

B 13A



Copy No. 1 of 2

FROM: CHIEF SECRETARY
DATE: 19 October 1990

PRIME MINISTER

DEFENCE EXPENDITURE

I have been unable to reach agreement with Tom King on spending for Defence in the next three years.

2. I am very conscious of the sensitivity of Defence and therefore I thought it best to let you see - on a private basis - the draft of a short paper that I might send to you.

3. You will see that the gap between Tom and me is not large. However, I have reduced massively my original demands for savings. I do not find it easy to justify going further.

4. I do not feel that it would be appropriate to take this programme to Star Chamber, but I am confident that had I done so Star Chamber would have found my arguments convincing and would probably - following your note - have settled the programme below what I was prepared to offer Tom bilaterally.

5. I would be very grateful if you could let me know, perhaps through your Private Secretary, how you would like me to proceed.

A handwritten signature in blue ink, appearing to be "N. Lamont".

NORMAN LAMONT