judged that the need to declare substantial early redundancies at the yard (which could have amounted to about 450) should not arise. He hoped that another prospect for an oil rig (Sun Oil) would arise in the summer and Cammell Laird would, of course, be a contender for the fifth frigate. At Vosper Thornycroft some 350 redundancies had been declared already this year and there would need to be a further trimming of the workforce

A J Coles Esq

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by about 200 to match the expected workload. But in general there was sufficient work at least until the end of 1983.

In the light of these developments particularly with regard to the position at Cammell Laird, there is a case for the public announcement on the fifth ship not indicating any Government preference for Cammell Laird over Vospers, the two main contenders for the order. An even-handed approach would not only preserve genuine competition but also safeguard us from criticism of unfair treatment. If this approach is adopted, it would be helpful if it could be arranged for the award of the British Gas rig to Cammells to be announced simultaneously - though we understand this may not be possible.

/ I attach draft paragraphs on ship orders which the Defence Secretary proposes to draw on in his statement to the House on Tuesday 14th December when the Falklands White Paper is published.

I am copying this letter to the Private Secretaries to the members of OD, the Secretaries of State for the Environment, Scotland, Industry and Energy, and Sir Robert Armstrong.

Yours ever,

Richard Mottram

(R C MOTTRAM)

DRAFT ANNOUNCEMENT ON SHIP ORDERS BY DEFENCE SECRETARY

The White Paper announces the Government's decision to replace the two Type 42 destroyers and the two Type 21 frigates lost in the South Atlantic with four Type 22 frigates. I announced earlier, on 1st July, a decision to seek tenders for another Type 22 frigate, not related to the Falklands losses.

Four of these five ships are to be ordered now. In the light of the tenders submitted, an order for two Type 22 frigates to Batch II design has today been placed with Swan Hunter Shipbuilders Ltd. An order for the third and fourth ships to the new Batch III design has today been placed with Yarrow Shipbuilders Ltd.

I am also able to announce today, although it is unconnected with the Falklands replacements programme, that an order for two further HUNT Class Mine Countermeasures vessels has been placed with Vosper Thornycroft (UK) Ltd.

The total value of these orders at today's prices is £585M. These sums will be met from within the announced defence budget for 1983-84 and the planning totals for later years.

We plan that the fourth replacement ship will be a further Batch III Type 22 frigate. It will be ordered as early as possible next year when Yarrow have completed the necessary re-design work. The ship will be put out to competitive tender ^{between} Vosper Thornycroft (UK) Ltd and Cammell Laird Shipbuilders Ltd will be strong contenders for this order.

10 DEC 1992

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Yemen (Earthquake)

3.42 pm

Mr. Guy Barnett (Greenwich) (*by private notice*) asked the Minister for Overseas Development if he will make a statement about the recent earthquake in North Yemen and if he will say what preparations the disaster unit in his Ministry has made in order to be able to answer such requests as may be received.

The Minister for Overseas Development (Mr. Neil Marten): An earthquake, believed to have reached the intensity of 6 on the Richter scale, struck the densely populated Dhamar region of the Yemen Arab Republic yesterday. The earthquake lasted about 40 seconds and caused extensive damage to the town of Dhamar and 99 villages in the area. So far as is known, there have been some 2,000 casualties—dead and wounded.

The Yemen Arab Republic Foreign Minister has informed heads of mission that full details of the damage are not yet available. The Foreign Minister is arranging a fact-finding visit by helicopter to the area tomorrow, 15 December. The British ambassador will accompany him. There are no reports of deaths or injuries to British expatriates serving in the Yemen Arab Republic. I have asked the British ambassador, pending receipt of the specific requirements from the Yemen Arab Republic Government, to purchase any locally available supplies that he identifies as being necessary.

Mr. Barnett: I am grateful to the right hon. Gentleman for his statement. The House will be relieved to know that members of British aid teams working in the area are safe. Can he confirm a particularly horrible disaster—the killing of 125 schoolchildren in one school? Can he confirm that an international appeal has been launched by the Red Cross in Geneva? Can he say more about the readiness of his disaster unit and of voluntary agencies such as Oxfam to respond to the situation?

Mr. Marten: I cannot confirm the horrible rumour that the hon. Gentleman mentioned. We are awaiting details of the disaster. Communications are extremely difficult, as the Yemen Arab Republic Government said, because of the mountainous nature of the country. The disaster unit in my Ministry is poised and ready to fly out whatever the Government require, which will probably be tetanus vaccine, plasma, dressings, food, blankets and tents. We shall be ready to go when we get the request.

Mr. Andrew Faulds (Warley, East): Is the right hon. Gentleman aware that his prompt and expeditious attention to the problem will be much appreciated in the Arab world and will go a small way towards offsetting the immense damage that the Prime Minister has recently done to British-Arab relations?

Mr. Marten: Without agreeing with the last part of the hon. Gentleman's remarks, I am grateful for the first part.

Defence

Falkland Islands (White Paper)

3.44 pm

The Secretary of State for Defence (Mr. John Nott): With permission, Mr. Speaker, I would like to make a statement.

The Government are publishing today a White Paper on the Falklands campaign. It is now available in the Vote Office.

