

# CHAPTER 1 – FINANCE

## INTRODUCTION

This Chapter provides details on the composition and scope of the Department's expenditure. It also provides information on the impact of defence spending on the wider economy and international comparisons.

UKDS 2009 can be found at the DASA MOD website address:

<http://www.dasa.mod.uk/modintranet/UKDS/UKDS2009/ukds.html>

In addition this chapter can be found in html format at:

<http://www.dasa.mod.uk/modintranet/UKDS/UKDS2009/chapter1.html>

A pdf version of Chapter 1 is also available from:

<http://www.dasa.mod.uk/modintranet/UKDS/UKDS2009/pdf/CHAPTER1.pdf>

Related sources on the strategy and performance of the Department include:

- [The Defence Plan 2009-2013](#) (August 2009)
- [The Ministry of Defence's Annual Report & Accounts 2008-09](#) (HC467-I and II, July 2009)
- [HMT Public Expenditure Statistical Analyses 2009](#) (Cm7630, June 2009)

Some of these documents and other background information can be found at the MOD website:

<http://www.mod.uk>

Where possible, every attempt has been made to maintain the consistency of this publication with those above. Where differences do occur, this reflects differences in coverage and/or the availability of more up to date information.

This year has seen the inclusion of some new charts and graphs, as well as a number of other changes to existing tables, including:

- removal of historic Defence Expenditure Outturn in the UK by Industry Group (Table 1.9 in UKDS 2008)
- reformatting of **Table 1.18** relating to the cost of operations
- the cessation of Defence Export Delivery Statistics (formerly UKDS 2008 **Tables 1.13** and 'top half' of **Table 1.14**). The last estimates (for 2007) were published in UKDS 2008. For further details refer to the "Trade" section of Chapter 1.
- the final publication this year of the Regional and National Defence Dependent Employment Estimates (**Tables 1.10, 1.11, 1.11a & 1.11b**). These estimates will no longer be published in UKDS after this year. For further details refer to the "Industry & Employment" section of Chapter 1.
- the presentation of the defence expenditure of NATO member states at constant US\$ Billions (**Table 1.19**) for the first time.

There are five main sections within this Chapter covering:

- **Departmental Resources** – Defence Expenditure Outturn, Public Expenditure by Departmental Grouping, Principal Headings of Defence Expenditure Outturn, Estimated MOD Equipment Expenditure, MOD Resources by Budgetary Areas, MOD Resources by Departmental Aims & Objectives, MOD Fixed Assets and MOD Research & Development Expenditure Outturn.

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- **Industry & Employment** – Estimated Defence Expenditure Outturn in the UK, Estimated UK Employment Dependent on Defence Expenditure and Exports, Estimated UK Regional Direct Employment Dependent on MOD Expenditure and MOD payments on Private Finance Initiatives (PFI) Projects.
- **Trade** – Estimates of Identified Defence Export Orders and Estimated Balance of Payments for Trade in Services.
- **Contracts** – by type, major equipment projects and main suppliers (including by holding company).
- **International Defence** – MOD Operation and Peacekeeping Costs, NATO Countries Defence Expenditure and their expenditure as a percentage of GDP and the Top World-wide Military Spenders in 2008.

## Main Findings

The main findings from Chapter 1 are:

### Departmental Resources

- In 2008/09, Defence Spending (Resource DEL plus Capital DEL minus Depreciation) totalled £38.6 billion.
- In 2008/09, the outturn against the Departmental Expenditure Limits was £45.5 billion. The Resource DEL accounted for £36.7 billion of the 2008/09 expenditure, whilst the Capital DEL accounted for £8.8 billion.
- In 2008/09 Defence is estimated to be the fourth highest area of Government expenditure (Resource DEL plus Capital DEL plus AME) behind Work and Pensions, Health, and Children, Schools and Families.
- In 2008/09, the main areas of Resource expenditure were personnel (£11.7 billion) and depreciation/impairments (£6.9 billion).
- In 2008/09, the main area of Capital expenditure was Assets under Construction (£6.5 billion), which largely consist of major weapons platforms under construction.
- Estimated MOD Equipment Expenditure has increased by just over £1 billion for 2008/09, largely due to an increase in capital expenditure related to Single Use Military Equipment (SUME).
- The total net value of MOD Fixed Assets was £110.5 billion as at 31 March 2009.
- The largest category of assets was Single Use Military Equipment (£35.4 billion) as at 31 March 2009.
- In 2007/08, MOD net expenditure on R&D activity totalled £2.1 billion, comprising £0.6 billion on Research and £1.5 billion on Development.

### Industry & Employment

- In 2007/08, the MOD spent some £16.5 billion with UK Industry. The 'manufacturing' industries (section D) attracted nearly 50% of MOD expenditure with UK Industry. The single industry group attracting most MOD expenditure was Aircraft and Spacecraft (around 13% of the total).

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- Estimated employment in UK industry and commerce dependent on MOD expenditure and defence exports has fallen slightly from last year to around 300,000.

### Trade

- Estimated UK identified export orders of defence equipment and services were estimated to be nearly £4.4 billion in 2008. Following the significant increase in export orders in 2007, the value of orders have broadly returned to average historical levels.

### Contracts

- In 2008/09 MOD HQ placed just over 24,000 contracts with a collective value of around £32.7 billion. This represents an annual increase of nearly 130% (£18.3 billion) when compared to the year before. This increase was largely due to a number of high value contracts which were let during the year, the most notable of which related (a) to the manufacture of the Future Aircraft Carrier (CVF) which was valued at some £3.1 billion and (b) the Future Strategic Tanker Aircraft with a contract valued at some £10.4 billion.
- The largest post Main-Gate equipment project by value is the Type 45 Destroyer (£6.5 billion). This is followed by the Astute Class Submarine (£3.8 billion) and the Nimrod Maritime Reconnaissance and Attack Mk4 (£3.6 billion).

### International Defence

- In 2008/09, the MOD spent just over £4.0 billion on conflict prevention worldwide.
- The net additional cost incurred by the MOD as a result of operations in Iraq and Afghanistan was around £1.4 billion and £2.6 billion respectively.

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## RESOURCE ACCOUNTING AND BUDGETING

### Transition of Cash to Resource Accounting & Budgeting (RAB)

Up until financial year 1998/99, Government expenditure was accounted for on a cash basis. In April 1999 the introduction of Resource Accounting and Budgeting (RAB) brought in an accruals-based accounting system, although Government departments were still controlled on a cash basis. This transitional accounting regime remained for two financial years. Government expenditure has been accounted for on a resource basis only since 2001/02.

The main difference arising from the adoption of RAB is that costs are accounted for as they are incurred (the principle of accruals), rather than when payment is made (the principle of cash). This gives rise to timing differences in accounting between the cash and RAB systems and also to the recognition of depreciation, which expends the cost of an asset over its useful economic life, and the cost of capital charge, equivalent to an interest charge on the net assets held on the Balance Sheet. At the time that RAB was introduced the cost of capital charge was 6% of the net value of assets; although this was reduced to 3.5% in 2003/04.

### Control regime

Under Resource Accounting, Government Departments are accountable for their spending against Resource and Capital Departmental Expenditure Limits (DELs). Spending against the Resource DEL includes current items, which are explained in the following two paragraphs. The Capital DEL, whilst part of the overall DEL, reflects investment spending that will appear on the Department's balance sheet and be consumed over a number of years, net of the receipts from sale of assets. Departments are also responsible for Annually Managed Expenditure (AME). This spending is demand led (for example, payment of War Pensions) and therefore cannot be controlled by Departments in the same way.

**In Stage 1** of RAB, which was introduced at the start of financial year 2001/02, the Resource DEL covered current costs such as in year personnel costs, equipment, maintenance of land and buildings. Non cash costs such as depreciation and the cost of capital charge fell within Annually Managed Expenditure (AME) and were not controlled to the same degree as DELs. This allowed departments an interim period to gain experience of managing the new non-cash costs and to review their holdings of stocks and fixed assets, which impact the non-cash costs, prior to the charge impacting on the more tightly controlled DELs.

**Stage 2** of RAB was introduced at the start of the financial year 2003/04. This involved the movement of the primary non-cash costs (depreciation and the cost of capital charge) from AME into the Resource DEL, and reduced the cost of capital charge to 3.5% of the net value of assets.

The change in definition of the DELs combined with volatile non-cash costs over the Stage 1 period make time series comparisons over the period 2001/02 - 2003/04 complex.

From 2006/07, the MOD has transferred ownership of fixed assets into two TLBs: Defence Estates (DE) for Land and Buildings; and Defence Equipment & Support (DE&S) for Plant and Machinery, Transport, IT and Communications equipment, and Single Use Military Equipment (SUME).

### Factors affecting Cash to RAB data consistency

- There are timing differences as to when payments are recognised.
- The movement of Non-Cash items of expenditure from AME into the Resource DEL from 2003/04 onwards has the 'apparent' effect of inflating the Resource DEL.
- In financial year 2003/04 the rate of interest used to calculate the cost of capital charge was reduced from 6% to 3.5%.
- The discount rate for provisions was changed from 3.5% real to 2.2% real with effect from 1 April 2005.

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- The discount rate for pensions liabilities was changed from 2.8% real to 1.8% real with effect from 1 April 2007.

Further information on the introduction of RAB can be found in Chapter 1 of *UK Defence Statistics 2002* in the “Resource Accounting & Budgeting” section. Alternatively, more information can be found on the HM Treasury website at: [http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/about/resourceaccounts/resourceaccounts\\_index.cfm](http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/about/resourceaccounts/resourceaccounts_index.cfm).

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## DEPARTMENTAL RESOURCES

This section examines changes in defence expenditure over time (**Table 1.1**). **Table 1.2** examines expenditure on defence within the wider public expenditure framework. **Table 1.3** gives a breakdown of defence expenditure outturn by main area. **Table 1.4** presents estimates of MOD equipment expenditure broken out by the main categories of expenditure. **Table 1.5** presents the MOD resources broken down by budgetary area. **Table 1.6** is included to show the resources consumed against departmental objectives. Following the introduction of RAB, **Tables 1.1, 1.3** and **1.5** display the Resource, Capital and AME components separately. **Table 1.7** details actual net book values for MOD Fixed Assets broken down by budgetary area. **Table 1.8** details the MOD's annual expenditure on R&D. This is broken down into intramural (within the department) and extramural (outside of the department) expenditure.

### Main Findings

#### Defence Spending (Table 1.1)

- In 2008/09, Defence Spending (Resource DEL plus Capital DEL minus Depreciation) totalled £38.6 billion.
- In 2008/09, the outturn against the Departmental Expenditure Limits (DEL) was £45.5 billion. The Resource DEL accounted for £36.7 billion of the 2008/09 expenditure, whilst the Capital DEL accounted for £8.8 billion.

#### Comparison with other Government Departments (Table 1.2)

- In 2008/09 Defence is estimated to be the fourth highest area of Government expenditure (Resource DEL plus Capital DEL plus AME) behind Work and Pensions, Health and Children, Schools and Families.
- In 2008/09 Health, Defence and Children, Schools and Families represent around 53% of Departmental Expenditure Limits (55% of Resource DEL and 39% of Capital DEL).
- There is a large increase in both resource and capital AME in 2008/09 due to the support given to financial institutions. The Capital AME increase largely comprises support to depositors, purchase of equity in Royal Bank of Scotland (RBS)/Lloyds Banking Group (LBG) and the loans (net of repayments) provided to Northern Rock and Bradford & Bingley. The resource AME increase comprises a mark-to-market impairment on the value of the investments in RBS/LBG and a provision for potential future losses across all financial sector interventions.

#### Principal Headings of Defence Expenditure Outturn (Resources) (Table 1.3)

- In 2008/09, the main areas of Resource expenditure were personnel (£11.7 billion) and depreciation/impairments (£6.9 billion).
- In 2008/09, the main area of Capital expenditure was Assets under Construction (£6.5 billion), which largely consist of major weapons platforms under construction.
- Between 2007/08 and 2008/09 expenditure on service personnel has increased by 3.4% while civilian personnel expenditure has decreased by 1.5%.

#### Estimated MOD Equipment Expenditure (Table 1.4)

- Estimated MOD Equipment Expenditure has increased by just over £1 billion for 2008/09, largely due to an increase in capital expenditure related to Single Use Military Equipment (SUME).

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### MOD Resources by Budgetary Area (Table 1.5)

- The largest outturn against the DEL by TLB in 2008/09 was for the Defence Equipment & Support (£21.7 billion).
- Of the operational TLBs, Commander-in-Chief Land Forces had the highest outturn against the DEL in 2008/09 (£6.9 billion).

### Fixed Assets (Table 1.7)

- The total net value of MOD Fixed Assets was £110.5 billion as at 31 March 2009.
- The largest category of assets was Single Use Military Equipment (£35.4 billion) as at 31 March 2009.
- The value of land & buildings owned by the MOD totalled £19.6 billion as at 31 March 2009.
- Defence Estates hold over 99% of the MOD's land and buildings as at 31 March 2009.
- Defence Equipment & Support holds nearly 97% of the Department's remaining fixed assets as at 31 March 2009.
- The large holdings of Defence Estates and the Defence Equipment & Support of fixed assets reflect the policy since April 2006 to transfer tangible and intangible assets from Top Level Budgets to Single Balance Sheet Owners.

### Research & Development (Table 1.8)

- In 2007/08, MOD net expenditure on R&D activity totalled £2.1 billion, comprising £0.6 billion on Research and £1.5 billion on Development.
- Of this (net) £2.1 billion, over 90% was spent on R&D work undertaken outside of the department (extramurally).

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### **Special Note to Table 1.6 - MOD Resources by Departmental Aims & Objectives**

A change in costs affecting most objectives follows the introduction of Financial Reporting Standards for Financial Instruments which resulted in a reduction in operating costs of £1.2 billion which has been apportioned across objectives.

The variance between the costs of Objective 1 between 2007/08 and 2008/09 is mainly in “Operations and other (military) tasks” and is due to the increased operational tempo in Afghanistan and, to a lesser extent, Iraq, partially offset by a reduction in costs due to Normalisation in Northern Ireland.

The variance between the costs of Objective 2 between 2007/08 and 2008/09 is due to a number of factors. The reduction in the costs attributed to “Submarines” is due to a review of nuclear provisions, stock write offs and Capital Spares adjustments. The increase in “Frigates and Destroyers” is due mainly to Capital Spares write offs. The reduction in “Army Field Units” is due mainly to realignment of costs for “Non Equipment Investment Programme” (NEIP), an increase in the level of costs being shown in Objective 1 and Capital Spares adjustments. The increase in costs for “Army Other Units” is mainly due to a large receipt in the prior year offset by fixed asset write offs. The movements in the Air objectives are mainly due to adjustment in Capital Spares. The increase in costs for maintenance of war stocks is mainly due to Capital Spares write off.

