



MO 8/2/12

CHANCELLOR OF THE EXCHEQUERDEFENCE EXPENDITURE 1980/81

The first quarter of the financial year is now complete. The price rises that we have experienced so far, and those in prospect for the rest of the year, make clear we shall fall very far - and very obviously - short of the Government's objective of an increase in real defence expenditure in the region of 3% in line with the agreed NATO target unless there is an increase in the cash limit. Oil alone is already up by at least £130M.

2. This increase will need to go beyond the sum necessary to ensure that, as the Prime Minister said in the House of Commons on 29th April, the Services pay settlement is not at the expense of other parts of the defence programme.
3. It will clearly be necessary to look carefully into the figurework. I suggest that our officials should examine the problem together and make recommendations.
4. I am sending a copy of this minute to the Prime Minister and Sir Robert Armstrong.

Handwritten initials: H.P.

Ministry of Defence

18th June 1980

6 9 7 8 9
5 4 3 2 1
MAY 11 1960

18 JUN 1960