Part I of the White Paper consists of a brief description of the operation to repossess the Falkland Islands; part II analyses the principal lessons to be learnt from the campaign itself; and part III describes the steps which we are taking to make good losses of equipment, to provide for the future defence of the Falkland Islands, and finally the additional measures now proposed to increase the mobility and flexibility of our Armed Forces for future operations in the NATO area and elsewhere.

First, we intend further to improve the airborne and other capabilities of 5 Infantry Brigade for out-of-area operations. It already has two parachute battalions, an infantry battalion and engineer support. To these we have just added and armoured recce regiment and in the course of next year we will add an artillery regiment, an Army Air Corps squadron and certain logistic units.

RAF Hercules aircraft are already earmarked for deployment of the brigade and the fitting of station-keeping equipment to a number of Hercules will give the brigade a parachute assault capability by 1985. Those enhancements should represent a significant improvement to our capability for airborne operations out-of-area. Taken together with the amphibious capability of the 3rd Commando Brigade Royal Marines, they will give us an improved capability to respond to the unforeseen in a flexible and rapid way.

For out-of-area operations we also need an improved air-to-air refuelling, which was of such vital importance in the Falklands campaign.

Subject to final scrutiny of tenders and to satisfactory contractual negotiations, our intention is to add to our tanker fleet by buying from British Airways six Tristar aircraft for conversion into tankers. We plan to convert four of those Tristar aircraft so that they can also carry freight.

This purchase of a strategic tanker capability will enormously increase our existing tanker capacity. For example, a single Tristar tanker will be able to do the work of eight Victor refuelling aircraft in the South Atlantic. It could also carry up to 120 troops, even while refuelling. It will therefore increase the RAF's troop lift; enable easier support and much more rapid reinforcement of the Falkland Islands; and, most significant of all, it will multiply the effectiveness of all the RAF's combat aircraft, including the Nimrod and the air defence Tornados and Phantoms.

As well as greater strategic mobility to be provided by the Tristars, we also need greater tactical mobility and battlefield logistic support. After the loss of three Chinook medium lift helicopters on the "Atlantic Conveyor"—and the Ministry of Defence is participating with Cunard in the design of her replacement—the one medium lift Chinook was invaluable in the Falklands campaign.

To add to the two Chinook squadrons, we now intend to purchase a further eight Chinooks, of which three will be replacements. Each Chinook can carry up to 80 men

[Mr. John Nott]

and substantial quantities of stores and ammunition. The extra medium lift helicopters will greatly enhance battlefield mobility and logistic support in the NATO area and elsewhere.

As I have already announced, all the Sea King and Lynx helicopters lost are being replaced and an additional six anti-submarine warfare Sea Kings are being purchased for the Royal Navy as well as seven more Sea Harriers, in addition to the replacement of all naval and RAF Harriers lost in the conflict. All these aircraft orders will be subject to satisfactory terms of contract, including price.

In the light of the campaign and the future needs of the Falklands garrison, we must take further steps to improve our air defence capability. Subject to the satisfactory completion of negotiations, we will purchase at least 12 additional Phantom aircraft from the United States; and 24 additional Rapier fire units for the RAF and the Army are to be bought.

The air defence of the Royal Navy must be strengthened by the provision of an organic airborne early warning capability, based on the Searchwater radar, for each of the operational aircraft carriers. We also intend to provide a modern point defence weapon system for all the carriers, the assault ships "Fearless" and "Intrepid", HMS "Bristol", and all the type 42 destroyers—the choice of system is still being studied.

The White Paper describes a number of other new purchases of equipment, weapons and stocks—including a list of the new weapon systems such as Harpoon and laser guided munitions, purchased during the conflict, which remain as a general addition to our force levels. On the subject of war stocks, we saw again during the campaign the key importance of staying power and of the need to allow for delays in resupply. We plan to increase substantially—by at least £10 million—the number and range of items in the stockpile specifically earmarked for the support of operations outside the NATO area.

I now come to ship numbers and new ship orders. Under the plans set out in Cmnd. 8288, we would have had about 55 frigates and destroyers either running or in refit next year, with no ships in the standby squadron. The total number of ships would have remained at around this level for the following two years but two ships would have gone into the standby squadron by 1 April 1984, and two more into the standby squadron by 1 April 1985. The plan was that by 1989 up to eight ships would have been in the standby squadron out of a total of 50.

With the additional funds now available, and to meet the needs of the garrison, the two standby ships in 1984 and the two further standby ships in 1985 will now remain in the front line fleet for these years.

We are at present covering for the four ships lost in the campaign by running on older hulls but, to sustain our proposals in Cmnd. 8288 for a total force of about 50 ships in the longer term—that is beyond the mid-1980s—new build replacements are needed urgently. We have decided that these replacements should be type 22 anti-submarine frigates and that an improved batch III design, taking account of the Falklands campaign, should be introduced as soon as possible.

Competitive tenders were sought for the first of the replacement ships and for another type 22 frigate already in the programme and not related to the Falklands losses. In the light of the tenders submitted, an order for two new

type 22 frigates of an amended batch II design has been placed today with Swan Hunter, together with an order for a further two replacement ships of the new batch III design from Yarrow (Shipbuilders) Ltd.