The introduction of a new sub objective, NEIP, in Objective 3 has moved costs originally attributed to Objective 2. The figures were restated for 2007/08 and costs increased by around £0.3 billion in 2008/09.

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### Table 1.1 Defence Expenditure Outturn<sup>1</sup>

This table shows the changes in Defence expenditure over time, including the period of transition to Stage 1 and 2 of Resource Accounting & Budgeting (RAB). Under Stage 1 RAB, introduced in 2001/02, non-cash costs such as depreciation and cost of capital charge were held under AME, and did not form part of the Resource Departmental Expenditure Limit (DEL). This changed under Stage 2 RAB when non-cash costs moved to the Resource DEL. In order to give a single measure of spending on public services under full resource budgeting, the Defence Spending line is presented as the sum of the resource and capital budgets, net of depreciation and impairments. This reflects the resources required plus the net investment in them, but avoids double counting the writing down of the existing capital stock and the cash outlay on new assets. Control is exercised separately on gross Capital and Resource DEL which replaced Control Totals in 1999/00.

The Net Cash Requirement (NCR) is the actual money that MOD requests from the Government in order to fund its activities. The NCR takes account of movements in working capital levels (debtors, creditors, stock) whilst excluding all non-cash costs.

The data are derived directly from the *MOD Annual Report & Accounts*.

This table includes expenditure on Conflict Prevention (Request for Resources 2 (RfR2)).

	Cash				RAB Stage 1		RAB Stage 2					
	1997/98	1998/99	1999/00	2000/01	Outturn 2001/02	Outturn 2002/03	Outturn 2003/04	Outturn 2004/05	Outturn 2005/06	Outturn 2006/07	Outturn 2007/08	Outturn 2008/09
	Inclusive of non-recoverable VAT at Current Prices (£ million)											
<b>Defence Spending<sup>2</sup></b>	*	*	*	*	*	*	<b>30 861</b>	<b>32 515</b>	<b>33 164</b>	<b>34 045</b>	<b>37 387<sup>f</sup></b>	<b>38 579</b>
<b>Departmental Expenditure Limits</b>	*	*	22 572	23 552	24 456	26 148	37 174	38 323	39 751	40 654	43 634 <sup>f</sup>	45 473
<b>Resource DEL<sup>3</sup></b>	*	*	*	..	18 905	19 944	31 266	31 798	32 911	33 457	35 689 <sup>f</sup>	36 715
<i>of which:</i>												
Depreciation/Impairments	*	*	*	*	*	*	6 313	5 808	6 587	6 609	6 247	6 894
Cost of Capital Charge	*	*	*	*	*	*	2 770	3 026	3 106	3 242	3 371	3 626
<b>Capital DEL<sup>4</sup></b>	*	*	*	..	5 551	6 204	5 908	6 525	6 840	7 197	7 945	8 758
<b>Annually Managed Expenditure<sup>5</sup></b>	*	*	*	..	14 962	19 293	1 011	908	890	582	510	214
Cash	20 945	22 482	22 572	23 552	*	*	*	*	*	*	*	*
Net Cash Requirement <sup>6</sup>	*	*	*	..	24 874	26 991	29 338	29 524	30 603	31 454	33 486 <sup>f</sup>	36 431
<b>Defence Spending<sup>2</sup> at Constant 2008/09 Prices<sup>7</sup></b>	*	*	*	*	*	*	<b>34 938</b>	<b>35 815</b>	<b>35 861</b>	<b>35 756</b>	<b>38 205</b>	<b>38 579</b>

Source: MOD Directorate of Defence Resources

- The table includes both programme and operational expenditure on conflict prevention.
- Also referred to as Total DEL, Defence Spending in 2003/04 to 2008/09 is the sum of the Resource DEL, less depreciation and impairments, and Capital DEL. This is consistent with HM Treasury guidance.
- Resource DEL includes operating cost items such as pay, equipment support costs, fuel and administrative expenditure. From 2003/04 it also includes non-cash items such as depreciation and the cost of capital charge on the Department's net assets plus stock and fixed asset write offs.
- Capital DEL includes expenditure on the purchase of fixed assets (ships, tanks, planes, buildings etc).
- From 2003/04 Annually Managed Expenditure includes only demand led items such as war pensions.
- Restated for the effect of a machinery of Government change (See Notes 35, page 263 of the MOD Annual Report & Accounts)
- Conversion to constant 2008/09 prices uses the latest available forecast GDP deflator series produced by HM Treasury dated 30 June 2009.

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### Table 1.2 Public Expenditure by Departmental Grouping

This table (taken from Table 1.5 and Table 1.10 of *Public Expenditure Statistical Analyses (PESA 2009) Cm 7630* produced by HMT) examines the expenditure on defence within the wider public expenditure framework. It presents Departmental Expenditure Limits, resource and capital, and Annually Managed Expenditure (AME) by departmental groupings.

It is not possible to show figures for all individual departments separately and so departments are grouped broadly on the basis of ministerial responsibilities. A detailed list of departmental groupings can be found in *PESA 2009* Annex B.

Annually Managed Expenditure (AME) relates to expenditure outside the Departmental Expenditure Limits (DEL) but included in Departmental Budgets. This is typically demand led items such as social security benefits, certain pension allowances and tax credits for individuals.

DELs are firm plans for three years for a specific part of a department's expenditure. In general DEL will cover all running costs and all programme expenditure. DEL includes relevant non-cash items such as depreciation, cost of capital charges and provisions.

	Outturn 2003/04	Outturn 2004/05	Outturn 2005/06	Outturn 2006/07	Outturn 2007/08	Current Prices (£ billion) Estimated Outturn 2008/09
<b>Total Government Resource DEL<sup>1</sup></b>	<b>245.1</b>	<b>258.5<sup>f</sup></b>	<b>277.7<sup>f</sup></b>	<b>291.3<sup>f</sup></b>	<b>310.0</b>	<b>324.2</b>
<i>Of which:</i>						
Children, Schools and Families	11.9	12.6	14.3	42.1	44.9	46.8
Health	63.6	69.1	76.4	80.4	88.4	92.5
<i>Of which: NHS England</i>	61.9	66.9	74.2	78.5	86.4	90.9
CLG Local Government <sup>2</sup>	40.9	43.3	46.2	22.5	22.8	24.6
Home Office	7.9	8.0	8.3	8.3	8.6	8.9
Defence <sup>3</sup>	31.4	31.3	33.5	33.5	35.7	37.9
Work and Pensions	7.8	8.0	8.0	7.9	8.1	8.1
<b>Total Government Capital DEL<sup>1</sup></b>	<b>30.5</b>	<b>32.8</b>	<b>35.2</b>	<b>38.8<sup>f</sup></b>	<b>44.1</b>	<b>48.3</b>
<i>Of which:</i>						
Children, Schools and Families	3.5	4.1	4.4	4.1	5.2	5.6
Health	2.7	2.7	2.2	3.2	3.8	4.6
<i>Of which: NHS England</i>	2.6	2.6	2.2	3.1	3.6	4.4
CLG Local Government <sup>2</sup>	0.2	0.3	0.3	0.2	-	0.1
Home Office	0.7	0.6	0.6	0.6	0.7	0.9
Defence	6.0	6.7	6.4	7.1	7.9	8.6
Work and Pensions	0.3 <sup>f</sup>	0.3	0.4	0.2	0.1	0.1
<b>Total Government AME<sup>1,4,5</sup></b>	<b>164.8</b>	<b>173.0</b>	<b>193.2<sup>f</sup></b>	<b>205.7<sup>f</sup></b>	<b>220.2</b>	<b>373.8</b>
<i>Of which:</i>						
Children, Schools and Families	6.6	6.3	8.0	8.6	10.7	10.9
Health	6.3	6.7	10.1	10.5	10.8	13.9
<i>Of which: NHS England</i>	0.1	0.3	0.8	0.3	0.6	0.6
CLG Local Government <sup>2</sup>	0.4	0.5	0.5	1.0	0.8	0.7
Home Office	-	-	-	0.3	0.4	0.4
Defence <sup>7</sup>	1.0	0.9	0.9	0.6	0.5	0.2
Work and Pensions	103.8	110.7	115.2	119.3	127.4	135.7
<b>Total Government DEL (RDEL + CDEL)<sup>1,6</sup></b>	<b>275.6</b>	<b>291.3<sup>f</sup></b>	<b>312.9<sup>f</sup></b>	<b>330.1<sup>f</sup></b>	<b>354.1</b>	<b>372.5</b>
<b>Total Government AME<sup>1,4,5</sup></b>	<b>164.8</b>	<b>173.0</b>	<b>193.2<sup>f</sup></b>	<b>205.7<sup>f</sup></b>	<b>220.2</b>	<b>373.8</b>
<b>Total Government Spend (RDEL + CDEL + AME)<sup>1,7</sup></b>	<b>440.4</b>	<b>464.3<sup>f</sup></b>	<b>506.1<sup>f</sup></b>	<b>535.8<sup>f</sup></b>	<b>574.3</b>	<b>746.3</b>

Source: HMT Public Expenditure Statistical Analyses 2009 (Table 1.5 & Table 1.10)

1. Changes in all years are as a result of machinery of government changes.

2. CLG Local Government was introduced in 2006/07 but it is comparable with the "Local Government" category referred to in previous editions of UKDS. This category is due to the creation of the "Department for Communities and Local Government" established on 5 Apr 2006.

3. For 2003/04 the Defence figure includes the supplementary estimate for asset revaluation.

4. For more information relating to the increase in Government AME in 2008/09 please refer to the Main Findings in the Departmental Resources section.

5. Total figures include Defence figures for AME as shown in PESA 2009 and not as shown in this table.

6. These figures are different from PESA 2009, which presents Total DEL as RDEL + CDEL less depreciation.

7. The figures for Defence AME from 2003/04 onwards have been adjusted to align with the data contained in **Tables 1.1, 1.3 and 1.5** which excludes contributions to the Armed Forces Pensions Scheme.

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**Table 1.3 Principal Headings of Defence Expenditure Outturn (Resource basis)**

This table provides a breakdown of defence outturn in terms of resources consumed. This is distributed between the main personnel, fixed assets and other expenditure groups. These groupings differ from those used under cash accounting and are not directly comparable. **This table includes expenditure on Conflict Prevention (RfR2).** More information on the minor revisions in 2007/08 can be found in Notes 34 and 35 of the *MOD Annual Report & Accounts*.

RAB Stage 2

Inclusive of non-recoverable VAT at Current Prices (£ million)

	Outturn 2003/04	Outturn 2004/05	Outturn 2005/06	Outturn 2006/07	Outturn 2007/08	Outturn 2008/09
<b>Defence Spending</b>	<b>30 861</b>	<b>32 515</b>	<b>33 164</b>	<b>34 045</b>	<b>37 387<sup>f</sup></b>	<b>38 579</b>
<b>Departmental Expenditure Limits</b>	<b>37 174</b>	<b>38 323</b>	<b>39 751</b>	<b>40 654</b>	<b>43 634<sup>f</sup></b>	<b>45 473</b>
<b>Resource DEL</b>	<b>31 266</b>	<b>31 798</b>	<b>32 911</b>	<b>33 457</b>	<b>35 689<sup>f</sup></b>	<b>36 715</b>
<i>of which:</i>						
Expenditure on Personnel	10 435	10 996	11 255	11 204	11 474 <sup>f</sup>	11 723
<i>of which:</i> for Armed Forces	7 974	8 047	8 263	8 423	8 646 <sup>f</sup>	8 937
for Civilians	2 461	2 948	2 992	2 781	2 828 <sup>f</sup>	2 786
Depreciation/Impairments	6 313	5 808	6 587	6 609	6 247	6 894
Cost of Capital	2 770	3 026	3 106	3 242	3 371	3 626
Equipment Support <sup>1</sup>	3 804	3 623	3 542	3 793	4 272	4 292
Stock Consumption <sup>2</sup>	1 060	1 079	1 039	1 140	1 071	1 181
Property Management <sup>3</sup>	1 393	1 509	1 367	1 258	1 523	1 508
Movements <sup>4</sup>	491	711	729	774	858	975
Accommodation & Utilities <sup>5</sup>	643	581	735	786	750	866
Professional Fees <sup>6</sup>	549	565	553	482	471	391
Fuel <sup>7</sup>	161	239	369	416	537	695
Hospitality & Entertainment	8	6	5	4	4	4
PFI Service Charges	*	*	870	1 148	1 276	1 482
IT & Communications	738	678	643	719	655	852
Research and Expensed Development	1 011	996	994	988	952	1 115
Rentals Paid Under Operating Leases	214	229	56	138	152	148
Fixed Assets Written Off/Written On	26	- 86	- 302	730	870	424
Movement in Stock Related Provisions	*	*	*	*	137	- 250
Stock Written Off	528	704	759	95	432	130
Other Costs <sup>8</sup>	1 121	1 134	604	- 69	637 <sup>f</sup>	659
<b>Capital DEL</b>	<b>5 908</b>	<b>6 525</b>	<b>6 840</b>	<b>7 197</b>	<b>7 945</b>	<b>8 758</b>
<i>of which:</i>						
<b>Expenditure on Fixed Asset Categories</b>						
Intangible Assets <sup>9</sup>	1 665	1 580	1 550	1 744	1 756	1 311
Land and Buildings	54	388	31	45	126	163
Single Use Military Equipment <sup>10</sup>	90	435	402	404	657	552
Plant, Machinery & Vehicles	78	124	64	32	36	30
IT & Communications Equipment	183	134	180	206	361	336
Assets Under Construction <sup>11</sup>	3 931	4 335	4 879	5 099	5 450	6 515
Transport <sup>12</sup>	*	73	13	33	55	239
Capital Spares <sup>12</sup>	581	*	*	*	*	*
Capital Loan Repayment	- 28	- 25	- 53	- 8	- 10	- 65
Capital Income <sup>13,14</sup>	- 646	- 519	- 225	- 358	- 486	- 323
<b>AME</b>	<b>1 011</b>	<b>908</b>	<b>890</b>	<b>582</b>	<b>510</b>	<b>214</b>
<i>of which:</i>						
War Pensions	1 116	1 110	1 067	1 038	1 014	1 000
Other <sup>15</sup>	- 105	- 202	- 177	- 456	- 504	- 785

Source: MOD Directorate of Defence Resources

1. Internal and contracted out costs for equipment repair and maintenance.

2. Consumption of armament, medical, dental, veterinary, oil, clothing, and general stores.

3. Estate and facilities management services and costs for buildings' maintenance.

4. Cost of transportation of freight and personnel.

5. Charges include rent, rates, gas, electricity, water and sewerage costs.

6. Fees, such as legal costs, paid to professional organisations.

7. Relates to fuel consumption by military vehicles, ships and aircraft.

8. Other costs can include Grants-in-aid, Exchange rate movements, Provisions, receipts, welfare, medical and legal costs. Movement in Stock Related Provisions, that have previously been shown under 'Other Costs', are now shown separately.

