



(c) crown copyright

THIS DOCUMENT IS THE PROPERTY OF  
HER BRITANNIC MAJESTY'S GOVERNMENT

*Printed for the Cabinet. February 1966*

CC (66)  
9th Conclusions

Copy No. 36

CABINET

*CONCLUSIONS of a Meeting of the Cabinet held in the  
Prime Minister's Room, House of Commons, S.W.1, on Monday,  
14th February, 1966, at 6 p.m.*

Present:

The Right Hon. HAROLD WILSON, M P, Prime Minister

The Right Hon. GEORGE BROWN, M P, First Secretary of State and Secretary of State for Economic Affairs	The Right Hon. HERBERT BOWDEN, M P, Lord President of the Council
The Right Hon. LORD GARDINER, Lord Chancellor	The Right Hon. JAMES CALLAGHAN, M P, Chancellor of the Exchequer
The Right Hon. MICHAEL STEWART, M P, Secretary of State for Foreign Affairs	The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M P, Secretary of State for Common- wealth Relations	The Right Hon. ROY JENKINS, M P, Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland	The Right Hon. JAMES GRIFFITHS, M P, Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M P, President of the Board of Trade	The Right Hon. ANTHONY GREENWOOD, M P, Minister of Overseas Develop- ment
The Right Hon. ANTHONY CROSLAND, M P, Secretary of State for Education and Science	The Right Hon. RICHARD CROSSMAN, M P, Minister of Housing and Local Government
The Right Hon. Sir FRANK SOSKICE, Q C, M P, Lord Privy Seal	The Right Hon. DOUGLAS HOUGHTON, M P, Chancellor of the Duchy of Lancaster
The Right Hon. R. J. GUNTER, M P, Minister of Labour	The Right Hon. FRANK COUSINS, M P, Minister of Technology
The Right Hon. FRED PEART, M P, Minister of Agriculture, Fisheries and Food	The Right Hon. BARBARA CASTLE, M P, Minister of Transport

Also present:

The Right Hon. FREDERICK MULLEY,  
M P, Minister of Aviation

*Secretariat:*

Sir BURKE TREND  
Mr. P. ROGERS  
Mr. D. S. LASKEY

SECRET



CC 9 (66)

**Defence Review**Statement on  
the Defence  
Estimates, 1966:  
Part I(Previous  
Reference:  
CC (66) 8th  
Conclusions)

\*The Cabinet resumed their discussion of the Statement on the Defence Estimates 1966: Part I (C (66) 33). They also had before them memoranda by the Secretary of State for Defence on the Future Forces Structure (C (66) 34) and on the F-111A Option (C (66) 35).

*Carrier Force*

*The Secretary of State for Defence* said that the question of the length of time for which the carrier force should be maintained did not affect the decision on the F-111A since the Admiralty Board and the Chief of the Naval Staff agreed that in any event this aircraft was essential.

Carriers could not be regarded as a cost-effective part of our forces. They were only relevant in the Far East; in the Atlantic they were too vulnerable and in the Mediterranean and the Middle East air cover could be provided from land bases. The Royal Navy could not in any event man more than four carriers and we could not afford more than three. Over a 10-year period the cost of the force could be £1,400 million, including the carriers themselves and their aircraft, but excluding the escorting vessels which were required for other purposes as well as the protection of the carriers. With a force of three carriers one would be permanently East of Suez and another normally available at up to 15 days' notice. One of the three carriers would, however, be the *Hermes* which was equipped with only 12 fighter and 7 strike aircraft and one year in three this would be the carrier stationed East of Suez. The resultant capability of the carrier force did not justify the expenditure involved. The only operations for which carriers would be essential were the landing or withdrawal of troops in the face of sophisticated opposition outside the range of land-based aircraft. Our proposals on commitments did not however call for the retention of this capability in the 1970s. For air strikes against land targets carrier-borne aircraft were much less effective than land-based aircraft and in terms of cost were two-and-a-half times as expensive. An important part of the carrier role was the protection of ships at sea. It was accepted that up to a range of 300 miles this task could be adequately fulfilled by land-based aircraft. The Royal Air Force claimed that it could be done up to a range of 700 miles and to resolve the difference between these two figures would require further study. The real question however was whether we should need to protect shipping against heavy enemy attack at a range of 300 miles or more from land bases. He and the Chiefs of Staff, other than the Chief of the Naval Staff, considered that this was unlikely in the 1970s, though the task could arise so long as confrontation lasted. He had therefore concluded that the new carrier, the CVAO-1, should not be built but that we should seek to maintain the existing carrier force until 1975, although difficulties of recruiting for the Fleet Air Arm might mean that carriers would have to phase out by about 1972.