Initial design work is in hand for a replacement for the logistic landing ship "Sir Galahad". "Sir Tristram" will be brought back to the United Kingdom and we hope that it can be repaired.

I am also able to announce today, although it is unconnected with the Falklands replacements programme, that an order for two further Hunt class mine countermeasures vessels has been placed with Vosper Thornycroft.

Last year, in pursuance of our policy of modernising the fleet, we spent more in real terms on ships and their weapon systems than for the past 19 years, and almost 50 per cent. more again than in 1978-79. The total value of the ship orders placed today is £585 million. When added to other naval orders amounting to £161 million already placed this year, new naval shipbuilding will be maintained at a very high level.

We plan that the fourth and final Falklands replacement ship will be a further batch III type 22 frigate. It will be ordered as early as possible next year by competitive tender when Yarrow (Shipbuilders) Ltd. has completed the redesign work. Cammell Laird Shipbuilders Ltd. and Vosper Thornycroft (UK) Ltd. will be strong contenders for this order.

The success of last year's review of the defence programme in matching resources to our revised forward plans had already won us some flexibility to make adjustments to the defence programme. The Government have now provided extra funds to meet the additional costs of the garrison and the replacement of all equipment lost.

All the measures that I have announced can be met within the announced defence budget for 1983-84 and the planning totals for later years.

In many respects, the Falklands conflict was unique. We must be cautious therefore in deciding which lessons of the campaign are relevant to the United Kingdom's four main roles within NATO. These roles remain our priority, and the modernisation of our forces devoted to them must still have the first call on our resources. The measures that we are taking will significantly strengthen our ability to perform our main defence tasks but they will also increase the flexibility, mobility and readiness of all three Services for operations out-of-area as well as within the boundaries of NATO itself.

Mr. John Silkin (Deptford): The Secretary of State referred to the success of last year's review of the defence programme—a programme that Sir Henry Leach referred to as

"a major con trick and a catalogue of half-truths".

There still seems to be no maritime out-of-area capability in this White Paper. Surely that is the real lesson of the Falklands war.

Will the Secretary of State therefore answer the following questions? First, will he give the real number—not the phoney one—of surface ships that he expects there to be in April 1985? Secondly, how many of those ships will be mothballed—in the standby squadron? Thirdly, does he really believe that the dockyards of Portsmouth, Rosyth and Devonport will be

adequate for a proper maritime policy? Finally, when will he come clean with the House and admit that all of his maritime policy is put at risk by Trident?

Mr. Nott: The right hon. Gentleman says that we still have no maritime out-of-area capability. I thought that the Royal Navy did rather well in the Falklands, which is about as out-of-area an operation as one can possibly imagine. I completely fail to understand what he is suggesting.

I said in my statement that in 1985 we would have about 55 escort ships—destroyers and frigates. That is exactly the same number as we proposed in Cmnd. 8288. There will be none in the standby squadron in 1985 because the four that would otherwise have been in the standby squadron will be involved with the garrisoning of the Falkland Islands.

The dockyards at Rosyth and Devonport are fully sufficient to meet the size of the new fleet. We have gone out of mid-life modernisations and dockyard capacity will be sufficient. I have issued a consultative paper today proposing expansion of the naval base at Portsmouth. It will be used for the care, maintenance, weapon updating and other things that are needed for the fleet, as will Devonport and Rosyth.

The right hon. Gentleman criticises the Government and especially me on our policy towards the Royal Navy. In real terms, we are today spending £700 million more on the conventional Navy than the previous Labour Government were spending. Last year, naval shipbuilding—new ships and their weapon systems—was at a record level for the past 19 years. I cannot see how the right hon. Gentleman can criticise our policy when the party to which he belongs is proposing a massive cutback in defence spending.

Mr. Churchill (Stretford): I congratulate my right hon. Friend on his statement, especially on the enhancement that he is making for our air defence at home and for the fleet, and for the strengthening of the Royal Navy. Will he confirm that all the items to which he referred will represent a fundamental enhancement to the overall capability of our Armed Forces here in Europe as well as for the Falklands operation?

Will my right hon. Friend expose the right hon. Member for Deptford (Mr. Silkin) when he tries to masquerade as defender of our Armed Forces while representing a party that is committed to chop by one-third outlays on defence?

Mr. Nott: With regard to my hon. Friend's latter point, the right hon. Member for Deptford (Mr. Silkin) and especially the Labour Party are proposing to cut our defence expenditure by one third, yet they qualify that proposal by saying that jobs will not be shed. That is typical of the ambivalence in everything that the Labour Party says about defence. It would destroy our defences. That is becoming increasingly clear to the British people.

I can confirm that the majority of the proposals that I am making today will enhance our general defence capability for use in NATO, for use out-of-area and for the garrisoning tasks that we still retain in the Falkland Islands.

Mr. A. J. Beith (Berwick-upon-Tweed): Is the Secretary of State now convinced that our ships will not again be exposed to airborne attack without early warning?

Is not one of the principal lessons of the affair that we are at our most vulnerable if an enemy thinks that we have neither the will nor the means to respond to attack? Does he agree that the withdrawal of HMS "Endurance" created that impression, and that the same impression could be created if NATO does not appear to have the means to respond by conventional strength to conventional attack?