9. Intangible Assets comprise the development costs of major equipment projects and Intellectual Property Rights.

10. Single Use Military Equipment (SUME) are assets which only have a military use, such as tanks and fighter aircrafts. Dual use items i.e. those that also have a civilian use are recorded under the other categories.

11. Assets Under Construction (AUC) largely consist of major weapons platforms under construction in the Defence Equipment & Support, and a smaller element of Buildings under construction. Once construction is complete, those platforms will transfer to the relevant Top Level Budget holder as SUME on their Balance Sheets.

12. From 2004/05 Transport has been recorded as a separate category and Capital Spares has been removed as a category, with the costs previously recorded here being incorporated into Transport or SUME.

13. Redemption of QinetiQ preference shares refers to the proceeds received from the partial redemption of the redeemable preference shares during 2004/05

14. Capital income is receipts for the sale of fixed assets.

15. Under Stage 2 of RAB, this category now contains only demand led payments, such as cash release and cost of capital credit on nuclear provisions and QinetiQ loan repayments.

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## DEPARTMENTAL RESOURCES

**Table 1.4 Estimated MOD Equipment Expenditure<sup>1</sup>**

This table presents estimates of MOD equipment expenditure broken out by the main categories of expenditure. Aggregate MOD Equipment expenditure here has been used to indicate expenditure on acquisition, maintenance, repair and update of items such as plant, machinery and vehicles and fighting equipment plus associated Research & Development, and expenditure on administrative computers. It is therefore a **wider definition** than that used by the MOD Equipment and Equipment Support Plans, and covers both military and non-military equipment (including dual use equipment) used by MOD service and civilian personnel. The data are derived directly from the *MOD Annual Report & Accounts*.

**This table is outside the scope of National Statistics because it is still under review to ensure it meets all of the high professional quality assurance standards set out in the Code of Practice for Official Statistics.**

Inclusive of non-recoverable VAT at Current Prices (£ million)

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Estimated MOD Equipment Expenditure</b>	<b>10 886</b>	<b>10 754</b>	<b>10 974</b>	<b>11 672</b>	<b>12 380</b>	<b>13 386</b>
<i>Of which:</i>						
Capital Expenditure on Equipment <sup>2,3</sup>	4 404	4 555	4 913	5 146	5 401	6 669
Equipment Support <sup>4</sup>	3 804	3 623	3 542	3 793	4 272	4 292
Research & Development <sup>5</sup>	2 677	2 576	2 519	2 732	2 707	2 426

Source: MOD Annual Report & Accounts

1. These estimates are not directly comparable to the old cash equipment procurement time series last published in 2000/01 (UKDS 2002) due to the exclusion of in year stock purchases. It is not possible to identify that element of stock purchases which wholly relates to MOD equipment expenditure.
2. Capital expenditure on Equipment includes those Assets Under Construction (AUC) relating to Single Use Military Equipment (SUME) only plus in year purchases on IT and communications equipment, vehicles, SUME and plant and machinery. AUC SUME largely consist of major weapons platforms under construction in the Defence Equipment & Support (DE&S) Organisation (formerly the Defence Procurement Agency and Defence Logistics Organisation), and excludes that element of buildings under construction and land which would fall outside the wider definition of MOD equipment procurement detailed in the commentary above. Once construction is complete, those platforms will transfer to the relevant Single Balance Sheets Owners (SBSO) as SUME on their Balance Sheets.
3. During 2007/08, the augmentation of the MOD Chart of Accounts has enabled more detailed reporting of the 'AUC-Other' classification by category type by the Defence Equipment & Support Organisation. This has improved the coverage of equipment expenditure reported in the table from 2007/08 by providing a more distinct separation of equipment (particularly dual use) from non-equipment expenditure (e.g. construction, land and buildings, and other administrative costs).
4. Internal and contracted out costs for equipment repair and maintenance.
5. The data are derived from information held on MOD accounting systems relating to expenditure on Additions to Intangible Assets and Research & Expensed Development. Development activity associated with acquiring assets is the most significant part of this expenditure. These figures do not fully align with those in **Table 1.8** which present MOD R&D expenditure on a different basis using OECD Frascati definitions. (See *Defence Statistics Bulletin No. 6 & No. 9*). The estimates in **Table 1.4** will include items which fall outside these definitions but nonetheless broadly relate to the wider definition of MOD equipment expenditure as described in the commentary above.

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## DEPARTMENTAL RESOURCES

**Table 1.5 MOD Resources by Budgetary Areas<sup>1</sup>**

This table provides a detailed breakdown of resource consumption by budgetary area for 2003/04 through to 2008/09. Under Spending Review 2002 rules, figures for financial years 2003/04 onward include non-cash items such as depreciation and cost of capital charge that previously were part of Annually Managed Expenditure (AME).

More information on the minor revisions in 2007/08 can be found in Notes 34 and 35 of the MOD Annual Report & Accounts.

From 2007/08, changes to the MOD Top Level Budget (TLB) structure have been reflected in the figures and highlighted at footnotes 2-5.

This table includes expenditure on Conflict Prevention (RIR2).

		RAB Stage 2					
		Inclusive of non-recoverable VAT at Current Prices (£ million)					
		Outturn	Outturn	Outturn	Outturn	Outturn	Outturn
		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Departmental Expenditure Limits (DEL)</b>		<b>37 174</b>	<b>38 323</b>	<b>39 751</b>	<b>40 654</b>	<b>43 634<sup>f</sup></b>	<b>45 473</b>
<b>Request for Resources 1: PROVISION OF DEFENCE CAPABILITY</b>		<b>35 681</b>	<b>37 211</b>	<b>38 484</b>	<b>38 858</b>	<b>40 602<sup>f</sup></b>	<b>41 382</b>
<b>Resource DEL</b>		<b>30 033</b>	<b>30 860</b>	<b>31 855</b>	<b>32 009</b>	<b>33 493<sup>f</sup></b>	<b>33 850</b>
<i>of which:</i>							
	Commander-in-Chief Fleet <sup>2</sup>	3 242	3 569	3 548	2 148	2 185	2 182
	General Officer Commanding (Northern Ireland)	649	626	580	389	*	*
	Commander-in-Chief Land Forces <sup>3</sup>	5 079	5 341	5 632	4 322	6 495	6 707
	Air Officer Commanding-in-Chief RAF Strike Command	3 385	3 503	4 043	1 924	*	*
	Commander-in-Chief Air Command <sup>4</sup>	*	*	*	*	2 635	2 725
	Chief of Joint Operations	524	493	570	391	475	437
	Chief Defence Logistics	7 758	7 452	7 588	12 788	*	*
	Defence Equipment & Support <sup>5</sup>	*	*	*	*	16 236	14 688
	2nd Sea Lord/Commander-in-Chief Naval Home Command	693	763	778	*	*	*
	Adjutant General (Personnel and Training Command)	1 743	1 778	1 924	1 576	*	*
	Air Officer Commanding-in-Chief RAF Personnel and Training Command	995	1 125	904	762	*	*
	Central	2 695	3 136	2 458	2 172	2 297 <sup>f</sup>	1 718
	Defence Estates <sup>6</sup>	*	*	1 056	2 692	2 628	2 613
	Defence Procurement Agency	2 850	2 568	2 272	2 321	*	*
	Science Innovation Technology	420	506	502	524	542	500
	Administration <sup>7</sup>	*	*	*	*	*	2 280
<b>Capital DEL</b>		<b>5 648</b>	<b>6 351</b>	<b>6 629</b>	<b>6 849</b>	<b>7 109</b>	<b>7 532</b>
<i>of which:</i>							
	Commander-in-Chief Fleet <sup>2</sup>	37	17	7	14	29	20
	General Officer Commanding (Northern Ireland)	43	28	4	2	*	*
	Commander-in-Chief Land Forces <sup>3</sup>	21	153	47	75	123	149
	Air Officer Commanding-in-Chief RAF Strike Command	40	27	10	7	*	*
	Commander-in-Chief Air Command <sup>4</sup>	*	*	*	*	13	14
	Chief of Joint Operations	22	24	19	4	34	55
	Chief Defence Logistics	1 210	1 121	1 045	1 243	*	*
	Defence Equipment & Support <sup>5</sup>	*	*	*	*	6 661	7 023
	2nd Sea Lord/Commander-in-Chief Naval Home Command	28	23	11	*	*	*
	Adjutant General (Personnel and Training Command)	41	26	17	15	*	*
	Air Officer Commanding-in-Chief RAF Personnel and Training Command	18	24	13	11	*	*
	Central	-96	322	-44	44	41	-182
	Defence Estates <sup>6</sup>	*	*	274	140	208	452
	Defence Procurement Agency	4 284	4 586	5 226	5 294	*	*
	Science Innovation Technology	*	*	*	*	*	1
<b>Request for Resources 2: CONFLICT PREVENTION</b>		<b>1 493</b>	<b>1 112</b>	<b>1 266</b>	<b>1 797<sup>f</sup></b>	<b>3 032</b>	<b>4 091</b>
<i>(not broken down by Top Level Budget)</i>							
<b>Resource DEL</b>		<b>1 233</b>	<b>938</b>	<b>1 055</b>	<b>1 448</b>	<b>2 196</b>	<b>2 865</b>
<b>Capital DEL</b>		<b>260</b>	<b>174</b>	<b>211</b>	<b>348</b>	<b>836</b>	<b>1 226</b>
<b>Annually Managed Expenditure (AME)</b>		<b>1 011</b>	<b>908</b>	<b>890</b>	<b>582</b>	<b>510</b>	<b>214</b>
<b>Request for Resources 1: PROVISION OF DEFENCE CAPABILITY<sup>8</sup></b>		<b>- 105</b>	<b>- 202</b>	<b>- 177</b>	<b>- 456</b>	<b>-504</b>	<b>- 785</b>
	Commander-in-Chief Fleet <sup>2</sup>	- 2	*	8	*	*	*
	General Officer Commanding (Northern Ireland)	*	*	*	*	*	*
	Commander-in-Chief Land Forces <sup>3</sup>	*	*	*	*	*	*
	Air Officer Commanding-in-Chief RAF Strike Command	*	*	*	*	*	*
	Commander-in-Chief Air Command <sup>4</sup>	*	*	*	*	*	*
	Chief of Joint Operations	5	- 3	7	9	*	*
	Chief Defence Logistics	- 66	26	3	67	*	*
	Defence Equipment & Support <sup>5</sup>	*	*	*	*	169	- 91
	2nd Sea Lord/Commander-in-Chief Naval Home Command	*	*	*	*	*	*
	Adjutant General (Personnel and Training Command)	*	*	*	*	*	*
	Air Officer Commanding-in-Chief RAF Personnel and Training Command	*	2	*	*	*	*
	Central	6	2	- 2	*	*	- 1 177
	Defence Estates <sup>6</sup>	*	*	*	*	- 673	483
	Defence Procurement Agency	- 49	- 228	- 193	- 545	*	*
	Science Innovation Technology	*	*	*	*	*	*
	Not Allocated	*	*	*	13	*	*
<b>Request for Resources 2: CONFLICT PREVENTION</b>		<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>
<b>Request for Resources 3: WAR PENSIONS &amp; ALLOWANCES, etc</b>		<b>1 116</b>	<b>1 110</b>	<b>1 067</b>	<b>1 038</b>	<b>1 014</b>	<b>1 000</b>

Source: MOD Directorate of Defence Resources

1. Full TLB definitions are available in the **Glossary**.

2. C-in-C Fleet TLB includes the former 2nd Sea Lord/C-in-C Naval Home Command TLB from 2006/07.

3. Land Forces includes the former Adjutant General (Personnel and Training Command).

4. Air Command is an amalgamation of 'Air Officer Commanding in Chief RAF Personnel and Training Command' and 'RAF Strike Command'.

5. Defence Equipment & Support was created from the amalgamation of the 'Defence Logistic Organisation' and 'Defence Procurement Agency'.

6. The 'Defence Estates' TLB was formed on 1 April 2005. This was formerly part of 'Central' TLB. There is no historic data for this new TLB.

7. From 1 April 2008, the Operating Cost Statement has been analysed into Programme and Administration costs. This is as a result of the Comprehensive Spending Review settlement in 2007 which required separate disclosure.

8. AME for 2003/04 onwards includes accounting charges relating to nuclear decommissioning, loan interest and cost of capital charges for self financing public corporations. The negative AME figures arise from the cash release from the nuclear decommissioning provision and the cost of capital charge calculated on a net balance sheet liability (as opposed to net assets).

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## DEPARTMENTAL RESOURCES

**Table 1.6 MOD Resources by Departmental Aims & Objectives**

The MOD's aim is to "deliver security for the people of the United Kingdom and the Overseas Territories by defending them, including against terrorism, and act as a force for good by strengthening international peace and security". This aim and three supporting objectives are set out in the MOD's Public Service Agreement for the years 2008 to 2011. The costs of meeting these objectives, and their enabling outputs set out below, are reported in the MOD Annual Report & Accounts. The outputs are defined more fully in Note 24 to the Accounts. Figures are net of receipts and are not comparable with those presented in Tables 1.1, 1.3 and 1.5, for example, due to the treatment of MOD Trading Funds. The Total Defence Output Cost is consistent with the net operating cost figure (excluding the payments of War Pensions and Benefits) in the statement of Operating Costs by Departmental Aim and Objectives of the MOD Annual Report & Accounts.

The sum of Resource DEL and "Other AME", which may be derived from Table 1.5, closely aligns with the total of these net operating costs. The figures do not exactly match because certain categories of MOD's interest payments and grants and other non budgetary costs are specified by HM Treasury to be outside the scope of the MOD's Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME).

Operating costs include resource charges for capital assets through depreciation and cost of capital charges.

The figures for 2007/08 have been restated due to the introduction of new Financial Reporting Standards (Nos. 23, 25, 26 and 29) related to the implementation of foreign currency and financial instrument accounting requirements for the first time. See the *Special Note to Table 1.6* under the **Departmental Resources Introduction** for more details including an explanation of the variances between 2007/08 and 2008/09.

Differences between the totals and sums of the components are caused by rounding.

