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TEMPORARY COUNCIL COMMITTEE  
SCREENING AND COSTING STAFF

"REFINEMENT" OF THE S. C. S. "CRASH" COSTINGS

Report to Directorate S. C. S. by the Costing Team

The Costings Team has practically completed its "crash" costings of the defence forces of the NATO nations. It is accordingly now necessary to examine the problems involved in refining these first estimates. This paper sets out some of the relevant considerations with a view to seeking the Directorate's approval of the lines along which the Costings Team propose to work.

2. The refining of the costings will involve two more or less distinct operations:-

(a) More detailed evaluation of the various costing criteria and improvements in the accuracy of basic factors.

(b) Evaluation of the changes in costs which would result from alterations in national practice or military policy recommended by the S.C.S. or the T.C.C.

3. With regard to 2(a) above, improvements in basic factors will be sought from national representatives, and from a study of national replies to TCC/D(51) 5 and 6. For the German costing in particular, useful information should be obtained by the S.C.S. mission which is about to visit Germany. Clear information on military and other construction will, in particular, be sought in respect of all NATO nations. Though the required expenditure under this head is only a small proportion of the total cost of the MTDP, the sum involved is large in itself and the estimates in the "crash costs" are particularly uncertain, for the reasons set out in SCS/22 (Draft). The Budget Team is working on military construction problems. The Costing Team will continue to collaborate closely with them and with national representatives in its "refinements".

4. With regard to paragraph 2(b) above, the Costings Team will estimate changes in costs which would result from alterations in policy which are:-

(a) recommended by the Executive Bureau in the light of their discussions with individual nations;

(b) recommended by any of the S.C.S. Teams and accepted by the Directorate for inclusion in their final report.

In view of the limited time remaining, however, it will be necessary for the Costings Team to be informed as early as possible by the other S.C.S. teams on the recommendations which they are submitting for the Directorate's approval. It is also necessary that the Costing and the other teams should consult

together to ensure that such recommendations are presented in the most suitable manner for costing purposes.

5. As a result of the team's experience to date, it is recommended that the final costings should reflect the following proposals:-

- (a) So far, all S.C.S. costing work (except on West German forces) has provided estimates of total expenditure over the four-year period of the MTDP and not figures analysed according to separate years. Since the beginning of their work, the Costing Team have considered the problem of making a valid distribution of the four-year cost by years. Information available from replies to TCC/D(51) 6 and other questionnaires unfortunately does not yield the data which was expected to provide a basis for this purpose. Any purely statistical analysis of this problem which the Costing Team could make on available information would be of incidental validity. The Costing Team accordingly recommend that their reports should continue to show figures for the complete four-year period of the MTDP, without sub-divisions by years.
- (b) In its terms of reference, the Costings Team was instructed "as an ideal" to attempt to divide the cost of defence of the NATO area into two components:-
  - (i) the cost of forces allocated to the MTDP;
  - (ii) the cost of other forces (Home Defence, National Guard, etc.) for the defence of the NATO area.

So far as armies are concerned, it has been possible to make a little progress in this direction, generally in consultation with national representatives, but only in a statistical sense which is in this case particularly artificial. To do better, much more detailed information would be required from nations than is available to, or could be obtained in time by, the S.C.S. Similar remarks apply, even more forcibly, to air forces and navies, where it has not even been feasible to progress on statistical lines. The Costings Team accordingly recommend that, for the purpose of its final report, the attempt should not be made to divide the costs of defence of the N.A.T.O. area into the two categories in question. The Team propose to consider this matter in its final report on long-term improvements in costing technique.

- (c) In accordance with the Directors' instructions, the Costings Team has consulted with the Force Analysis Team on the definition and costing of strategic reserves. A joint paper by these teams is being submitted. So far as the costing of strategic reserves is concerned, the position is that any progress towards uniformity in the costings of national forces, or towards the separate quotation of the cost of strategic reserves would depend on

obtaining definitive and detailed information  
from the Force Analysis Team and from nations.

6. Recommendations.

It is recommended that the Directors should endorse generally the view in this paper and should approve in particular the proposals in paragraph 5(a) and (b) above.

SCS COSTINGS TEAM  
12th November, 1951.