Mr. Nott: I hope that what I have announced will strengthen our conventional defences. I remind the hon. Gentleman that HMS "Endurance" was in the Falkland Islands when she was attacked. Apparently, the deterrent value of HMS "Endurance" was inadequate. The ships that we deployed in the Falkland Islands were necessarily placed within range of land-based aircraft from Argentina. Normally, in a NATO context, we would not place our ships in that position and they would have the protection of land-based NATO aircraft. They would also have the airborne early warning of NATO, which in the Falklands they did not possess. That is why we want to add an airborne early warning facility to our three carriers.

Mr. Neville Trotter (Tynemouth): Will my right hon. Friend accept my congratulations upon the increase in the naval strength that will result from the orders? Will he accept also that Tynemouth will be especially grateful for the fact that they were won by competitive tender, with all that that means for the future? Can he assure us that there will be a strengthening of the Navy's back-up by increasing the number of people employed in the dockyards and the bases and the number of sailors remaining in the Navy?

Mr. Nott: Not entirely. It has been my objective to reduce the support side and to put more of the total resources available to the Royal Navy into the front line. The greater the number of support bases and training bases and other such establishments, the less money there is to put into the front line. The pressure, which has not been entirely welcome to my hon. Friends or to the Royal Navy, which has been exerted during the past two years has created a slimmer and, I believe, a better front line. My hon. Friend is right in saying that we went out for competitive tenders. Swan Hunter put in an extremely competitive and attractive bid and, therefore, it won the order.

Dr. David Owen (Plymouth, Devonport): Is the right hon. Gentleman aware that many Members on both sides of the House who are friends of the Navy will be glad to see the readjustment of the balance and will only regret that it required the Falklands campaign to bring it about? Will he make it clear whether he intends more than 42 surface ships to be running in 1989 with fewer than eight in the standby squadron? Will he give some assurance to those of us who remain very worried that we shall be building insufficient numbers of hunter-killer submarines, especially because of the Trident building programme at Vickers?

Mr. Nott: I think that the priority is to move ahead as fast as possible with the new conventional submarine. The right hon. Gentleman is correct: while Trident is being built, we shall have a pause in the SSN programme. However, our principal requirement is for a new class of conventional submarine, which will be an extremely valuable addition to our force level.

The number of 42 has been much bandied about. It was an estimate of what might have been the number of ships

[Mr. Nott]

in the running fleet in 1989 had we placed eight ships in the standby squadron. Cmnd. 8288 made it clear that we were looking to a force level of 50 in the late 1980s, of which we said up to eight might be in the standby squadron. I cannot say what the resources will be beyond the mid-1980s. Therefore, the number of ships in the standby squadron in the late 1980s will be for the decision of my successor. We are adhering to the figure of 55 destroyers and frigates, and they will all be in the running fleet over the next two years.

Mr. Tam Dalyell (West Lothian): Does the right hon. Gentleman recollect the only public utterance of Lord Carrington since he left office, which appeared in a letter to *The Times* of 18 June, which was headed "Mr. Nott and Submarines", in which he denied that he had prevented the Secretary of State from sending submarines to the South Atlantic on the ground that it might be provocative? Lord Carrington cuttingly ended his letter to the effect that Mr. Nott could testify that what he was saying was true. How does the right hon. Gentleman reply to Lord Carrington's rebuke?

Mr. Nott: Lord Carrington did not prevent me from sending any submarines to the South Atlantic. His letter was perfectly correct.

Mr. John Peyton (Yeovil): Is my right hon. Friend aware that his announcement of the extra six Sea King helicopters that are to be ordered is extremely welcome and will be taken as a further and proper acknowledgment of the way in which the aeroplane performed in the South Atlantic?

Mr. Nott: The Sea Kings performed extremely well. They were operating for very long hours and they were a great success. I hope that the Sea King replacement programme will come on to follow the present generation of Sea Kings.

Mr. Dick Douglas (Dunfermline): Will the Secretary of State give us some more information than he gave to the right hon. Member for Plymouth, Devonport (Dr. Owen) about submarines? Surely it is not good enough for him now to say that we shall crowd out SSN building because of the Trident programme when we still await a conventional design. In paragraph 314, reference is made to the inter-relationship of the merchant navy and the merchant marine with the naval capacity overall. Can the right hon. Gentleman be more forthcoming about his ideas on that score?

The right hon. Gentleman referred earlier to the issuing of a discussion paper between his Department and trade unions on the future of the dockyards. May the contents of that paper be made available to the House so that we can have a proper discussion about the yards?

Mr. Nott: Yes, I can place the consultative paper in the Library; that can be quite easily done. There are many functions which conventional submarines can perform better than hunter-killer nuclear submarines. The need now is to build up the number of conventional submarines. We are moving forward as fast as we can with the new SSK programme. We shall put as much money into that programme as is necessary to bring it forward. That is the submarine priority and not more SSNs. The relationship between the merchant marine and the Royal Navy was

proved during the Falklands campaign. It worked admirably, and I should like to consider every means of developing it further.