	Inclusive of non-recoverable VAT at Current Prices (£ million)					
	Outturn 2003/04	Outturn 2004/05	Outturn 2005/06 <sup>1</sup>	Outturn 2006/07 <sup>2</sup>	Outturn 2007/08 <sup>3</sup>	Outturn 2008/09
<b>Total Defence Output Cost</b>	<b>33 415</b>	<b>31 222</b>	<b>33 325</b>	<b>32 911</b>	<b>35 190 <sup>f</sup></b>	<b>35 717</b>
<b>OBJECTIVE 1: Achieving success in the tasks we undertake</b>	<b>3 481</b>	<b>3 390</b>	<b>3 564</b>	<b>3 711</b>	<b>4 048 <sup>f</sup></b>	<b>4 521</b>
Operations	1 233	938	1 040	1 443	2 196	2 855
Other Military Tasks	1 659	1 764	1 698	1 525	1 157 <sup>f</sup>	883
Contributing to the Community	360	395	494	397	439 <sup>f</sup>	449
Helping to Build a Safer World	229	293	332	346	255 <sup>f</sup>	334
<b>OBJECTIVE 2: Being ready to respond to the tasks that might arise <sup>4</sup></b>	<b>26 777</b>	<b>24 934</b>	<b>26 601</b>	<b>26 292</b>	<b>26 802 <sup>f</sup></b>	<b>26 342</b>
<b>Royal Navy</b>	<b>9 990</b>	<b>7 310</b>	<b>7 942</b>	<b>7 037</b>	<b>7 314 <sup>f</sup></b>	<b>7 318</b>
Aircraft Carriers	293	347	354	339	362 <sup>f</sup>	438
Frigates & Destroyers	1 709	1 548	1 355	1 619	1 439 <sup>f</sup>	1 744
Smaller Warships	284	486	413	390	338 <sup>f</sup>	316
Amphibious Ships	339	340	290	339	399 <sup>f</sup>	491
Strategic Sealift	3	38	41	46	34	64
Fleet Support Ships	348	408	344	366	294 <sup>f</sup>	299
Survey & Other Vessels	157	102	72	94	145 <sup>f</sup>	179
Naval Aircraft	1 393	1 193	1 139	1 083	1 076 <sup>f</sup>	1 152
Submarines	4 862	2 307	3 393	2 204	2 715 <sup>f</sup>	2 037
Royal Marines	604	540	540	557	511 <sup>f</sup>	600
<b>Army</b>	<b>8 723</b>	<b>9 252</b>	<b>10 479</b>	<b>10 706</b>	<b>10 359 <sup>f</sup></b>	<b>9 796</b>
Field Units	6 372	7 517	8 492	8 822	9 275 <sup>f</sup>	8 197
Other Units	2 350	1 736	1 987	1 884	1 084 <sup>f</sup>	1 599
<b>Royal Air Force</b>	<b>7 002</b>	<b>6 825</b>	<b>6 848</b>	<b>6 987</b>	<b>7 194 <sup>f</sup></b>	<b>7 319</b>
Combat Aircraft <sup>5</sup>	4 519	4 577	4 125	3 692	3 728 <sup>f</sup>	3 546
Intelligence, Surveillance, Target Acquisition and Reconnaissance Aircraft (ISTAR) <sup>6</sup>	350	489	606	613	829 <sup>f</sup>	899
Tankers, Transport and Communications Aircraft	1 040	1 028	1 247	1 211	1 005 <sup>f</sup>	866
Future Capability	339	15	20	44	143 <sup>f</sup>	200
Other Aircraft and RAF Units	753	716	850	1 427	1 489 <sup>f</sup>	1 808
<b>Centre Grouping</b>	<b>1 063</b>	<b>1 547</b>	<b>1 332</b>	<b>1 562</b>	<b>1 935 <sup>f</sup></b>	<b>1 908</b>
Joint and Multinational Operations	148	523	474	425	771 <sup>f</sup>	405
Centrally Managed Military Support	236	289	400	367	636 <sup>f</sup>	656
Maintenance of War Reserve Stocks	679	734	458	770	529 <sup>f</sup>	848
<b>OBJECTIVE 3: Building for the future</b>	<b>3 156</b>	<b>2 899</b>	<b>3 160</b>	<b>2 907</b>	<b>4 340 <sup>f</sup></b>	<b>4 854</b>
Research & Expensed Development	1 007	996	1 041	1 026	973 <sup>f</sup>	1 112
Equipment Programme	2 149	1 903	2 119	1 881	1 819 <sup>f</sup>	1 883
Non-Equipment Investment Programme	*	*	*	*	1 548	1 858

Source: MOD Annual Report & Accounts

- The increased Total Defence Output Cost figure for 2005/06 reflects: an increased cost incurred following the change in discount rate, from 3.5% to 2.2%, applied to the Department's provisions for nuclear decommissioning of £1.1 billion; and movements in other operating costs, including staff, impairments, and depreciation as a result of the Quinquennial review of fixed assets of £1.4 billion offset by receipts from the sale of QinetiQ shares.
- With effect from April 2006, intangible and tangible fixed assets were transferred from Top Level Budgets (TLBs) to Single Balance Sheet Owners (SBSOs). The related operating costs (e.g. depreciation and cost of capital charge) have been apportioned to outputs by the SBSOs using the percentage of costs attributed to the Management Grouping in 2005/06 as a basis for the apportionment. Where Front Line TLBs had previously allocated some asset costs directly to final outputs, the methodology used in 2006/07 has resulted in some variances in costs attributed to final outputs from those reported in 2005/06. Restructuring within RAF Strike Command resulted in a more accurate alignment of costs to outputs.
- A working group, consisting of all TLBs and the SBSOs, was set up in 2007/08 to review the apportionment methods used. The aim was to improve consistency in the costing of final outputs; some of the variances between 2006/07 and 2007/08 are as a result of changes agreed by the group. The increase in Total Defence Output is as a result of Operational costs due to continuing commitments in Iraq and Afghanistan (£0.75 Billion) and costs in respect of Typhoon £0.5 Billion, Apache helicopters £0.3 Billion and increases to provisions in respect of nuclear decommissioning £0.5 Billion.
- The costs of delivering the military capability to meet Objective 2 are analysed among force elements of the front line commands, including joint force units where these have been established, and a small number of centrally managed military support activities. In addition to the direct operating costs of the front line units, they include the attributed costs of logistical and personnel support. In common with all Objectives, these also contain a share of the costs of advising ministers and accountability to Parliament, and apportioned overheads for head office functions and centrally provided services.
- Combines former titles of Strike/Attack and Offensive Support Aircraft and Defensive and Surveillance Aircraft.
- Formerly Reconnaissance and Maritime Patrol Aircraft.

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### Table 1.7 MOD Fixed Assets: 2008/09<sup>1</sup>

This table gives a detailed breakdown of the **net book value** of the MOD's Fixed Assets by category and budgetary area. The MOD is one of the largest owners of fixed assets in the United Kingdom. The stewardship and efficient management of the Department's assets are the responsibility of Top Level Budget (TLB) Holders. MOD Fixed Assets are formally revalued on a five - yearly basis, but are uplifted annually using indexation. This table has been modified to reflect revised asset categories. Fighting Equipment has been replaced by Single Use Military Equipment (SUME), Plant, Machinery and Vehicles has been replaced with two categories; Plant and Machinery and Transport, and the category of Capital Spares has been removed and incorporated into SUME and Transport.

The values contained in the table are at 31 March 2009. The valuation method complies with financial reporting standards with values being on an existing use basis and not market value at disposal. Overseas estates for which the Crown holds no legal title, but which are used for garrison and training purposes by British Forces are included in the MOD Fixed Assets Register. UK bases occupied by visiting forces are also included.

The data are derived directly from the *MOD Annual Report & Accounts*.

From 2006/07 the creation of Single balance sheet owners has meant that most classes of assets are now accounted for by one TLB. This accounts for changes since UKDS 2007.

	Tangible Fixed Assets							Intangible Assets		Investments	Total Assets
	Land & Buildings	Plant & Machinery	Transport	IT & Comms Equipment	SUME <sup>2</sup>	AUC <sup>3</sup> SUME	AUC <sup>3</sup> Other				
<b>Top Level Budget<sup>4</sup> Total</b>	<b>19 609</b>	<b>2 176</b>	<b>4 838</b>	<b>955</b>	<b>35 410</b>	<b>13 809</b>	<b>5 588</b>	<b>27 948</b>	<b>217</b>	<b>110 549</b>	
Commander-in-Chief Fleet	-	1	2	2	-	-	33	-	-	38	
General Officer Commanding (Northern Ireland)	-	-	-	-	-	-	-	-	-	1	
Commander-in-Chief Land Forces	52	2	4	9	-	-	153	-	-	219	
Commander-in-Chief Air Command <sup>5</sup>	-	-	-	-	-	-	36	-	-	36	
Chief of Joint Operations	-	1	3	1	-	1	5	-	-	11	
Defence Equipment & Support <sup>6</sup>	54	2 171	4 828	941	35 410	13 807	3 829	27 947	-	88 987	
Central	-	-	1	2	-	-	68	-	217	288	
Defence Estates	19 502	1	1	1	-	-	1 463	-	-	20 968	

Source: MOD Directorate of Defence Resources

1. Figures provided as at 31 March 2009 are taken from MOD Fixed Assets Register. Figures relate to the net book value of the MOD fixed assets. The net value of an asset is equal to its original cost (its book value) minus depreciation and amortisation costs.

2. SUME refers to Single Use Military Equipment.

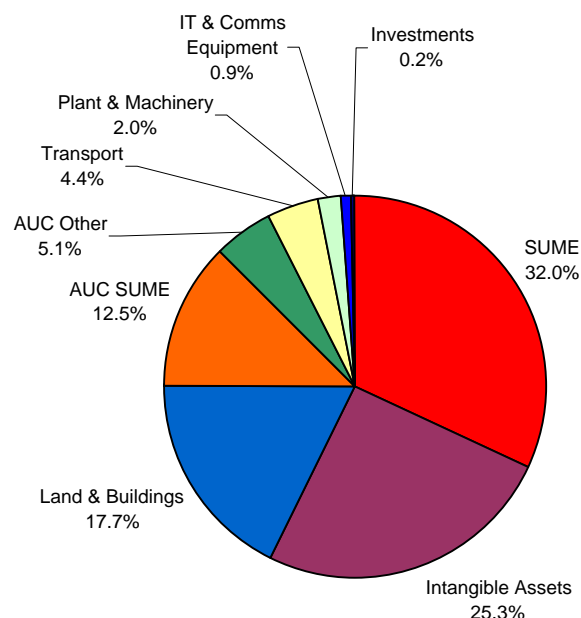
3. AUC refers to Assets Under Construction.

4. The reason for the relatively small amounts in TLBs is due to the Fixed Assets not having been transferred to the single balance sheet holder due mainly because the TLBs cannot agree on the asset value or there are other difficulties over the paper work. If the system works well they should reduce to zero.

5. Air Command is an amalgamation of 'Air Officer Commanding in Chief RAF Personnel and Training Command' and 'RAF Strike Command'.

6. Defence Equipment & Support was created from the amalgamation of the 'Defence Logistic Organisation' and 'Defence Procurement Agency'.

### Chart to Table 1.7: MOD Fixed Assets by Category



# CHAPTER 1 - FINANCE

## DEPARTMENTAL RESOURCES

### Table 1.8 MOD Research & Development Expenditure Outturn

This table details the MOD's annual expenditure on Research and Development (R&D) activity. Expenditure is broken down into intramural (i.e. R&D activity undertaken within the Department) and extramural (i.e. R&D activity undertaken outside of the Department). The data included in this table are derived from an annual survey of MOD R&D expenditure conducted by DASA and information from MOD accounting systems. DASA seek to classify R&D activity within the Organisation for Economic Co-operation & Development's Frascati Guidelines which align to National Accounts definitions.

For an explanation of the breaks in series after 1990/91 and before 2001/02 please refer to *Defence Statistics Bulletins No.2* and *No.6*.

Following a recent data quality review, the MOD development estimates for 2003/04 to 2005/06 have been revised downwards. The MOD research expenditure estimates remain unaffected by these revisions. For the years 2001/02 and 2002/03 MOD net development expenditure, as defined by Frascati, may have been overstated by up to 40% per year, but insufficient records exist to enable a true estimate to be made. **We therefore advise that the data for these years be treated with caution as we cannot guarantee that the data complies with the Frascati guidelines and meets all of the high professional assurance standards set out in the Code of Practice for Official Statistics.**

Full details highlighting the deficiencies in the estimates for 2001/02 and 2002/03, the revisions to later years and our future plans to continue to improve these statistics are published in *DASA Defence Statistics Bulletin No.9* which is available on the DASA website.

Research & Development	1990/91		1997/98		Inclusive of non-recoverable VAT at Current Prices (£ million)						
	2001/02 <sup>1,2</sup>	2002/03 <sup>4</sup>	2003/04	2004/05 <sup>4</sup>	2005/06 <sup>4</sup>	2006/07	2007/08				
<b>Total Gross Expenditure on R&amp;D</b>	<b>2 453</b>	<b>2 371</b>	<b>2 117</b>	<b>2 290</b>	<b>2 200</b> <sup>r</sup>	<b>2 260</b> <sup>r</sup>	<b>2 318</b> <sup>r</sup>	<b>2 212</b>	<b>2 220</b>		
<i>Of which:</i>											
Intramural	902	750	419	288	380	357	365	361	279		
Extramural	1 551	1 622	1 698	2 502	1 820	1 903	1 953	1 851	1 941		
Receipts <sup>3</sup>	116	57	60	56	68	69	75	88	81		
<i>Of which used:</i>											
Intramurally	53	39	44	46	59	61	74	81	74		
Extramurally	63	18	16	10	9	8	1	7	7		
<b>Total Net Expenditure on R&amp;D</b>	<b>2 337</b>	<b>2 314</b>	<b>2 057</b>	<b>2 734</b>	<b>2 133</b> <sup>r</sup>	<b>2 191</b> <sup>r</sup>	<b>2 243</b> <sup>r</sup>	<b>2 124</b>	<b>2 139</b>		

Research	1990/91		1997/98		Inclusive of non-recoverable VAT at Current Prices (£ million)						
	2001/02 <sup>1,2</sup>	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08				
<b>Total Gross Expenditure on Research</b>	<b>..</b>	<b>577</b>	<b>616</b>	<b>524</b>	<b>548</b>	<b>664</b>	<b>626</b>	<b>664</b>	<b>672</b>		
<i>Of which:</i>											
Intramural	..	325	229	145	164	190	171	179	197		
Extramural	..	251	388	379	384	474	455	485	474		
Receipts <sup>3</sup>	..	13	60	9	24	26	28	32	37		
<i>Of which used:</i>											
Intramurally	..	12	44	9	23	25	27	31	37		
Extramurally	..	2	16	-	1	1	1	1	1		
<b>Total Net Expenditure on Research</b>	<b>412</b>	<b>564</b>	<b>557</b>	<b>515</b>	<b>524</b>	<b>639</b>	<b>598</b>	<b>632</b>	<b>635</b>		

Development	1990/91		1997/98		Inclusive of non-recoverable VAT at Current Prices (£ million)						
	2001/02 <sup>1,2</sup>	2002/03 <sup>4</sup>	2003/04	2004/05 <sup>4</sup>	2005/06 <sup>4</sup>	2006/07	2007/08				
<b>Total Gross Expenditure on Development</b>	<b>..</b>	<b>1 794</b>	<b>1 500</b>	<b>2 266</b>	<b>1 652</b> <sup>r</sup>	<b>1 596</b> <sup>r</sup>	<b>1 693</b> <sup>r</sup>	<b>1 548</b>	<b>1 549</b>		
<i>Of which:</i>											
Intramural	..	424	190	143	216	167	194	182	82		
Extramural	..	1 370	1 311	2 123	1 436	1 429	1 499	1 366	1 467		
Receipts <sup>3</sup>	..	44	-	48	44	43	47	56	44		
<i>Of which used:</i>											
Intramurally	..	28	-	38	35	36	47	49	37		
Extramurally	..	16	-	10	8	8	-	7	6		
<b>Total Net Expenditure on Development</b>	<b>1 926</b>	<b>1 750</b>	<b>1 500</b>	<b>2 218</b>	<b>1 609</b> <sup>r</sup>	<b>1 552</b> <sup>r</sup>	<b>1 645</b> <sup>r</sup>	<b>1 492</b>	<b>1 505</b>		

Source: DASA (Defence Expenditure Analysis)

1. Since 2000/01 the Departmental Resource Accounts (DRAc) follow Statement of Standard Accounting Practice 13, "Accounting for Research and Development". Since 2000/01 the figures are calculated on a resource basis, and are consistent with the aggregate of Research & Expended Development plus Additions to Intangible Assets. Following this years quality review, figures from 2003/04 onwards continue to be consistent with the aggregate of Research & Expended Development but comprise only that element of Additions to Intangible Assets (taken to represent capitalised development) which has been assessed as Frascati compliant. This table therefore comprises elements from both the Operating Cost Statement and the Balance Sheet in the MOD accounts.