---

\* Previously recorded as a Confidential Annex.

The Admiralty Board had recently put forward new proposals designed to provide for the construction of the CVAO-1 while keeping total costs of the Royal Navy at about the level of his own proposal. There had been a difference of view about the figures but it was now accepted that the extra cost of the Admiralty Board's proposal would be much higher than they had originally estimated. Capital expenditure on the CVAO-1 over the next three years would be £30 million and in 1969-70 the extra cost of the new plan seemed likely to be £20 million rather than £9 million. From 1973 to 1975 the additional expenditure would be about £100 million, so that over the 10-year period the new plan put forward by the Admiralty Board was likely to cost £150 million more than his own proposal. There would also be no additional capability until 1973 when the CVAO-1 would come into service; there would be additional capability after 1973 but this would be the period when we should hope to have reduced our commitments in the Far East. The Admiralty Board's proposal would be logical if it were intended to build further new carriers, the CVAO-2 and O-3, but this would involve very heavy additional expenditure which we could not contemplate. The plan envisaged carriers phasing out in 1980, but at this date the CVAO-1 would only have been in service for six to seven years and its cost would not be justified for so short a period of service. Under his plan the Royal Navy would still have a major role to play and would obtain a number of new ships and new weapons to replace part of the carrier capability. An additional 36 Phantoms for the Royal Air Force for the maritime role would also be required. The total cost of reproviding the capability of the carrier force would be about £600 million over 10 years as compared with the cost of £1,400 million of the carrier force.

In discussion it was suggested that carriers gave a degree of mobility which was not afforded by land bases and that they were less vulnerable than fixed bases, not only in military terms, but also because they were not subject to the political limitations which tended to affect our use of land bases. It was however pointed out that, while carriers and land bases were equally vulnerable to nuclear attack, land bases could withstand a much heavier attack with conventional weapons than a carrier. Moreover, it was likely that carriers would become more vulnerable as new weapons were developed, particularly if a potential enemy acquired nuclear-powered submarines. Although carriers were not subject to the political limitations of land bases, this did not in fact increase the range of options open to us since any military operations would require the use of land bases and could not be conducted solely by carriers. Moreover, we intended in the 1970s, with longer range aircraft, to concentrate on land bases in Australia or on uninhabited islands in the Indian Ocean, which would be less subject to political limitations.

*The Prime Minister*, summing up this part of the discussion, said that the decision about the carrier force did not involve a choice between carrier-borne aircraft and the F-111A since all the Defence Ministers and the Chiefs of Staff agreed that the F-111A would be

required, even if the carrier force were maintained. Although there was some difference of opinion about the figures it was clear that the plan proposed by the Admiralty Board would make it impossible to attain the figure for defence expenditure of £2,000 million at 1964 prices in 1969-70. Carriers would give a valuable bonus to our defence capability, but the maintenance of the carrier force, including the construction of the CVAO-1, could not be justified unless we were prepared to increase defence expenditure substantially above the level of £2,000 million. There was general agreement that this could not be accepted and that the CVAO-1 should not be constructed. The Cabinet approved the proposal by the Secretary of State for Defence for maintaining the existing carrier force, if possible until 1975.

The Cabinet—

- (1) Approved the proposals of the Secretary of State for Defence in respect of the carrier force.