Sir David Price (Eastleigh): I welcome my right hon. Friend's announcement that he intends to order four new type 22 frigates. Will he explain why, after the successful launch of HMS "Gloucester", a type 42, at Woolston, no orders have gone to Vosper Thornycroft, which is one of the two designated warship builders in British Shipbuilders? Are we to take it that the Carrington arrangements no longer hold?

Mr. Nott: Vosper Thornycroft would have been given some orders if it had come in with a competitive bid. We must put these orders out to competitive tender. Swan Hunter came in with a price which was far lower than that which was arrived at by Vosper Thornycroft and Cammell Laird. If Vosper Thornycroft had come in with an attractive price, the order would have gone to it. We have placed two orders with Vosper Thornycroft today for the Hunt class, which is a significant order for Vospers. I hope that it will come in with a more attractive offer when the last replacement ship is put up for tender in the spring. The Ministry of Defence will not spend more money on placing orders with uncompetitive tenderers. It will go to the yard which offers it the best price.

Mr. Tony Benn (Bristol, South-East): Is the right hon. Gentleman aware that the main lesson of the Falklands conflict is that, after 1,000 casualties and probably £2 billion or £3 billion of expenditure, the future of the Falkland Islands is far from settled? France and Germany have resumed arms supplies to Argentina and the United States has voted against us in the United Nations. Almost everyone except the Prime Minister realises that the exclusive sovereignty of Britain over the Falkland Islands cannot survive much beyond this decade. Will the right hon. Gentleman say something about the Cabinet's discussion about its political failure, which it is trying to obscure behind a military success?

Mr. Nott: The right hon. Gentleman has made his point. I am not aware of any of those matters. The Falkland Islands are British, and so they will remain.

Mr. Antony Buck (Colchester): Does my right hon. Friend agree that the main lesson of the Falkland Islands is not that suggested by the right hon. Member for Bristol, South-East (Mr. Benn), but the conclusion in his White Paper that what we did there has given credibility to the entire Western defence posture? We shall take arms to assist those who wish to remain living in freedom, even if they are on the other side of the world.

Mr. Nott: I agree entirely with my hon. and learned Friend. Our action to recover the Falkland Islands has been an example to the entire West.

Mr. Frank Allaun (Salford, East): Does the Secretary of State deny the fact that the total bill for the Falklands war and its aftermath is £2½ billion, or £5 million per family on the Falkland Islands? Does it save the taxpayer a single pound if this colossal waste comes from his budget rather than that of the Chancellor of the Exchequer?

Mr. Nott: I do not have in front of me the exact figure for the cost of repossessing the Falkland Islands, but it was about £700 million to £800 million this year. The hon. Gentleman is correct to say that the cost of replacing all

the equipment that we lost will be substantial. Clearly I would be the first to say that this incident should never have happened. However, it did happen and it was a remarkable achievement by our Armed Forces. It showed that Britain was resolute in the way in which she recovered the Falklands. That has strengthened the deterrence of the West, which should please the hon. Gentleman, because it has made war less likely.

Mr. Peter Viggers (Gosport): I thank my right hon. Friend for his statement and for the increased flexibility and enhanced maritime commitment that it implies. As to the number of men employed in the Royal Navy, there remains on the record a signal from the First Sea Lord showing that the number of men in the Royal Navy would run down from 70,000 to 62,000, or possibly 60,000, by 1986 and that the diminution would continue at about that level. Does my right hon. Friend agree that the increase in the number of ships requires a larger number of Navy personnel?

Mr. Nott: The White Paper does not give details of the revised manpower requirements of the Royal Navy because that will take some time to work out. A signal has been sent to the fleet today by the Second Sea Lord explaining that we cannot give firmer figures for a few months. The reductions in shore establishments and the undertaking of more training afloat will reduce the numbers necessary to man the front line. The type 23 frigate will have a much smaller complement of men. Therefore, although the 4,000 redundancies that were originally contemplated will now be less than they might otherwise have been, there are likely to be some redundancies in the Royal Navy and the size of the Navy will decline, probably much in line with the figure given in Cmnd 8288.

The only way that we can stop the decline is by cancelling some naval programmes. We have a choice between equipment and manpower. With the funds available, we believe that the right balance has been struck, but we can keep more people in the Royal Navy only if we cut the programme.

Mr. Jack Ashley (Stoke-on-Trent, South): If we leave aside the earlier differences about the operation of the task force, will the Secretary of State now recognise that Britain has become bogged down in a military, economic and political morass in the Falkland Islands that is damaging rather than helping the national interest?

Mr. Nott: I am sorry, I did not understand who was becoming bogged down—[HON. MEMBERS: "You."] What I announced today will substantially increase our Armed Forces' capability generally for operations in NATO and elsewhere. The right hon. Gentleman will welcome that.

Sir Philip Goodhart (Beckenham): As my right hon. Friend this afternoon and on earlier occasions has paid eloquent tribute to the excellent work of our helicopters, can he tell us now whether he is carrying out a review of the projected helicopter strength in the British Army of the Rhine as in earlier plans there was to be only a comparatively small increase in years to come?

Mr. Nott: Yes. There are some interesting thoughts about that matter. As my hon. Friend knows, we are considering the possibility of using some older Wessex helicopters for the 2nd Division based in York. I would

wish to see more helicopters in the reserve elements of the BAOR and in the BAOR itself. The new Chinook squadrons that are now coming into service will enhance enormously the helicopter lift of the BAOR.