2. On 1 July 2001 DERA was split into two organisations: the Defence Science & Technology Laboratory (Dstl) (about a quarter of DERA) staying as a Trading Fund within MOD, and QinetiQ, the remainder, becoming a private (extramural) company.

3. Receipts are monies received by MOD & its Trading Funds for expenditure on R&D, for example from other government departments & private industry. This money is not necessarily spent on defence-related R&D.

4. Access to project level data for the first time has enabled us to more closely align to the OECD definitions and remove activities which do not strictly comply to these. Non Frascati expenditure during this period represented an average of 20% per year of the annual estimate of aggregate MOD net development spend.

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## INDUSTRY & EMPLOYMENT

This section provides data on the impact of MOD's spending on equipment and services in the UK. **Table 1.9** details the estimated amount of money that the MOD spent with UK industry broken down by industrial group. The industrial groupings are based on the UK Standard Industrial Classification (SIC) 1992 and 2003 maintained by the Office for National Statistics (ONS). **Table 1.10** provides estimates of UK employment dependent on MOD expenditure and defence exports. **Tables 1.11, 1.11a & 1.11b** provide estimates of the number of direct full time jobs in the Government Office Regions of England, Scotland, Wales, Northern Ireland and the UK as a whole, supported in industry and commerce by MOD direct expenditure. **Table 1.12** details MOD payments on PFI projects during 2008/09 whilst **Table 1.12a** lists those PFI projects which have planned unitary charge payments of over £25 million in 2009/10.

### **IMPORTANT NOTE: Cessation of National & Regional Employment Estimates (formerly UKDS 2008 Tables 1.10, 1.11, 1.11a & 1.11b)**

Ministers have agreed that after this year (2009) the Ministry of Defence (MOD) will no longer compile national and regional employment estimates because the data do not directly support MOD policy making and operations. The UK defence budget has never been allocated or planned on a regional basis and decisions on where contracts with industry are placed are not taken in order to benefit one local economy or industry sector over another.

This decision was announced on the MOD website on 14 November 2008 and was the subject of a full internal and external review which was explained to internal and external customers at the DASA Consultation meeting on 2<sup>nd</sup> June 2009.

The final set of estimates of national and regional employment dependent on MOD expenditure and defence exports (for 2007-08) are published in *UK Defence Statistics* this year. However, assessments of the employment effects of MOD expenditure will continue to be undertaken with regard to individual defence projects and, as part of the regional impact assessments, conducted to inform decisions on MOD base closures. In addition, estimates of the distribution of MOD expenditure in UK industry and commerce (**Table 1.9**) will continue to be published annually in UKDS.

## **Main Findings**

### **Expenditure by Industry Group (Table 1.9)**

- In 2007/08, the MOD spent some £16.5 billion with UK Industry. The 'manufacturing' industries (section D) attracted nearly 50% of MOD expenditure with UK Industry. The single industry group attracting most MOD expenditure was Aircraft and Spacecraft (around 13% of the total).

### **Defence Related Employment (Table 1.10 & 1.11)**

- Estimated employment in UK industry and commerce dependent on MOD expenditure and defence exports has fallen slightly from last year to around 300,000.
- Regional employment directly dependent on MOD expenditure is concentrated in the South East (37,000 jobs) and the South West (31,000 jobs). Scotland, Wales and Northern Ireland account for 10,000 jobs (8%).

### **MOD PFI Projects (Table 1.12)**

- The PFI projects against which the highest payments were made in 2008/09 were Allenby/Connaught, Attack Helicopter Training – Apache Simulator Training, Colchester, Defence Fixed Telecommunications Service (DFTS), Future Provision of Marine Services (FPMS), Main Building Refurbishment, Skynet 5 and Tri-Service White Fleet.

# CHAPTER 1 - FINANCE

## INDUSTRY & EMPLOYMENT

**Table 1.9 Estimated Defence Expenditure Outturn in the UK: Breakdown by Industry Group**

This table, which has been prepared from MOD administrative systems introduced under Resource Accounting and Budgeting (RAB), estimates the amount of money the MOD spends directly with UK industry broken down by industrial group. The RAB breakdowns do not permit the analysis that was undertaken previously. The move to RAB has, however, permitted the table to show all the sections of the economy that are represented in the Standard Industrial Classification (SIC). Figures exclude 'internal' MOD expenditure such as pay and allowances. Industrial groupings are based on the SIC 1992 and 2003 guidelines maintained by the Office for National Statistics. The figures have been rounded to the nearest £10M.

Differences between the totals and sums of the components are caused by this rounding

SIC(92)/SIC(03) Section		VAT exclusive at Current Prices (£ million)					
		2002/03 <sup>1</sup>	2003/04	2004/05	2005/06	2006/07	2007/08
<b>Total</b>		<b>13 810</b>	<b>14 640</b>	<b>14 490</b>	<b>16 030</b>	<b>16 490</b>	<b>16 450</b>
A, B, C	Agriculture, Fishing and Mining	-	-	-	-	-	-
D	Manufacturing, excluding those industries itemised below	1 470	1 470	1 350	1 740	1 640	1 910
	29.6 Weapons & Ammunition	790	740	820	1 030	1 080	900
	30 Data Processing Equipment	170	180	110	70	50	40
	31 Other Electrical Engineering	170	180	150	180	200	250
	32 Electronics	640	600	910	1 160	1 000	950
	33 Precision Instruments	810	760	690	750	600	530
	34, 35.2, 35.4, 35.5 Motor Vehicles & Parts	130	170	220	330	300	320
	35.1 Shipbuilding & Repairing	1 070	1 160	1 060	1 100	1 150	1 110
	35.3 Aircraft & Spacecraft	2 380	2 050	1 810	1 730	1 960	2 100
E	Electricity, Gas & Water	190	210	230	260	280	220
F	Construction	990	1 190	1 230	1 310	1 380	1 270
G	Wholesale, Retail & Repair of Motor Vehicles	170	180	160	180	230	280
H, I	55 Hotels & Restaurants	200	210	200	250	230	150
	60.1 Transport via Railways	80	70	60	70	70	80
	60.2,60.3 Other Land Transport (incl. via pipelines)	70	70	20	30	20	40
	61,62,63 Water, Air and Auxiliary/freight supply transportation	420	490	380	370	450	560
	64 Post & Courier Services	10	10	10	10	10	10
	64.2 Telecommunications	320	530	310	300	330	270
J, K, L, M, N, O, P	Financial Services, Business Activities, Education, Health, & Other Service Activities excluding those industries itemised below <sup>2,3</sup>	2 150	2 590	2 750	2 800	2 880	2 670
	70, 71 Real Estate & Renting	950	1 000	1 230	1 460	1 500	1 690
	72 Computer Services	640	800	790	930	1 110	1 120

Source: DASA (Defence Expenditure Analysis)

1. The break in series between 2002/03 and 2003/04 reflects the fact that for 2002/03 the Defence Bills Agency data was still based on Internal Account Codes (used under the old cash system), and was migrated to Resource Accounting Codes one year later than the accounting systems, on 1 April 2003.

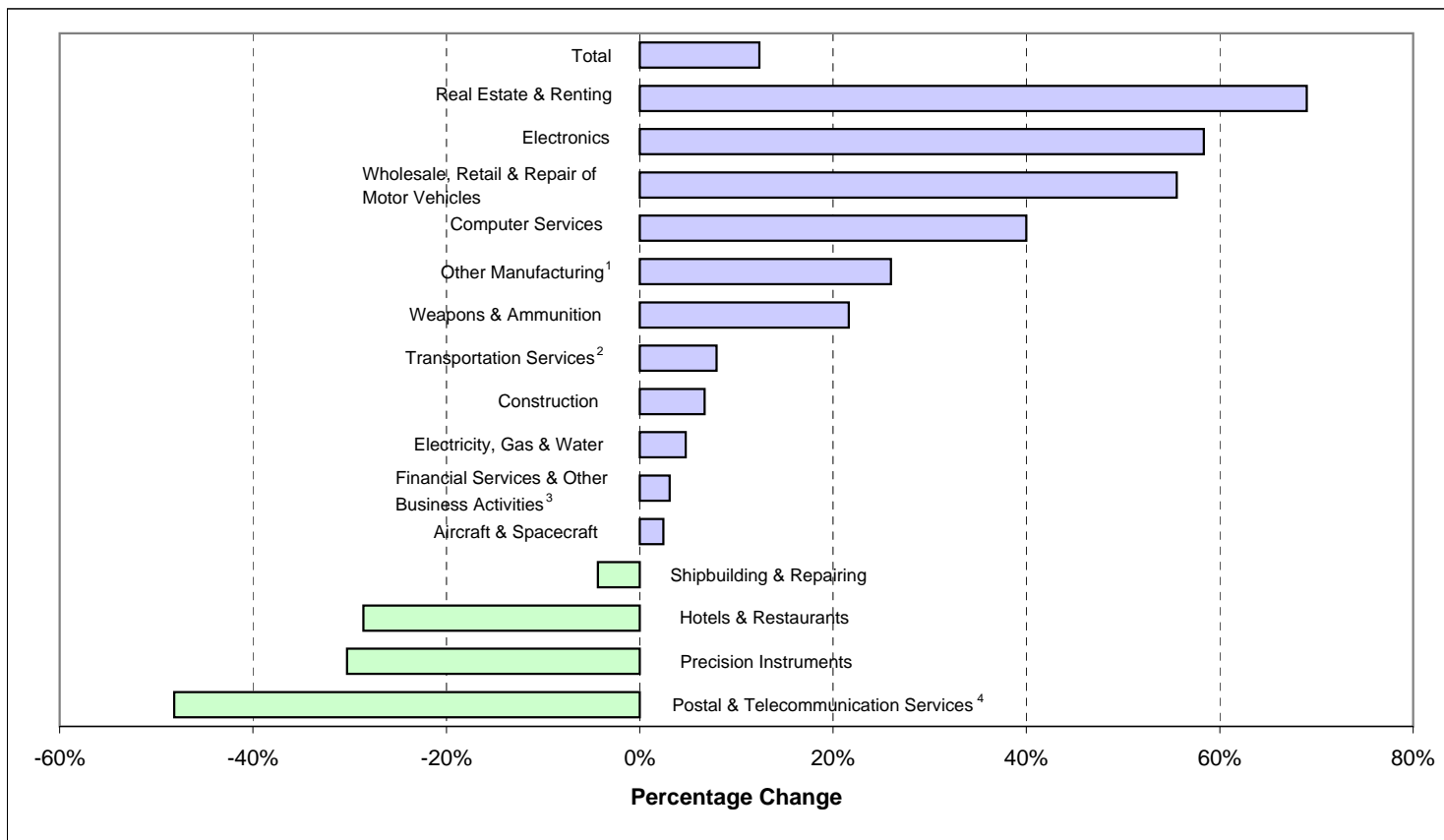
2. Includes MOD payments to AWE Management Ltd, who manage the Atomic Weapons Establishment on behalf of the MOD under a Government-owned/contractor operated arrangement.

3. The quality of data available for the service industries is insufficient to identify these SICs separately.

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## INDUSTRY & EMPLOYMENT

Chart to Table **1.9** Change in UK Defence Spending By Industry Group: 2003/04 - 2007/08



1. Includes 'Manufacturing, excluding those industries itemised below', 'Data Processing Equipment', 'Motor Vehicles & Parts' and 'Other Electrical Engineering' from **Table 1.9**

2. Includes 'Transport via Railways', 'Other Land Transport (incl. via pipelines)' and 'Water, Air and Auxiliary/freight supply transportation' from **Table 1.9**

3. Is the 'Financial Services, Business Activities, Education, Health & Other Service Activities' from **Table 1.9**.

4. Includes 'Post & Courier Services' and 'Telecommunications' from **Table 1.9**.

# CHAPTER 1 - FINANCE

## INDUSTRY & EMPLOYMENT

**Table 1.10** Estimated UK Employment Dependent on MOD Expenditure and Defence Exports

This table provides estimates of the number of full-time jobs supported in the UK by MOD expenditure and defence exports. The methodology is described in *Defence Statistics Bulletin No.5*, available on the DASA website. "Direct" employment is that generated in those companies providing the product or service directly to MOD, or that within the exporter. "Indirect" employment is that provided through "the supply chain" by sub-contractors or suppliers to the "direct" contractor. The figures reflect average full time equivalent in year. The figures exclude MOD service and civilian personnel, and are shown rounded to the nearest five thousand. **Differences between the totals and sums of the components are caused by this rounding**

From 2002/03 onwards the numbers have been calculated using expenditure data derived from the MOD administrative systems that were introduced with Resource Accounting and Budgeting. The resulting changes to the methodology are described in *Addendum No 5a to Defence Statistics Bulletin*.

**This table is outside the scope of National Statistics because the Defence exports data do not meet all of the high professional quality assurance standards set out in the Code of Practice for Official Statistics.**

Please see the note in the **Industry and Employment Introduction** about the cessation of National and Regional Employment Estimates.