Future Forces  
Structure  
F-111A Option  
(Previous  
Reference:  
CC (65) 20th  
Conclusions,  
Minute 4)

*The Secretary of State for Defence* said that the importance of air reconnaissance in peace-time had been demonstrated in Cuba and Cyprus and it was even more essential in war. For strategic reconnaissance, long range, a high ceiling and supersonic speed were essential and there was no alternative to the F-111A in this role. Requirements for air strike depended on the type of opposition likely to be encountered, but against the weapons to be faced in the 1970s a strike aircraft must be able to operate at low level, with terrain-following equipment and a highly developed navigational and attack system. There was also a great advantage if the aircraft could operate from bases outside the range of enemy attack. As regards timing, the Canberras must be phased out by 1970. In the second half of the 1970s we hoped that the Anglo-French Variable Geometry (VG) aircraft would come into service. The Royal Air Force would rely on this for the strike, reconnaissance and other roles and the project was intended to be the cornerstone of our policy for collaboration in aircraft production in Europe on which the future of our aircraft industry would depend. The question was how to bridge the gap between 1970 and 1975. The solution he proposed was to purchase 50 F-111As (as compared with 110 envisaged in the previous year and the 150 TSR-2s planned by the previous Administration); these would be supplemented by the transfer of the V-bombers to the tactical role until they were replaced by the VG aircraft. Of the possible alternatives to the F-111A the Spey/Mirage would be at least two years late. Even on the basis of the price now quoted by the British Aircraft Corporation it would cost more than the F-111A and a large part of the cost would be in foreign exchange. It was doubtful whether it could be suitably adapted from its present role of a high-level bomber in a temperate climate to a low-level bomber in the tropics and in any event it would have a shorter range than the F-111A and could only operate from long concrete runways.

A developed Buccaneer was a more serious contender and the cost would be only slightly higher than that of the F-111A. It could not however be ready in time and there was no guarantee about the date of delivery. It would also be wasteful to develop the Buccaneer unless we were to buy the full number of aircraft we required for the strike role and this would conflict both industrially and financially with the Anglo-French VG project.

As a result of his negotiations with the United States Government an agreement had been initialled, ad referendum, on the terms for a purchase of 50 F-111As. The United States Government would provide credit to cover the cost of all our aircraft purchases from the United States at an interest rate of 4½ per cent, which he understood was acceptable to the Chancellor of the Exchequer. The unit price for the first 10 aircraft would be £2.1 million; for the subsequent 40 there would be an average price which contained a contingency allowance of £340,000 per aircraft. He expected within the next day or two to obtain a fixed price for the aircraft in the United States configuration and a fixed price for the additions of United Kingdom equipment to meet our requirements. This would give a ceiling price for the whole purchase of 50 aircraft and a figure per aircraft of about £2.5 million, which he would hope to be able to publish. By comparison the cost of 50 TSR-2s would have been £9 million each. We should also get guaranteed delivery dates of 12 aircraft by the end of 1968 and of all 50 by January 1970. The F-111A had encountered certain problems in the course of development but the difficulties experienced with the engine were now being overcome. There was a new problem of drag, but this was no more serious than the one encountered and rectified in the B-58 bomber. Even if a drag of 6 per cent remained, the aircraft would fully meet our requirements. As regards performance we should be covered by the contract which the United States Air Force had concluded with the manufacturers, by which the latter were obliged to make good at their own expense any defects occurring during the first 12 months after delivery.

He had also been concerned to offset the dollar cost of the proposed F-111A purchase, which would amount over the full 12-year period, including support and spares, to \$725 million. The United States Government had agreed to target figures for direct purchases of military stores and equipment from the United Kingdom and for co-operative arms sales to third countries, including the recent sale to Saudi Arabia (worth \$200 million in foreign exchange to the United Kingdom), which together equalled the total dollar cost of \$725 million. The United States Government had also accepted that the agreement should be subject to annual review and that the two Governments would consult if the target figures were not being met. The United States Government had agreed that their reciprocal purchases from the United Kingdom should include general defence stores as well as military equipment and, more important, they would waive in favour of the United Kingdom the preferences imposed by the "Buy American" Act and the special preference of 50 per cent imposed because of United

States foreign exchange difficulties. United Kingdom industry would thus be able, for the first time, to compete on equal terms with United States industry for United States defence contracts; this offered a real opportunity for longer term sales which would be of considerable importance to our economy. As soon as the option for the F-111A was taken up the United States Government would invite tenders for the construction of naval auxiliaries in the United Kingdom to a value of \$50 million. We could count on obtaining foreign exchange receipts from the United States reciprocal purchases and co-operative sales to third countries in advance of our dollar payments for the F-111A.

