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Treasury Chambers, Parliament Street, SW1P 3AG

R C Mottram Esq
Private Secretary to
Secretary of State for Defence
Ministry of Defence
Main Building
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18 March 1985

Dear Richard

STATEMENT ON THE DEFENCE ESTIMATES 1985

Your Secretary of State's memorandum on the Statement on the Defence Estimates 1985 (OD(85)5) asked for proposed amendments to be circulated in advance of Wednesday's OD meeting. Generally the Chief Secretary found the Statement an informative and well-presented document. The essays are particularly good.

There are two points in the section on the defence budget, paragraph 503, where the Chief Secretary wishes to propose amendments.

First, the opening sentence refers to the possibility of a "defence review". The Chief Secretary wonders whether there is some risk that to mention this in the SDE might stimulate further discussion, rather than reducing it. He thinks it might be better to deal in a press conference or elsewhere with such speculation.

Second, the Chief Secretary is concerned that the wording of the second sentence of paragraph 503 carries an implication that the 1985-86 level of defence spending will be maintained in future years, when in fact some real terms decline is projected for the years after 1985-86 with and without Falklands expenditure.

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Both of these points could be met in a way which might help to strengthen the message of the paragraph if the first two sentences were amended along the following lines:-

*With the ending in 1985-86 of the commitment to plan for real growth in the region of 3 per cent there have been suggestions that it will not be possible to sustain the improvements in our defence capabilities. This takes no account of the continuing impact of the substantial real increase in defence spending between 1978-79 and 1985-86; nor of the significant improvements in efficiency which have and will continue to ensure more output is bought for a given cash input.

I am copying this letter to the Private Secretaries of members of OD and to Richard Hatfield.

Yours sincerely
Richard Broadbent

R J BROADBENT
Private Secretary

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