

CONFIDENTIALPRIME MINISTERPUBLIC EXPENDITURE SURVEY: DEFENCE

You are seeing George Younger tomorrow to discuss tanks. The overall defence budget position is not on the agenda but, as background, you will wish to see the agreed note that George Younger and John Major have just sent in recording their Survey agreement (Flag A).

The key figures are:

- additions totalling £1.5b. over the Survey period
- real growth of 2.2 per cent in GDP deflator terms over the period
- defence expenditure in 1991-1992 still at 4 per cent of GDP.

George Younger will now be looking afresh at the content of the forward programme striving "to keep financial and political risks to the minimum".

You will also wish to see the commentary Andrew Dunlop (now in the Policy Unit but latterly in MOD) has put together on the package - see Flag B. Andrew concludes that the settlement is fair and reasonable; and that it requires the MOD only to take 54 per cent of the available efficiency and other savings in order to bridge the gap between their original bid and the final settlement.

As you know the Treasury are now pressing ahead to bring the outcome of the Survey to Cabinet next Tuesday, with the Chancellor's Oral Statement following the same afternoon. Content to accept the agreed Defence settlement?

PRG

Paul Gray

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Yes not