



CHIEF SECRETARY

Prime Minister ⁽²⁾

Mr Heseltine rejects Treasury criticism of delay in promulgating LOA reductions.

LOA IN GERMANY

DMS
13/2

(attached)

Your minute of 20th January to the Prime Minister offered a helpful compromise for dealing with the reductions in LOA in Germany, and as you will know, Parliament has now been informed. But you raised other matters to which I feel I must respond.

2. The tone of the minute suggests a mechanistic approach to LOA which I really cannot accept. While of course we should try to apply the usual conventions for making recommended reductions in LOA there will sometimes be a very proper need for Ministers, up to and including the Prime Minister, to be involved in and informed about a decision. This was such a case, because we were preparing to make a sizeable reduction in the take home pay of the 70,000 Servicemen in Germany. I therefore make no apology for cases like this which take a month or two longer than the limited time for decision - never more than a month - available under the usual LOA conventions. Where there are serious management issues at stake - and I am clear that a reduction in take home pay of the size we were contemplating is such an issue - it is entirely right that senior managers in the Services, and Ministers where necessary, should both satisfy themselves that the reduction is soundly based and that it is carried into effect over a timescale which is reasonable for the Servicemen and their families affected.

3. It follows that I cannot give the assurance you seek in your paragraph 5. In effect you are assuming (a) that the next repricing in Germany will be carried out in November 1984 (if it were to be in October the convention would require implementation of any reduction from 1st December); (b) that it will lead to further reductions, not



increases, in LOA; and (c) that whatever issues the review raises must be resolved in what is left of November or, alternatively, that the notice to Servicemen of a cut should be less than a month. I do not think it would be reasonable to put ourselves in such a strait jacket. I accept that this could involve, as this year, forgoing savings for a month or two. But the question then is whether the Government regards it as sensible to spend relatively small amounts from the Defence Budget in order to manage sensitively and responsibly reductions of this kind in the pay of groups of Servicemen. I should have thought there could be only one answer.

4. There are issues here which you may wish your officials to pursue with mine. But let me stress that our intention is to preserve the integrity of the LOA system world-wide, in fairness to Servicemen everywhere and to the taxpayer. Normally this means applying the usual conventions about cuts and increases. Sometimes good management requires a more flexible approach. I am glad to say that in the past we have had much co-operation from the Treasury in achieving the necessary degree of flexibility. I very much hope that that co-operation will continue.

5. I am copying this to the Prime Minister and Sir Robert Armstrong.

Ministry of Defence

10 February 1984

Reference Pay Ptz



13 FEB 1984