	1997/98	Thousands					
		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
<b>Total Employment<sup>1</sup></b>	<b>340</b>	<b>305</b>	<b>315</b>	<b>310</b>	<b>310</b>	<b>305</b>	<b>300</b>
Direct	160	165	170	170	165	160	155
Indirect	180	140	145	140	145	145	145
<b>Employment from MOD Expenditure</b>	<b>230</b>	<b>245</b>	<b>250</b>	<b>240</b>	<b>260</b>	<b>255</b>	<b>235</b>
Direct	115	135	140	135	145	135	125
Indirect	115	110	110	105	120	115	110
Split by:							
Equipment Expenditure							
Direct	70	85	85	80	85	80	75
Indirect	75	75	70	70	75	75	75
Non-Equipment Expenditure							
Direct	50	50	55	55	60	55	50
Indirect	45	35	40	35	40	40	40
<b>Employment from Defence Exports<sup>1, 2, 3</sup></b>	<b>110</b>	<b>60</b>	<b>65</b>	<b>70</b>	<b>50</b>	<b>55</b>	<b>65</b>
Direct	45	30	30	35	25	25	30
Indirect	65	30	30	35	30	30	35

Source: DASA (Defence Expenditure Analysis)

- The estimates of UK employment dependent on defence exports are based on estimates of those exports which are not of sufficient quality to be badged as National Statistics.
- Figures calculated for "Exports" are not derived directly from the financial figures for exports contained in **Table 1.14 of UKDS 2008**. Adjustments are made for international collaborations, electronics and vehicle exports. Please refer to *Defence Statistics Bulletin No.5* for further discussion. In aggregate the adjustments to the total export figures were £114 million in 1997, £859 million in 1998, £499 million in 1999, £49 million in 2000, -£143 million in 2001, £74 million in 2002, £48 million in 2003, £115 million in 2004, -£134 million in 2005, £22 million in 2006 and -£149 million in 2007.
- The increase in employment dependent on defence exports in 2004/05 reflects an increase in defence export sales, orders and deliveries identified predominantly in the aerospace, electronics and shipbuilding sectors during 2004. The methodology used to derive the defence export figures, which are then in turn used to produce the employment estimates, is described in *Defence Statistics Bulletin No.5*, available on the DASA website.

# CHAPTER 1 - FINANCE

## INDUSTRY & EMPLOYMENT

**Table 1.11** Estimated UK Regional Direct Employment  
Dependent on MOD Expenditure<sup>1</sup>

Tables 1.11, 1.11a & 1.11b provide estimates of the number of direct full time jobs in the Government Office Regions of England, Scotland, Wales, Northern Ireland and the UK as a whole, supported in industry and commerce by MOD direct expenditure. Table 1.11a provides estimates of the number of direct jobs in UK industry and commerce dependent on direct MOD equipment expenditure. Table 1.11b provides estimates of the number of direct jobs in UK industry and commerce dependent on direct MOD non equipment expenditure. Direct employment is that generated in those companies providing the product or service to the MOD. Equipment expenditure covers those sums spent on producing equipment for the armed forces and goods for MOD, including expenditure on Research and Development, manufacture, and equipment support. Non equipment includes expenditure on items such as utilities (gas, water and electricity) and maintaining the defence estate.

The full methodology (which includes an assessment of the quality of the underlying data used to produce these estimates) is described in the *DASA Defence Statistics Bulletin No.7*, available on the DASA website.

The figures exclude MOD service and civilian personnel. Total direct UK employment has been rounded to the nearest 5000 to align to the national employment estimates in Table 1.10, whilst individual regional totals are shown to the nearest 1000 full time equivalent. Differences between the totals and sums of the components are caused by this rounding. Regional percentage breakdowns are based on the unrounded UK figures.

The data in this table are outside the scope of National Statistics because they do not meet all of the high professional quality assurance standards set out in the Official Statistics Code of Practice.

Please see the note in the **Industry and Employment Introduction** about the cessation of National and Regional Employment Estimates.

	Thousands					Percentage				
	2003/04	2004/05	2005/06	2006/07	2007/08	2003/04	2004/05	2005/06	2006/07	2007/08
<b>United Kingdom</b>	<b>140</b>	<b>135</b>	<b>145</b>	<b>135</b>	<b>125</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>England</b>	<b>126</b>	<b>123</b>	<b>130</b>	<b>126</b>	<b>113</b>	<b>89</b>	<b>90</b>	<b>91</b>	<b>92</b>	<b>92</b>
East	12	10	11	8	7	9	7	8	6	6
East Midlands	3	3	5	4	4	2	2	3	3	3
London	10	13	9	9	9	7	10	6	7	7
North East	3	2	2	3	2	2	1	2	2	2
North West	17	15	15	17	14	12	11	10	13	12
South East	36	37	41	38	37	26	27	29	28	30
South West	35	35	37	37	31	25	26	26	27	25
West Midlands	6	5	5	7	6	4	4	4	5	5
Yorks & Humber	4	3	4	4	3	3	2	3	3	3
Scotland	10	9	9	7	6	7	7	6	5	5
Wales	3	2	2	2	2	2	1	1	1	1
Northern Ireland	2	2	2	2	2	1	1	1	1	2

Source: DASA (Defence Expenditure Analysis)

1. Using the average UK turnover per full time equivalent may neglect potential differences in regional turnover per head. However, regional turnover per head at the level of SIC used in the employment estimates is not currently available from the ONS: the employment estimates for a number of industries/ products use 3 digit SIC level data, and the ONS only publish (limited) regional data derived from the Annual Business Inquiry (ABI) data at 2 digit level. The impact of using national employment averages is not likely to produce a significantly different output than if regional employment averages were available.

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## INDUSTRY & EMPLOYMENT

**Table 1.11a** Estimated UK Regional Direct Employment  
Dependent on MOD Equipment Expenditure<sup>1</sup>

Tables 1.11, 1.11a & 1.11b provide estimates of the number of direct full time jobs in the Government Office Regions of England, Scotland, Wales, Northern Ireland and the UK as a whole, supported in industry and commerce by MOD direct expenditure. Table 1.11a provides estimates of the number of direct jobs in UK industry and commerce dependent on direct MOD equipment expenditure. Table 1.11b provides estimates of the number of direct jobs in UK industry and commerce dependent on direct MOD non equipment expenditure. Direct employment is that generated in those companies providing the product or service to the MOD. Equipment expenditure covers those sums spent on producing equipment for the armed forces and goods for MOD, including expenditure on Research and Development, manufacture, and equipment support. Non equipment includes expenditure on items such as utilities (gas, water and electricity) and maintaining the defence estate.

The full methodology (which includes an assessment of the quality of the underlying data used to produce these estimates) is described in the *DASA Defence Statistics Bulletin No.7*, available on the DASA website.

The figures exclude MOD service and civilian personnel. Total direct UK employment has been rounded to the nearest 5000 to align to the national employment estimates in Table 1.10, whilst individual regional totals are shown to the nearest 1000 full time equivalent. Differences between the totals and sums of the components are caused by this rounding. Regional percentage breakdowns are based on the unrounded UK figures.

The data in this table are outside the scope of National Statistics because they do not meet all of the high professional quality assurance standards set out in the Official Statistics Code of Practice.

Please see the note in the Industry and Employment Introduction about the cessation of National and Regional Employment Estimates.

	Thousands				
	2003/04	2004/05	2005/06	2006/07	2007/08
<b>United Kingdom</b>	<b>85</b>	<b>80</b>	<b>85</b>	<b>80</b>	<b>75</b>
<b>England</b>	<b>74</b>	<b>73</b>	<b>78</b>	<b>76</b>	<b>68</b>
East	7	6	6	5	4
East Midlands	2	2	3	3	2
London	2	3	3	2	2
North East	3	2	2	1	1
North West	15	14	14	15	12
South East	20	21	24	21	22
South West	20	21	22	23	19
West Midlands	4	3	4	4	3
Yorks & Humber	1	1	1	1	1
Scotland	7	6	5	4	4
Wales	1	1	1	1	1
Northern Ireland	1	1	-	-	1

	Percentage				
	2003/04	2004/05	2005/06	2006/07	2007/08
<b>United Kingdom</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>England</b>	<b>89</b>	<b>90</b>	<b>93</b>	<b>93</b>	<b>92</b>
East	8	7	7	7	6
East Midlands	2	2	3	4	3
London	2	4	3	3	3
North East	4	2	2	2	1
North West	18	17	16	18	16
South East	24	26	29	26	30
South West	24	26	26	28	27
West Midlands	5	4	5	5	5
Yorks & Humber	1	1	1	2	2
Scotland	8	7	6	5	5
Wales	1	1	1	1	1
Northern Ireland	1	1	-	-	1

Source: DASA (Defence Expenditure Analysis)

1. Using the average UK turnover per full time equivalent may neglect potential differences in regional turnover per head. However, regional turnover per head at the level of SIC used in the employment estimates is not currently available from the ONS: the employment estimates for a number of industries/ products use 3 digit SIC level data, and the ONS only publish (limited) regional data derived from the Annual Business Inquiry (ABI) data at 2 digit level. The impact of using national employment averages is not likely to produce a significantly different output than if regional employment averages were available.

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## INDUSTRY & EMPLOYMENT

**Table 1.11b** Estimated UK Regional Direct Employment

### Dependent on MOD Non Equipment Expenditure<sup>1</sup>

Tables 1.11, 1.11a & 1.11b provide estimates of the number of direct full time jobs in the Government Office Regions of England, Scotland, Wales, Northern Ireland and the UK as a whole, supported in industry and commerce by MOD direct expenditure. Table 1.11a provides estimates of the number of direct jobs in UK industry and commerce dependent on direct MOD equipment expenditure. Table 1.11b provides estimates of the number of direct jobs in UK industry and commerce dependent on direct MOD non equipment expenditure. Direct employment is that generated in those companies providing the product or service to the MOD. Equipment expenditure covers those sums spent on producing equipment for the armed forces and goods for MOD, including expenditure on Research and Development, manufacture, and equipment support. Non equipment includes expenditure on items such as utilities (gas, water and electricity) and maintaining the defence estate.

The full methodology (which includes an assessment of the quality of the underlying data used to produce these estimates) is described in the *DASA Defence Statistics Bulletin No.7*, available on the DASA website.

The figures exclude MOD service and civilian personnel. Total direct UK employment has been rounded to the nearest 5000 to align to the national employment estimates in Table 1.10, whilst individual regional totals are shown to the nearest 1000 full time equivalent. **Differences between the totals and sums of the components are caused by this rounding. Regional percentage breakdowns are based on the unrounded UK figures.**

**The data in this table are outside the scope of National Statistics because they do not meet all of the high professional quality assurance standards set out in the Official Statistics Code of Practice.**

Please see the note in the **Industry and Employment Introduction** about the cessation of National and Regional Employment Estimates.

	Thousands					Percentage				
	2003/04	2004/05	2005/06	2006/07	2007/08	2003/04	2004/05	2005/06	2006/07	2007/08
<b>United Kingdom</b>	<b>55</b>	<b>55</b>	<b>60</b>	<b>55</b>	<b>50</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>England</b>	<b>51</b>	<b>51</b>	<b>52</b>	<b>51</b>	<b>46</b>	<b>90</b>	<b>91</b>	<b>90</b>	<b>91</b>	<b>92</b>
East	5	4	6	3	3	9	7	10	5	5
East Midlands	1	1	2	1	1	2	2	3	2	3
London	8	10	6	7	7	14	18	10	12	14
North East	-	-	-	1	1	-	-	-	2	2
North West	2	1	1	3	2	3	2	2	5	5
South East	16	16	17	16	15	28	29	29	29	30
South West	15	14	15	15	12	26	25	26	26	24
West Midlands	2	2	2	3	3	3	4	3	6	5
Yorks & Humber	3	2	3	2	2	5	4	5	4	4
Scotland	3	3	4	3	2	5	5	7	5	4
Wales	2	1	1	1	1	3	2	2	2	1
Northern Ireland	1	1	1	1	1	2	2	2	2	2

Source: DASA (Defence Expenditure Analysis)

1. Using the average UK turnover per full time equivalent may neglect potential differences in regional turnover per head. However, regional turnover per head at the level of SIC used in the employment estimates is not currently available from the ONS: the employment estimates for a number of industries/ products use 3 digit SIC level data, and the ONS only publish (limited) regional data derived from the Annual Business Inquiry (ABI) data at 2 digit level. The impact of using national employment averages is not likely to produce a significantly different output than if regional employment averages were available.

# CHAPTER 1 - FINANCE

## INDUSTRY & EMPLOYMENT

### Table 1.12 MOD Payments on Private Finance Initiative (PFI) Projects: 2008/09

This table provides a listing of PFI commitments and payments made to each project by MOD during the financial year 2008/09. Values represent payments made in year against contracts relating to the project and **not the capital value**. It is based on the 'signed' projects from the PFI Project database as at 1 April 2009 and payments data drawn from the Financial Management Shared Service Centre (FMSSC). This table is split into payment groups and individual PFI projects are shown in **alphabetical order**. Table 1.12a shows PFI contracts where forecast payments of £25 million or over are due in 2009/10. More detailed information concerning through life planned Unitary charge payments for all currently signed PFI contracts, can be found via the HM Treasury website at: [http://www.hm-treasury.gov.uk/ppp\\_pfi\\_stats.htm](http://www.hm-treasury.gov.uk/ppp_pfi_stats.htm).

In previous versions of UKDS this table has been incorrectly marked as being VAT inclusive. The calculations now and in the past have always been VAT exclusive.