Mr. A. E. P. Duffy (Sheffield, Attercliffe): Is not the main lesson of the Falkland Islands that the Secretary of State for Defence could not have deployed so quickly or effectively but for the naval assets that he inherited from the Labour Government? His statement this afternoon is a justification not only of the Labour Party's perception of the size and shape of the fleet, but of the main priority areas that he verified this afternoon. It had taken him three and a half years to endorse the type 22 frigates, the MCMVs and the modern point defence for high value assets. Will he say something about the dual use and adaptation of merchant units such as the Arapaho project?

Mr. Nott: I hope that, after many years of delay, we can move ahead with the Arapaho project during the next year or so. I wish to include that project in the programme. The fact that the Government have put up money for the "Atlantic Conveyor" replacement is evidence of our interest in this area. I wish to put more money into the Arapaho project.

The hon. Gentleman inherited naval assets from the Conservative Government, so his argument is non-productive. The Royal Navy will continue to perform a valuable function under all Governments. Last year, before the Falkland Islands incident, we spent more in real terms on naval shipbuilding and weapons systems than had been spent for 19 years. There is nothing of which the hon. Gentleman can accuse this Government.

Several Hon. Members rose—

Mr. Speaker: Order. I propose to call four more hon. Members from either side and then to move to the second statement.

Mr. Julian Critchley (Aldershot): I welcome my right hon. Friend's statement, but he will be aware that it is calculated that, by fiscal year 1985-86, there will be under-funding in defence spending of about 15 to 20 per cent., due in part to Trident, in part to the Falkland Islands and largely to the rising costs of men and equipment. What advice does he have for his successor?

Mr. Nott: I have no idea from where my hon. Friend gets that figure. I am not sure to which under-funding he refers. We have planned for the next decade in accordance with the normal long-term costings of the Ministry of Defence. The programme is fully funded, well known and set out in the annual White Paper. I know of no under-funding.

Mr. Bruce George (Walsall, South): The White Paper and the Secretary of State's statement do not argue conclusively that it is possible to pay for the improvements of our maritime contribution to NATO, the air defence of the United Kingdom, our out-of-area capability and the replacement of Polaris. Will the Secretary of State come to the House in future with more detail than he has provided so far about how the Government propose to carry out two-thirds of what is contained in this document?

Mr. Nott: The hon. Gentleman knows that we tackle all those matters annually in the defence White Paper. We shall again next year give a full description of what we are doing. We are meeting all the main NATO roles. Of

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course, I would wish to do more in all roles, but with a 3 per cent. real increase a year there is a strain on the economy. We are improving all four roles and our allies believe that we are doing a good job.

Miss Janet Fookes (Plymouth, Drake): In welcoming the replacement of surface vessels, may I remind my right hon. Friend of the fire hazards revealed during the Falklands campaign about which the Royal Navy had previously warned? Will my right hon. Friend give assurances as to the type of electrical wiring to be used in the new designs, about the use of aluminium in the superstructures and about the use of materials for bedding and clothing?

Mr. Nott: Aluminium and PVC wiring have not been used in the construction of modern ships. My hon. Friend is right to say that they caused problems in older ships during the Falklands campaign. Much work has been carried out on the survivability of ships, and all such lessons shall be incorporated in the new ships that we are ordering.

Mr. Gavin Strang (Edinburgh, East): The defence of the Falkland Islands has been estimated at £3 billion over four years. Does the Secretary of State recognise that the best contribution the Government could make to our defence would be to secure a negotiated settlement with Argentina on the future of the islands, thus ending the haemorrhage of resources and the risk of further human losses on the islands?

Mr. Nott: I have always taken the view—I did during the time of the Falklands conflict—that we want a long-term accommodation with Argentina. The Falkland Islands must be secure so that the Falkland Islands may exist in peace with their neighbours.

Mr. Keith Speed (Ashford): I welcome some of the positive statements that my right hon. Friend has made this afternoon. Can he assure the House that new and existing ships will have their weapons, sensors and communications modernised from time to time, even if mid-life modernisation is no longer foreseen?

Mr. Nott: I entirely agree with my hon. Friend that we must be able to update those systems. We already have a substantial modernisation programme for the items that my hon. Friend mentioned, but he is right in saying that, as far as possible, we must be able to replace such items in ships in the running fleet—[HON. MEMBERS: "Why was the hon. Gentleman sacked?"] It is not within my power to sack my hon. Friends. My hon. Friend was a most valuable member of the Ministry of Defence. I can give my hon. Friend the assurance he seeks.

Mr. R. C. Mitchell (Southampton, Itchen): Is the right hon. Gentleman aware that the specialist warship building yards, such as Vosper Thornycroft in my constituency, maintain expensive design teams that increase their overhead costs, thereby placing them at a distinct disadvantage when competitively tendering for type 22s and other ships with yards such as Swan Hunter which do not have such expensive overheads? Does he want to see the specialist warship building yards break up their design teams?

Mr. Nott: I am unable to get involved in a debate on whether the design teams of Vosper Thornycroft are too

large. I am a customer. I put out tenders and receive bids. It is for British shipbuilders, not for me, to decide how they organise themselves so that they offer the lowest possible price.