If we did not buy the F-111A we should have to purchase some other aircraft and whether this was the Spey/Mirage or a developed Buccaneer the total cost would certainly be higher. There would also be substantial extra expense in 1969-70 and this would conflict with the even spread of expenditure over the period, which was important for the defence programme.

Finally, it had been suggested that the French Government would react badly to a purchase of F-111As. He had however received a letter from the French Minister of Defence which referred to certain "preoccupations" about the United Kingdom purchase of F-111As but went on to suggest Anglo-French discussions in March or April about co-operative aircraft projects. We should be giving the French Government a full explanation of our decisions before publication of the White Paper and it did not now seem likely that any serious difficulty would arise over continued Anglo-French co-operation.

In discussion the Cabinet first considered the relation of a decision to purchase the F-111A to the maintenance by the United Kingdom of a military role East of Suez. The decision which the Cabinet had taken that morning to maintain such a role necessitated the provision of the appropriate equipment for the Armed Forces and it was generally recognised that, for the reasons which had been developed by the Secretary of State for Defence, the F-111A was essential to that role. It was however suggested that, since we envisaged the ending of confrontation, and a subsequent and consequential withdrawal from Singapore leading to the diminution or disappearance of our role in the Indo-Pacific thereafter, by 1970 and since the F-111A would not come fully into service until that date, it was unnecessary to acquire these aircraft: but the general view was that even after a withdrawal from Singapore it would still be desirable for the United Kingdom to maintain a military presence in the Far East, because of our Commonwealth interests and our concern for world-wide stability and because the maintenance of such a presence might prove to be a necessary counterpart to the continuance of a United States military role in Europe. Moreover, even if events should so develop that it was neither necessary nor possible to maintain such a role, the bringing into service of 36 front-line F-111As would not of itself determine our policy or

necessitate our continuance in this area. Nor was the F-111A necessary solely for our military requirements in the Indo-Pacific. Quite apart from its possible role in Europe, regard must be had to military commitments which might arise elsewhere, whether in relation to a possible conflict between India and China, or in Africa or as part of our contribution to United Nations peace-keeping forces. It was vital to our interests that we should not be wholly dependent on our allies for reconnaissance in such events; and the use of satellites for reconnaissance in the 1970s would not be sufficiently developed to cover the whole range of vital reconnaissance requirements and would in any event be dependent on the provision of facilities by the United States.

The reduction of our commitments which was envisaged as part of the Defence Review was a further step in the process of United Kingdom withdrawal from extensive world-wide commitments after the Second World War. This process would continue further but, if our withdrawal were carried out too rapidly, grave damage might result to world stability and to our interests and there would be a serious risk that we should be in no position to play a role appropriate to our standing and interests. It was pointed out that the maintenance of the military forces necessary for this purpose would pre-empt resources which might otherwise be used for the provision of aid to developing countries and that the Government's plans in this field would therefore inevitably be severely restricted; but it was the general view that this consequence must, if necessary, be accepted.

In further discussion it was pointed out that the Buccaneer II was a highly effective subsonic low-level strike aircraft but that its performance and range, even in a further developed version, would be inadequate as a substitute for the F-111A, particularly in the reconnaissance role. Moreover, it would not be advantageous to the United Kingdom aircraft industry to concentrate on the further development of an aircraft which was now at the end of its potential development, rather than on the next generation of aircraft such as the P-1127 and the Anglo-French VG aircraft. It was to these that United Kingdom industry should look for its work on military aircraft in the 1970s.

