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10 DOWNING STREET

From the Principal Private Secretary

7 January 1981

Dear David,

PRIME MINISTER'S VISIT TO THE SAS

Thank you for your letter of 22 December 1980 which I have shown to the Prime Minister.

She has noted what you say about the existing policy on charging both for training given to foreign students in this country and for British Service personnel who are loaned to overseas governments. She agrees with your Department's view that we should be ready to modify our policy on charges for training in the United Kingdom in particular cases where we are trying to promote an important sale. Equally, she sees no reason why we should not be prepared to be flexible over the costs of loaned Service personnel. You say in your letter that you raise full costs for loaned personnel since, unlike training of foreign students in the United Kingdom, this training requires dedicated resources and is not carried on in the margins of an activity which you are undertaking for your own benefit. The Prime Minister sees the force of this argument if the matter is looked at purely in terms of the resources we allocate to the training of British forces: clearly these resources are such that the amount of foreign training that can be accommodated at their margin must be strictly limited. But another activity we undertake for our own benefit is the sale of defence equipment, and it can be argued that within the margin of our sales effort we should be ready to modify our charges for Service personnel on loan to countries where we believe there are particularly good prospects for increasing defence sales. The Prime Minister has already asked Mr. Nott to see what needs to be done to improve our sales of defence equipment overseas and she will be grateful if in his study of the general problem he could consider the desirability of making our policy on charging for loaned personnel more flexible. If we go ahead with the meeting which has been provisionally arranged for 21 January to discuss Sir Robert Armstrong's minute of 4 December 1980 on the MISC 42 report, Mr. Nott may care to report on that occasion any preliminary conclusions he has reached by then.

/The Prime Minister

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The Prime Minister was very glad to learn that British Airways have now agreed to make wide-bodied aircraft available for the SAS to practise "aircraft entry". She would like to know when the SAS have settled, to their satisfaction, the detailed arrangements with British Airways.

The Prime Minister has also noted what is being done to provide the SAS with helicopter pilots.

I am sending copies of this letter to George Walden (FCO), John Wiggins (Treasury), Stuart Hampson (D/Trade) and David Wright (Cabinet Office).

Yours sincerely,

Alvi Whitman.

D.B. Omand, Esq.,
Ministry of Defence.

RRB

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