



Ref. A085/1128

MR BUTLER

Armed Forces Pay Review Body

Sir David Orr, the Chairman of the Armed Forces Pay Review Body (AFPRB), and his designated successor, Sir Peter Matthews, are coming to see the Prime Minister on Monday 22 April at 11.30 am, to present the background to the AFPRB's report, which is (I understand) likely to reach 10 Downing Street on Monday 22 April.

2. In his presentation, Sir David Orr is likely to tell the Prime Minister that morale in the armed services is high, but that they feel increasingly under pressure, with more commitments and fewer people with which to meet them, more and longer periods of separation from families and less leave. Some wives are getting rather stropky. There is some sense of grievance about the way in which allowances are paid, which is thought to be mean. For instance, because of the way in which allowances are paid, a serviceman moving back from Germany to the United Kingdom may be anything from £200 to £500 out of pocket. Nonetheless, confidence in the Government's commitment to maintain forces' pay at the level of their civilian counterparts is good. It is very heavily relied on, and last year's staging generated some suspicion about the Government's willingness to maintain the commitment for the future. The effects upon morale and upon retention of abandoning the commitment could be serious.

3. The AFPRB has to work within its terms of reference, requiring it to advise on the pay levels required to maintain rates of remuneration broadly comparable with those prevailing in civilian life. These terms of reference are reinforced by repeated Ministerial commitments to maintain forces' pay at the level of their civilian counterparts. Within this framework the



AFPRB has tried to keep the levels of its recommendations down to the lowest which the evidence will permit, recognising the Government's problem of affordability. The rates recommended vary at different levels: for some recruits as low as 4 per cent, but for skilled men at Corporal level up to 7½ per cent. The overall level of increase recommended is 7.06 per cent (or 7.3 per cent when account is taken of increases for reservists).

4. Sir David Orr recognises that these figures will not be welcome to the Government, but will emphasise that for the Government to reject the report would have a profoundly serious effect. He clearly believes that morale would be badly affected, and that many servicemen would leave. Even a decision to stage again this year would be greeted with great cynicism. Sir David Orr will suggest that, if the Government could reach a quick decision and make an early announcement, well ahead of the reports of the Review Bodies on Doctors' and Dentists' Remuneration and on Nurses' and Midwives' Remuneration, the increase for the forces could well be treated, presented and accepted as sui generis, because of the unique importance and value of the forces in protecting the security of the country.

5. I should only add that (as you know) Sir David Orr has been very ill with pneumonia. He is clearly still frail and will find the effort of coming to see the Prime Minister something of a strain. He will obviously be ready to answer any questions the Prime Minister wants to put to him, but I think it would be a kindness if the Prime Minister felt able to let him complete his presentation before putting her questions or making her points.

6. Sir David Orr asked who would be with the Prime Minister when she saw him and Sir Peter. I said that the Secretary of State for Defence would not be there: she would be accompanied only by you and me.

RIA

ROBERT ARMSTRONG

18 April 1985