The Cabinet then resumed their consideration of the Statement on the Defence Estimates, 1966: Part I and considered Section 3, including a revised version of paragraphs 39-40 circulated by the Secretary of State for Defence, dealing with the equipment of the forces, in the light of their previous discussion of the carriers and the F-111A. A number of drafting amendments were agreed and the following points were made—

(a) It was essential that the offset agreement in respect of United States purchases of United Kingdom military equipment and in respect of co-operative sales to third countries should be fully implemented, since otherwise we should be unable to meet the requirements for dollar expenditure on United States equipment in the 1970s which would result from the decisions which had been taken during the preceding 12 months. While it would not be practicable for the United States Government to give any further

commitments in this regard, we should make it clear to them that, if the offset operations were not successful in providing virtually the whole of the foreign exchange involved in buying the F-111A, we should be forced, from our paramount need to conserve foreign exchange, to make corresponding reductions in our oversea defence expenditure, with all that this involved in terms of our commitments. While it would not be appropriate to declare this view publicly, whether in the Defence White Paper or otherwise, having regard to the damage which it would cause to our relations with other countries and to the maintenance of our commitments and obligations, the United States Government should be left in no doubt about the restrictions which would inevitably be imposed upon us by our balance of payments situation. In considering our future course of action we should however recognise that our commitments depended on our own interests and our relations with other States. We should neither make ourselves dependent on the decisions of the United States Government in carrying out those commitments nor should our statement to them be so framed as to suggest by implication that, provided our requirements in foreign exchange were met, we should necessarily then maintain commitments in the future at the level now envisaged, unless this were consonant with our interests.

(b) The maintenance of the P-1127 was important for United Kingdom industrial reasons and at this stage we should plan on the assumption that it would be developed. The Cabinet must however reserve the right to take a different decision should either technical developments or the escalation of costs make it desirable to do so and for this reason the draft of paragraph 45 of the Statement should be amended by omitting the sentence "This decision is now confirmed" and by amending the previous sentence to read "As announced at the time, we plan to use instead a combination of United States Phantoms and the United Kingdom VTOL P-1127". Since production orders would in the ordinary course shortly have to be placed, the Ministers primarily concerned should meet in the very near future to consider further action.

*The Prime Minister*, summing up the discussion, said that the Cabinet approved the proposals of the Secretary of State for Defence for the Future Forces Structure. They were however concerned at the risk that this decision might endanger the attainment of the target for defence expenditure of £2,000 million at 1964 prices in 1969-70 and their approval was contingent on the maintenance of continuous pressure to achieve that target, including the annual scrutiny of commitments and expenditure on which they had agreed at their previous meeting earlier that day.

The Cabinet—

- (2) Approved the proposal to make an agreement with the United States Government for the purchase of 50 F-111As on the terms proposed by the Secretary of State for Defence, provided that it was made clear to the United States Government that if the offset operations

were not successful in meeting virtually the whole of the cost in foreign exchange, the United Kingdom Government would be forced through their paramount need to conserve foreign exchange to make corresponding reductions in oversea defence expenditure, with all that this involved in terms of oversea commitments.

- (3) Approved the remaining proposals of the Secretary of State for Defence in respect of the Future Forces Structure.
- (4) Approved the Statement on the Defence Estimates, 1966: Part I, subject to the amendments agreed in discussion.
- (5) Invited the Secretary of State for Defence to circulate revised copies of the draft Statement to the Prime Minister, First Secretary of State, Chancellor of the Exchequer, Foreign Secretary, Commonwealth Secretary, Colonial Secretary and Minister of Aviation.
- (6) Invited the Foreign Secretary and the Commonwealth Secretary, in consultation with the Secretary of State for Defence, to arrange, respectively, for the foreign and Commonwealth Governments concerned to be informed, as appropriate, of the decisions which affected them, in advance of the publication of the Defence White Paper.
- (7) Took note that the Prime Minister would arrange to discuss further with the Ministers primarily concerned the continuing programme for the P-1127.

*Cabinet Office, S.W.1,*

*15th February, 1966.*