VAT exclusive at Current Prices (£ million)

Over £50 million (8 Projects)	
Allenby/Connaught	Future Provision of Marine Services (FPMS)
Attack Helicopter Training - Apache Simulator Training	Main Building Refurbishment
Colchester	Skynet 5 <sup>1</sup>
Defence Fixed Telecommunications Service (DFTS)	Tri-Service White Fleet
£25 - £50 million (8 Projects)	
C Vehicles	MOD-Wide Water and Wastewater (Project Aquatrine) - Package C
Joint Services Command and Staff College	Northwood Headquarters
Medium Support Helicopter Aircrew Training Facility (MSHATF)	Strategic Sealift (Ro-Ro Ferries)
MOD-Wide Water and Wastewater (Project Aquatrine) - Package A	Training Administration and Financial Management Information Systems (TAFMIS)
£10 - £25 million (8 Projects)	
Army Foundation College (AFC)	Field Electrical Power Supplies (FEPS)
ASTUTE Class Training Service (ACTS)	Heavy Equipment Transporters (HET)
Defence Sixth Form College (DSFC)	MOD-Wide Water and Wastewater (Project Aquatrine) - Package B
Devonport Support Services - ARMADA	Tornado GR4 Simulator
£5 - 10 million (8 Projects)	
Bristol, Bath and Portsmouth Family Married Quarters	Material Handling Equipment (MHE) - (Follow on)
Corsham 09 <sup>2</sup>	Naval Communications <sup>3</sup>
Defence Housing Executive - Information Systems (DOMIS)	NRTA Fire Fighting Training Units (FFTU)
Marine Support to Range and Aircrew Services	Tri Service Materials Handling Service
Up to £5 million (16 Projects)	
Central Scotland Family Quarters (HQ)	RAF Fylingdales (Power)
Defence Animal Centre (DAC)	RAF Lossiemouth Family Quarters
Future Strategic Tanker Aircraft (FSTA) <sup>2</sup>	RAF Lyneham Sewerage
Hawk Simulator	RAF Mail
Hazardous Stores Information System (HSIS)	RAF Sentry E3D Aircrew
Lynx Aircrew Training	Tidworth Water & Sewerage (Thames Water)
Portsmouth Housing 2	Wattisham Married Quarters
RAF Cosford and Shawbury Family Quarters	Yeovilton Family Quarters

Source: MOD Private Finance Unit & DASA (Defence Expenditure Analysis)

1. Skynet 5 contract has been novated to ATLAS, with whom management responsibility now rests.

2. New PFI project added this year.

3. Previously 'Royal Navy Fleet Communications'.

### Table 1.12a PFI Projects with Planned MOD Unitary Charge Payments<sup>1,2</sup> over £25 million: 2009/10

VAT exclusive at current prices (£ million)

Over £50 million (7 Projects)	
Allenby/Connaught	Main Building Refurbishment
Colchester	Skynet 5
Defence Fixed Telecommunications Service (DFTS)	Tri-Service White Fleet
Future Provision of Marine Services (FPMS)	
£25 - £50 million (6 Projects)	
Attack Helicopter Training - Apache Simulator Training	MOD-Wide Water and Wastewater (Project Aquatrine) - Package C
C Vehicles	Northwood Headquarters
MOD-Wide Water and Wastewater (Project Aquatrine) - Package A	Strategic Sealift (Ro-Ro Ferries)

Source: MOD Private Finance Unit & DASA (Defence Expenditure Analysis)

1. The Unitary Charge is the regular service payment made to the private sector partner for the provision of services and is calculated in accordance with the price and payment mechanism.

2. Planned expenditure may not be directly comparable to the actual spend reported in 2009/10 because unexpected additional works and services (albeit controlled and managed by agreed control procedures) may be incurred.

# CHAPTER 1 – FINANCE

## TRADE

This section contains information on defence trade. This includes the estimated value of export orders of defence equipment and services and payments made for services consumed by MOD establishments overseas. **Table 1.13** estimates the total value of export orders of defence equipment and services. **Table 1.14** presents the estimated value of MOD Balance of Payments for Trade in Services.

The UK Trade & Investment arm of the Department for Business, Innovation and Skills (BIS) collects data on defence export contracts and they relate to orders placed. These data are collected from the UKTI DSO publication 'The World Defence Export Market' compiled via a quarterly survey with known UK defence contractors.

MOD Trade in Services are provisions of services between UK residents and non-residents (e.g. training, cleaning services, IT support etc) and transactions in goods which are not freighted out of the country in which they take place. They are published in an ONS 'First Release' and 'The Pink Book'.

More information outlining the methodology behind these tables can be found in *DASA Defence Statistics Bulletin No 4* and in the National Statistics Quality Review, detailing Trade Statistics and MOD Balance of Payments Statistics respectively.

### **IMPORTANT NOTE: Cessation of Defence Export Delivery Statistics (formerly UKDS 2008 Table 1.13 and 'top half' of Table 1.14)**

Ministers agreed that the Ministry of Defence will no longer compile estimates of identified defence equipment export deliveries because the data do not directly support MOD policy making and operations. The final estimates (for 2007) were published in UK Defence Statistics 2008 last year.

This decision was announced on the MOD website on 14 November 2008 and was the subject of a full internal and external review which was explained to internal and external customers at the DASA consultation meeting on 2<sup>nd</sup> June 2009.

DASA has long held major concerns about the quality of the underlying data and, despite consideration of alternative methods for data collection by the pan Whitehall Defence Trade Statistics Working Group (DTSWG), it had been concluded that no viable options for improved data collection remain. This decision was based on a number of factors including the likelihood of an increased burden on business to collect additional data; significant problems with identifying the military/civil split by the licence alone; the current incompatibility of cross-departmental administrative systems; and the difficulties with sharing sources between government departments. Even to begin to improve the quality of the underlying data would require a significant investment from MOD, BIS and HMRC to align administrative systems and data collection methods at a time when budgets across Whitehall are extremely stretched. Further information outlining recent developments with Trade Statistics and an assessment of the quality of the underlying data is given in *DASA Defence Statistics Bulletin No.8*. This is available on the DASA website.

Although data pertaining to defence export deliveries will no longer be published, the UK Trade & Investment (UKTI) arm of BIS will continue to produce its own estimates of export orders placed (as opposed to deliveries made, which the DASA statistics sought to capture) each year in conjunction with the Society for British Aerospace Companies (SBAC). This will be unaffected by the change, and these statistics will continue to be published in UKDS. UKTI consider the value of export orders to be the key indicator for the health of the UK export market and is their 'currency of choice' when briefing Ministers, the press and the wider defence industry. The Business Development and Market Intelligence division are now responsible for monitoring and promoting the health of the UK export market which inevitably involves closely tracking the life of major defence orders, including potential cancellations.

Additionally, detailed information of export licences and numbers of small arms and weapons will continue to be published in the *Annual Report on Strategic Arms Exports Controls* published by FCO. This is available online: <http://www.fco.gov.uk/en/about-the-fco/publications/publications/annual-reports/export-controls1>

# CHAPTER 1 – FINANCE

## TRADE

### Main Findings

#### **Estimated UK identified defence export orders (Table 1.13)**

- Estimated UK identified export orders of defence equipment and services were estimated to be nearly £4.4 billion in 2008. Following the significant increase in export orders in 2007 (see footnote 1 of Table 1.13), the value of orders have broadly returned to average historical levels.

#### **Balance of Payments: Trade in Services (Table 1.14)**

- In 2008, the MOD's estimated Balance of Payments for Trade in Services was £3.3 billion in deficit made up of £3.6 billion debits and £0.3 billion credits. The deficit has increased by some £0.9 billion compared to the previous year. This increase was mainly due to two factors. First, the stronger Dollar/Euro exchange rates against the pound which has increased the cost of purchasing these currencies during 2008 and second, an increase in expenditure in both currencies on Urgent Operational Requirements.

# CHAPTER 1 - FINANCE

## TRADE

**Table 1.13** Estimates of Identified Export Orders:  
**Defence Equipment & Services**

This table provides data on identified export orders of defence equipment and services. These are taken from the annual survey of known defence contractors conducted by the Defence and Security Organisation within UK Trade & Industry (UKTI).

The data in this table are outside the scope of National Statistics because they do not meet all of the high professional quality assurance standards set out in the Code of Practice for Official Statistics.

			Current Prices (£ million)						
	1995	1997	2002	2003	2004	2005	2006	2007 <sup>1</sup>	2008
<b>Identified Export Orders for Defence Equipment and Services<sup>2</sup></b>	<b>4 970</b>	<b>5 540</b>	<b>5 041</b>	<b>4 882</b>	<b>4 546</b>	<b>3 989</b>	<b>5 527</b>	<b>9 651</b>	<b>4 357</b>
Split by Equipment Type:									
Air Sector	3 456	3 193	3 553	3 526	3 199	2 491	4 133	7 525	2 940
Land Sector	535	656	509	303	475	584	670	762	447
Sea Sector	71	368	464	252	209	369	280	1 017	355
Not Specified	908	1 323	515	801	663	546	444	347	615

Source: UKTI Defence and Security Organisation

1. The large increase in the 2007 export orders figures can be attributed to a large order from Saudi Arabia for Typhoon aircraft (valued initially at £4.4 billion), and orders from Oman and Trinidad and Tobago for offshore patrol vessels.
2. Figures for export orders are taken from the UKTI DSO survey of known Defence Contractors. It should be noted that export orders can subsequently be cancelled, prolonged or changed at any time in the future after the initial order has been placed.

# CHAPTER 1 - FINANCE

## TRADE

**Table 1.14 Ministry of Defence Estimated Balance of Payments for Trade in Services**

Balance of Payments is a measure of the UK's trading account with the rest of the world. Trade in Services are provisions of services (e.g. training, cleaning services, IT support etc) between UK residents and non-residents, and transactions in goods which are not freighted out of the country in which they take place; these transactions are not recorded in the official 'Trade in Goods' statistics. A detailed discussion of these concepts can be found in the latest edition of *The Pink Book* published by the Office for National Statistics. More details are available in *Defence Statistics Bulletin No 4* or in the *National Statistics Quality Review report on Balance of Payments: Trade in Services*.

The data in this table are outside the scope of National Statistics because they do not meet all of the high professional quality assurance standards set out in the Code of Practice for Official Statistics.

	1999	Current Prices (£ million)						
		2002	2003 <sup>1</sup>	2004	2005	2006	2007	2008 <sup>2</sup>
<b>Net Balance</b>	<b>-1 958</b>	<b>-1 500 <sup>r</sup>   </b>	<b>-2 021</b>	<b>-1 762</b>	<b>-1 717 <sup>r</sup></b>	<b>-1 979</b>	<b>-2 338</b>	<b>-3 254</b>
<b>Total Debits</b>	<b>2 157</b>	<b>1 764</b>	<b>2 411</b>	<b>2 200</b>	<b>2 152 <sup>r</sup></b>	<b>2 471</b>	<b>2 763</b>	<b>3 559</b>
Expenditure <sup>3</sup>								
Germany	1 258	799	974	1 190	1 231 <sup>r</sup>	1 244	1 501	2 019
Other identified NATO countries	670	731	1 139	801	573	755	881	1 307
Mediterranean	130	156	173	168	182	226	175	92
Far East	-	-	-	-	-	-	-	-
Other areas	99	78	125	41	166	245	206	140
<b>Total Credits</b>	<b>198</b>	<b>264 <sup>r</sup></b>	<b>390</b>	<b>438</b>	<b>435</b>	<b>492</b>	<b>425</b>	<b>304</b>
Receipts <sup>4</sup>								
Receipts from US Forces in UK	137	154	142	126	128	126	116	127
Other Receipts	61	110 <sup>r</sup>	248	312	307	366	309	177

Source: DASA (Defence Expenditure Analysis)

1. The increase in 'Total Debits' in 2003 was largely attributable to increased spending on services as a result of military activity in Iraq.
2. The large increase in 'Total Debits' in 2008 was mainly due to two factors. First, the stronger Dollar / Euro exchange rates against the pound which has increased the cost of purchasing these currencies during 2008 and second, an increase in expenditure in both currencies on Urgent Operational Requirements.
3. Based on drawings of foreign exchange.
4. A mix of export sales and receipts from other Government and International Organisations for services provided overseas and to overseas forces based in the UK.

# CHAPTER 1 – FINANCE

## DEFENCE CONTRACTS

This section presents an analysis of contracts placed, major equipment projects and payments made by the MOD to its suppliers. **Table 1.15** shows the number and value of contracts placed by type during 2008/09 and earlier years. **Table 1.16** presents more information on the MOD's major equipment projects. **Table 1.17** provides a list, by broad-banded value, of organisations paid £5 million or more during 2008/09. Following requests from UK industry, **Table 1.17a** provides a further dimension on the data contained within **Table 1.17** by presenting the individual subsidiary organisations “rolled up” into their holding companies. These data are based on information from the Financial Management Shared Service Centre (FMSSC) – who are responsible for setting up and paying the majority of the MOD contracts issued each year.

Information on Major Equipment Projects comes from the Major Projects Report. This details the largest post Main-Gate Approval Projects along with the largest pre Main-Gate Approval Projects. The full report provides a summary of each project's current status and progress to date. It also provides comparisons on current forecast costs and in-service dates. Smart Procurement stresses the importance of allocating appropriate resources in the early stages to reduce risk and increase confidence before the main investment decision is made. This is known as the Smart Procurement Acquisition Cycle. Under Resource Accounting and Budgeting, all costs are at estimated outturn prices and include ‘new’ types of cost such as the cost of capital charge.

### Main Findings

#### Contracts by Type (Table 1.15)

- In 2008/09 MOD HQ placed just over 24,000 contracts with a collective value of around £32.7 billion. This represents an annual increase of nearly 130% (£18.3 billion) when compared to the year before. This increase was largely due to a number of high value contracts which were let during the year, the most notable of which related to (a) the manufacture of the Future Aircraft Carrier (CVF) which was valued at some £3.1 billion and (b) the Future Strategic Tanker Aircraft with a contract valued at some £10.4 billion.
- The number of contracts placed in 2008/09 has increased slightly (by some 5%) compared to that reported for 2007/08. Please note that most contract payments are not made during the year in which the contract is placed.
- Of the total value of MOD HQ contracts placed in 2008/09 around 64% were priced by competition.

#### Major Equipment Projects (Table 1.16)

- The largest post Main-Gate equipment project by value is the Type 45 Destroyer (£6.5 billion). This is followed by the Astute Class Submarine (£3.8 billion) and the Nimrod Maritime Reconnaissance and Attack Mk4 (£3.6 billion).

# CHAPTER 1 - FINANCE

## DEFENCE CONTRACTS

**Table 1.15 Contracts Placed: By Type**

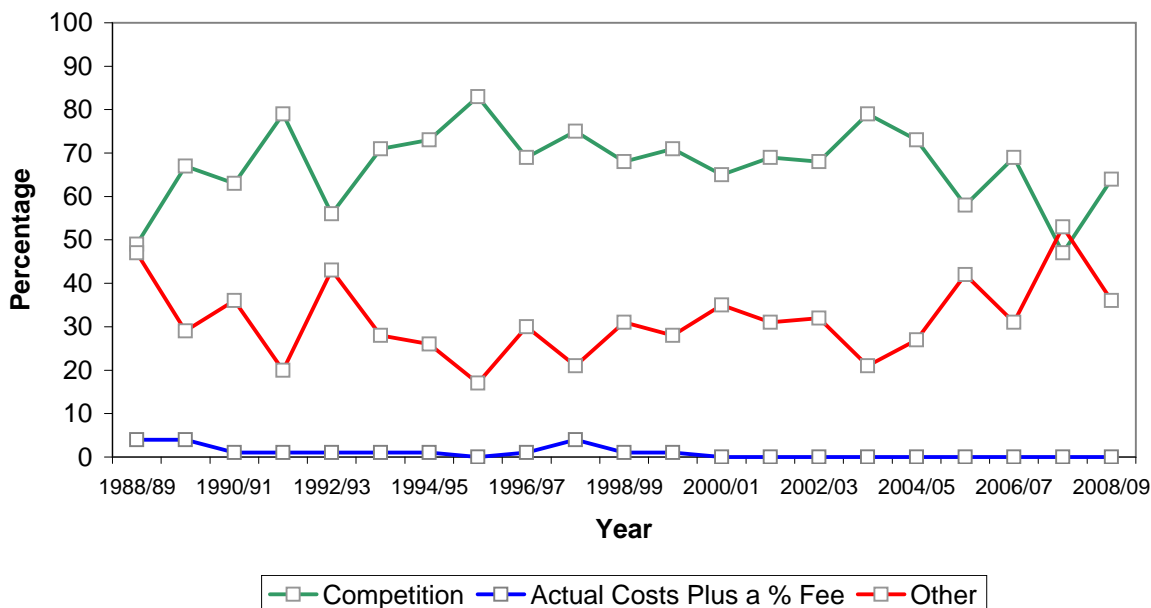
This table provides an analysis of MOD new contracts and value of amendments to **existing contracts** broken down by contract type. It includes contracts set up for payment through the Financial Management Shared Service Centre (FMSSC), who are responsible for the payment of the majority of MOD contracts.