Sir Frederick Burden (Gillingham): Is my right hon. Friend still of the view that the SSN submarine is our most important naval weapon, as stated in the 1981 White Paper? Was the delay in refitting and refuelling "Swiftsure" due to the fact that it is a new type of SSN? How different is it from "Churchill", which is being refitted and repaired at Chatham within two and a half years while it is taking more than three and a half years to refit "Swiftsure"?

Mr. Nott: I have already answered that question. It would not be right to take up the time of the House by answering it again.

Mr. Frank Field (Birkenhead): Does not today's statement indicate a further cut in the size of the Royal Navy? Is it not true that long before the Falklands campaign, the Government made a commitment to place two major orders for type 22s? With four ships sunk during the Falklands campaign, that makes a total of six. Today the right hon. Gentleman has announced orders for five. What about the other order? Although the Minister and his colleagues often make complimentary remarks about the performance and workers of Cammell Laird, does he realise that words, however complimentary, are no substitute for orders and jobs?

Mr. Nott: I realise that Cammell Laird will be disappointed that it has not secured any of these ship orders. There is one more to come and I hope that Cammell Laird tenders successfully for it. One type 22 frigate was in the programme, and I have today confirmed that order, which I announced previously. I have also mentioned four replacement ships. No other type 22 frigate is in the naval programme at present, nor has there ever been.

Mr. Denzil Davies (Llanelli): Does the right hon. Gentleman recollect that when, on becoming Secretary of State for Defence, he announced the naval cuts he said—I think that I quote him properly—that defence policy was over-extended and unbalanced? In view of the extra costs he has announced today, the other costs of the Falklands operation and the decision to buy the Trident II missile, does he agree that the defence policy is now even more unbalanced and over-extended? All that he has done today is to hand over the problems to his successor, and there will have to be another fundamental review of defence policy. In view of that, is he not relieved that he had the prescience about 15 years ago to tell his wife that he would leave active politics at the end of this year?

Mr. Nott: I do not think that that has much to do with the Falklands White Paper. When I became Secretary of State for Defence, I said that the budget was over-extended. We had far greater plans within the programme than we had resources to meet them. It was therefore necessary to hold the review that I conducted. The right hon. Gentleman would naturally expect me to believe that the programme is now in better order and better balanced than it was. I expect him, as Opposition spokesman, to take the opposite view. Unfortunately, I am unable to agree with anything that he has said.

Mr. John Maxton (Glasgow, Cathcart): On a point of order, Mr. Speaker. I appreciate that you have limited the time for questions on statements, and that some of us have inevitably not been called, but you have called the spokesman for the Liberal Party and the spokesman for the Social Democratic Party even though they fight every by-election and local election as one party and have made it quite clear that they intend to fight the next general election as one party.

Mr. Speaker: Order. I did exactly the same in the last Parliament when there was an understanding between the Liberal Party and the Government of the day.

Sir Frederick Burden: On a point of order, Mr. Speaker. My right hon. Friend, in replying to my question, made a terminological inexactitude, as will be shown in *Hansard* tomorrow. He did not make an accurate statement regarding submarines.

Mr. Speaker: That is a matter of opinion; it is not a point of order.

Foreign Affairs Council

4.28 pm

The Secretary of State for Foreign and Commonwealth Affairs (Mr. Francis Pym): With permission, Mr. Speaker, I will make a statement on the Foreign Affairs Council which met in Brussels yesterday. This was the last Foreign Affairs Council of the Danish Presidency, and I should like to express my appreciation of the chairmanship of the Danish Foreign Minister.

The Council agreed that the Community should continue to participate in the multi-fibre arrangement on the basis of satisfactory new bilateral agreements. A separate statement is being made in another place by my right hon. and noble Friend the Secretary of State for Trade which my hon. and learned Friend the Minister for Trade will shortly repeat to the House.

The Commission reported on its talks on 10 December with the American Secretary of State and a number of his Cabinet colleagues on a wide range of trade matters. Both sides agreed on the importance of avoiding disruption of world markets for agricultural products. There will now be a programme of bilateral discussions on specific problems.

The Council agreed on the steps to be taken in trade relations with Japan. The full text is being deposited in the Library of the House. The main features are a decision to take the case submitted by the Community in the GATT to the second stage of the dispute procedure, to extend import surveillance and to reinforce pressure both for an increase in imports into Japan and for effective and clearly defined restraint of Japanese exports in certain sensitive sectors. There will be a report before the Council at its next meeting.

These measures represent a clear signal by the Community to the new Japanese Government that more action on their part is now urgently required to redress the trade imbalance.

The Commission gave a detailed statement on the problems of the 1970 EC-Spain agreement, which we requested at the November Foreign Affairs Council. It stated its intention of approaching Spain to seek better implementation of the agreement, and undertook to discuss the tariff imbalance with the car industry. We made it clear that we expected early and effective action to remedy the unbalanced trade relationship, and asked the Commission to report again to the January Council.

Ministers discussed the negotiations for a new trade regime between the Community and Cyprus in 1983. We, in common with a majority of our partners, pressed for an improvement in the arrangements being offered to Cyprus. No agreement was reached, and the existing regime will be extended automatically for a further six months.

The Council also discussed the internal market and identified the initial priority areas for work. It was agreed to hold special sessions in the new year to resolve outstanding problems. My hon. and learned Friend the Minister for Trade made clear the importance we attach to early progress towards the completion of the internal market for both services and goods.

It was agreed that a committee of three scientists should urgently review the cost effectiveness of the Super Sara project and produce a report for a final decision early in the new year.

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There was further discussion of measures to restore stability to the steel market. Support was given to the Commission's actions to strengthen the price regime.

Discussion of the European Parliament's proposals for a common electoral system showed that a number of difficult problems remained. The Council agreed to look at the question again at its next meeting in January.

The Council agreed a duty-free tariff quota for newsprint for 1983, but to our regret was unable to agree to a small supplement in the 1982 quota.

In the margins of the Council, Ministers met in political co-operation to discuss recent developments in Poland. They concluded that it would be premature to form conclusions now on the implications of the measures announced by the Polish Government. We will keep in close touch and continue to follow the situation closely.

Mr. Eric S. Heffer (Liverpool, Walton): I thank the right hon. Gentleman for that statement, but as it is wide-ranging I hope he will forgive me if I do not follow exactly all the subjects that he raised.

I should like to put four major points. Does he not agree that the Community's position is extremely hypocritical in the sense that, while it is protectionist on agriculture through the CAP, it demands free trade for industrial goods? If import penetration by the Japanese is so damaging—and we all agree that it is—will the Government follow the logic of that and accept that import penetration from Community countries into Britain is equally damaging, especially in such key sectors as steel and motor vehicles, and particularly bearing in mind that production in manufacturing industry is at its lowest level for 15 years?

I am sure that the whole House will congratulate the new Spanish Government led by Felipe Gonzalez, the leader of the Spanish Socialist party. As France seems certain to block Spanish entry until the problem of Mediterranean agriculture is sorted out, what is the Government's attitude? Does the Secretary of State believe that in its present form the CAP could survive the entry of Spain and Portugal? Has he any projections of the budgetary implications of Spanish accession? In other words, how much will it cost?

Did the right hon. Gentleman see this week's *Sunday Times* magazine, which included photographs of the destruction of fruit and vegetables because of CAP policy? Is he aware that many people in Britain cannot afford to buy those fruit and vegetables and that there is starvation in the Third world? Is it not disgraceful that such a thing should happen?

It is clear that a decision is needed by the end of December on the re-scheduling of Polish debt. What position do the Government adopt, especially as Lloyd's Bank, with the support of the Bank of England, is prepared to grant a loan to the Fascist junta in Argentina? What implications will the "wait and see" policy have for the Polish economy and the world banking system?

Mr. Pym: The hon. Gentleman drew a contrast between agricultural policy in the Community and the attitude to other trade. There is no doubt that that was the main subject discussed between the Commission and the United States. The United States Government also give much support to their farming industry. The conclusion

was that they must examine this problem in great detail, and that not much progress will be achieved by criticising each other across the Atlantic.

As the hon. Gentleman knows, we have criticised many features of the CAP. The most significant is the way in which it contrives to create surpluses. That is a great problem within the CAP. Although we have not yet been successful in altering that policy, it remains our first objective—as it was with the previous Government—to put that matter right. That will no doubt be a major problem in the future.

We want Spain to accede to the treaty, and France has made it quite clear that she also wants Spain to accede. However, there will be problems, particularly over Mediterranean agriculture, which are in the process of being sorted out in the discussions on accession. Similarly, discussions are at present taking place on the budgetary implications. The Community members feel that we should examine all these issues before accession is achieved.

The Spanish Foreign Minister made a statement on the Spanish Government's position at the Foreign Affairs Council to the effect that they gave a high priority to Community accession.

I share the hon. Gentleman's view about fruit and vegetables. It is unfortunate when events such as the one he described take place. This is another aspect of the CAP that we are constantly trying to reform.

We are in touch with our partners about Polish debt. That is one aspect of the Polish situation, and it is at present being considered with the United States and with other Community countries.

Mr. Michael Latham (Melton): Are we not proceeding at an absolute snail's pace regarding Japan, with more consultations and discussions? Is it not time for some action? How much longer will we put up with the French internal protection campaign without doing something about it?

Mr. Pym: On my hon. Friend's first question, the Council took the matter a stage further and agreed to go to the second stage of the disputes procedure. I do not think that that has been done before. It is a significant change, and it is much more effective because it has been done by the Community as a whole rather than by Britain on her own.

I assure my hon. Friend that some of the actions that have been taken inside France are now under review by the Commission, and the Government are watching the matter carefully.

Mr. Russell Johnston (Inverness): The right hon. Gentleman referred to a number of difficult problems over the common electoral system proposed by the European Parliament. Will he be more specific about the problems that the British Government perceive as important? Is it not a fact that the Government are using technical objections to mask their outright opposition in principle to a proportional solution even though everyone else agrees that that is the only fair outcome?

Mr. Pym: It is no secret that we have reservations about changing the basic system of elections in this country, but many other issues divide the other Community members who have already adopted a PR