	1990/91		1997/98		Current Prices (£ million)/Percentage						
	1990/91	1997/98	2002/03	2003/04	2004/05	2005/06	2006/07 <sup>1</sup>	2007/08	2008/09 <sup>2</sup>		
<b>Total Value of MOD HQ Contracts Placed<sup>3</sup></b>	<b>7 000</b>	<b>8 073</b>	<b>12 815</b>	<b>13 107</b>	<b>14 888</b>	<b>18 242</b>	<b>28 148</b>	<b>14 388</b>	<b>32 656</b>		
Percentage of Total Value:											
Contracts Priced by Competition	44	67	60	70	65	51	62	36	59		
Contracts Priced by Reference to Market Forces <sup>4</sup>	19	8	8	9	8	7	7	11	5		
Contracts Priced on Estimates at Outset or as soon as possible thereafter <sup>5</sup>	23	20	22	18	23	35	22	29	22		
Contracts Priced on Actual Costs with Incentives to Minimise Cost <sup>5</sup>	13	1	10	3	4	7	9	24	14		
Contracts Priced on Actual Costs plus a % Fee <sup>5</sup>	1	4	-	-	-	-	-	-	-		
			Number/Percentage								
<b>Total Number of MOD HQ Contracts Placed<sup>3</sup></b>	<b>99 000</b>	<b>91 481</b>	<b>45 569</b>	<b>36 610</b>	<b>27 419</b>	<b>25 865</b>	<b>22 712</b>	<b>22 910</b>	<b>24 045</b>		
Percentage of Total Number:											
Contracts Priced by Competition	17	47	34	37	40	41	41	40	41		
Contracts Priced by Reference to Market Forces <sup>4</sup>	68	37	37	41	28	33	31	31	25		
Contracts Priced on Estimates at Outset or as soon as possible thereafter <sup>5</sup>	13	15	28	21	31	24	27	26	25		
Contracts Priced on Actual Costs with Incentives to Minimise Cost <sup>5</sup>	1	-	1	1	1	2	1	3	9		
Contracts Priced on Actual Costs plus a % Fee <sup>5</sup>	1	1	-	-	-	-	-	-	-		

Source: MOD Commercial Project Enablement Team (CPET)

- The increase in the overall value of MOD contracts in 2006/07 and the subsequent fall in value in 2007/08 can be attributed to the placing of a £9 billion competitively let contract in 2006/07. This one contract has also impacted on the split between the value of competitively let contracts and the other categories.
- The increase in the overall value of MOD contracts in 2008/09 is due to a number of new high value equipment contracts and amendments to the value of existing contract arrangements. The most notable new contracts in 2008/09 were related (a) to the manufacture of the Future Aircraft Carrier (CVF) which was valued at some £3.1 billion and (b) the Future Strategic Tanker Aircraft with a contract valued at some £10.4 billion. It should be noted that the start date for this latter contract was 28 March 2008 but full details of the contract were not formally recorded on MOD financial systems until after 1 April 2008. This contract has therefore been counted in financial year 2008/09.
- Includes amendments which had financial implications for existing contracts.
- Includes the use of informal competitive tendering procedures and commercial price lists.
- Priced by reference to the Government profit formula.

### Value of Contracts Placed by Type



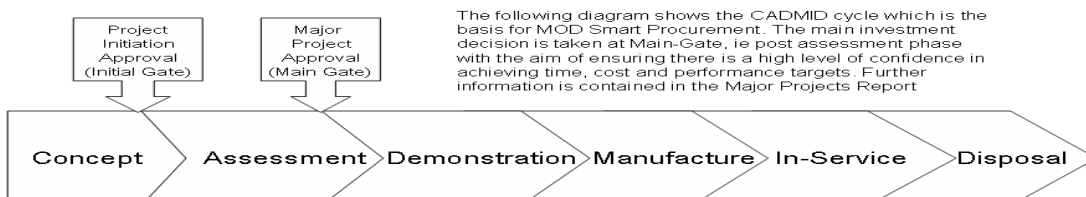
# CHAPTER 1 - FINANCE

## DEFENCE CONTRACTS

### Table 1.16 Major Equipment Projects

This table shows the MOD's major equipment projects as at 31 March 2008. It details the 20 largest projects on which the main investment decision has been taken (post Main-Gate) and the 10 largest projects yet to reach that point (pre Main-Gate). The information is taken from the Major Projects Report ([http://www.nao.org.uk/publications/0809/mod\\_major\\_projects\\_report\\_2008.aspx](http://www.nao.org.uk/publications/0809/mod_major_projects_report_2008.aspx)), relating to 31 March 2008, which provides a summary of each project's current status and progress to date.

Costs are on a resource basis at outturn prices. Forecast costs include accruals, VAT (less recoverable elements), resource elements such as interest on capital and inflation factors. Major Project Report costs relating to the pre-Main Gate projects are costs of the Assessment phase only. For post Main-Gate projects, costs are of the Demonstration and Manufacture phases.



As at 31 March 2008	MPR2008			
	In-Service date Forecast or Actual	Financial Years of Peak Expenditure <sup>1</sup>	Forecast Cost (£ million)	Change in Cost (£ million) from MPR2007
<b>Post Main Gate Major Equipment Projects (Projects in Demonstration and Manufacture Phase only)</b>				
A400M	2011	2010 & 2011	2 632	3
Advanced Jet Trainer <sup>2</sup>	2009	2007 & 2008	467	-
Astute Class Submarine	2009	2001 & 2005	3 806	8
Beyond Visual Range Air-To-Air Missile (BVRAAM) <sup>3</sup>	2013 & 2015	2010 & 2012	1 279	111
Falcon	2010	2008 & 2011	291	-1
Future Joint Combat Aircraft (JCA) <sup>4</sup>	..	2005 & 2007	1 834	-24
Future Lynx <sup>2</sup>	2014	2010 & 2011	1 911	-
Merlin Mk 1 Capability Sustainment Programme	2014	2009 & 2010	832	-
Modernised Target Acquisition Designation Sight/Pilots Night Vision Sensor <sup>2</sup>	2009	2008 & 2009	228	-
Naval Extremely High Frequency/Super High Frequency Satellite Communications Terminals <sup>2</sup>	2012	2008 & 2011	200	-
Next Generation Anti-Armour Weapon (NLAW)	2009	2006 & 2007	310	- 8
Nimrod Maritime Reconnaissance and Attack Mk4	2010	2002 & 2004	3 602	102
Soothsayer	2009	2005 & 2010	202	7
Sting Ray Lightweight Torpedo Life Extension and Capability Upgrade	2006	2007 & 2008	576	- 1
Support Vehicle	2008	2009 & 2010	1 272	9
Terrier	2011	2008 & 2009	313	14
Type 45 Destroyer	2010	2003 & 2004	6 464	-
Typhoon <sup>5</sup>	2003	2005 & 2006	*	*
Typhoon Future Capability Programme <sup>2</sup>	2012	2008 & 2009	436	-
Watchkeeper	2010	2009 & 2010	898	-3

As at 31 March 2008	MPR 2008 Forecast Cost (£ million)
<b>Pre Main Gate Major Equipment Projects (Projects in Assessment Phase only)</b>	
Eagle	4
Future Aircraft Carrier (CVF)	297
Future Integrated Soldier Technology (FIST)	142
Future Rapid Effects System	319
Future Strategic Tanker Aircraft (FSTA)	38
Indirect Fire Precision Attack (IFPA)	212
Maritime, Airborne, Surveillance, and Control (MASC)	7
Military Afloat Reach & Sustainability (MARS) <sup>5</sup>	*
Search and rescue - Helicopter (SAR-H)	11
UK Military Flying Training System (UKMFTS) - Holistic	32

Source: Defence Equipment & Support

1. Financial Year commencing 1 April - not necessarily concurrent years.
2. Cost comparison not possible as project did not appear in previous MPR.
3. In Service Date (ISD) redefined in MPR 2008 to reflect two-stage approach to delivering the capability
4. The tailored Demonstration Main Gate noted but did not approve ISD.
5. Cost data excluded on grounds of commercial sensitivity.

# CHAPTER 1 - FINANCE

## DEFENCE CONTRACTS

**Table 1.17 Organisations paid £5 million or more by the Ministry of Defence in 2008/09**

This table shows a listing of the UK and foreign owned organisations, including defence suppliers and intermediate bodies paid through the Financial Management Shared Service Centre (FMSSC). The term 'defence suppliers' includes defence contractors, Defence Agencies and other Government Departments. The FMSSC is responsible for the majority of such payments (around 95% by value) made by MOD. Other payments are made, for example, via British Defence Staff (United States), MOD Trading Funds and through local cash offices. The table is split into payment groups with the organisations shown in **alphabetical order**. Company and organisation names have been reproduced (at the 1 April 2009 position) directly from the truncated entries recorded on the FMSSC database and may appear in a shortened format in places. **Where a contract is novated during the year, annual payments are shown against the new 'owner' (company or entity) of that contract.**

VAT exclusive at Current Prices (£ million)

<b>Over £500 million (7 Organisations)</b>		
AWE Management Ltd	EDS Defence Ltd	Westland Helicopters Ltd
BAE Systems (Operations) Ltd	NETMA	
BVT Surface Fleet Ltd	QinetiQ Ltd	
<b>£250 - £500 million (11 Organisations)</b>		
BAE Systems Electronics Ltd	Debut Services Ltd <sup>1</sup>	OCCAR-EA <sup>2</sup>
BAE Systems Land Systems (Munitions & Ordnance) Ltd	Defence Science & Technology Laboratory	Paradigm Secure Communications Ltd
BAE Systems Land Systems (Weapons & Vehicles) Ltd	Devonport Royal Dockyard Ltd	Rolls-Royce Power Engineering PLC
British Telecommunications PLC	MBDA UK Ltd	
<b>£100 - £250 million (29 Organisations)</b>		
Annington Receivables Ltd	Defence Support Group (DSG) <sup>3</sup>	Raytheon Systems Ltd
Aspire Defence Ltd	General Dynamics United Kingdom Ltd	Reserve Forces and Cadets Associations <sup>4</sup>
Babcock Support Services Ltd	Hess Energy Trading Company (UK) Ltd	Rolls-Royce PLC
BAE Systems Integrated System Technologies Ltd	Kellogg Brown & Root Ltd	Serco Ltd
BAE Systems Marine Ltd	Man Truck & Bus UK Ltd	Thales UK Ltd
Barclays Bank PLC	Marshall Of Cambridge Aerospace Ltd	The Boeing Company
BP Oil International Ltd	Meteorological Office	US Treasury
BVT Surface Fleet Support Ltd	Modern Housing Solutions (Prime) Ltd	VT Flagship Ltd
Carillion Enterprise Ltd	Pride (Serp) Ltd	VT Land (Whitefleet Management) Ltd
Defense Finance and Accounting Service Columbus	Purple Foodservice Solutions Ltd	
<b>£50 - £100 million (38 Organisations)</b>		
Air Partner PLC	IBM UK Ltd	Selex Sensors and Airborne Systems Ltd
Aviation Training International Ltd	Interserve (Defence) Ltd	Serco Denholm Marine Services Ltd
Babcock Dyncorp Ltd	Landmarc Support Services Ltd	SHAPE
Babcock Marine (Clyde) Ltd	Lockheed Martin Aerospace Systems Integration Corporation	Shell Marine Products Ltd
British Energy Direct Ltd	Lockheed Martin UK INSYS Ltd	Sodexo Defence Services Ltd
Cammell Laird Shiprepairers and Shipbuilders Ltd	Modus Services Ltd	SSE Energy Supply Ltd
Central Office of Information	Motor Oils (Hellas) Corinth Refineries SA (MOH)	Supreme Fuels GMBH and Co KG
Chapman Freeborn Airc chartering Ltd	NAMSA	Thales Air Defence Ltd
Europaams SAS	NATO	Thales Optronics Ltd
FBS Ltd	Northrop Grumman Overseas Service Corporation	Turner Estate Solutions Ltd
Foreign and Commonwealth Office	NP Aerospace Ltd	Ultra Electronics Ltd
Fujitsu Services Ltd	RMPA Services PLC	United States Government
HCR Ltd	Rolls-Royce Turbomeca Ltd	
<b>£25 - £50 million (51 Organisations)</b>		
ALC (SPC) Ltd	Guy's & St Thomas NHS Foundation Trust	Rheinmetall Waffe Munition GmbH
Aramark Ltd	H M Revenue and Customs	Royal & Sun Alliance Insurance PLC
Babcock Marine (Rosyth) Ltd	Henry Brothers (Magherafelt) Ltd	Saab AB (PUBL)
BAE Systems Hagglands AB	Hirtenberger Defence Systems GmbH & Co Kg	Saab Bofors Dynamics AB
Brey Utilities Ltd	Holdfast Training Services Ltd	Selex Communications Ltd
British Gas Trading Ltd	Iturri SA	Shell UK Ltd
CAE Aircrew Training Services PLC	Lockheed Martin UK Ltd	Software Box Ltd
Cap Gemini UK PLC	Logica UK Ltd	Supreme Fuels Trading Fze
Coast To Coast Water Ltd	M & S Shipping (International) Ltd	Thales Naval Ltd
Commonwealth War Graves Commission	Mansell Construction Services Ltd	Thales Underwater Systems Ltd
Compass Services (UK) Ltd	McDonnell Douglas Corporation	The Services Sound and Vision Corporation
Cooneen Watts & Stone Ltd	NATO Consultation Command and Control Agency	Total Gas and Power Ltd
Defence Management (Watchfield) Ltd	NATS (En Route) PLC	Vector Aerospace International Ltd
Eastbury Park Ltd	Northrop Grumman Information Technology International Inc	VT Aerospace Ltd
ESSO Petroleum Company Ltd	NSAF Ltd	VT Land Ltd
Eurocopter	Office of Communications (OFCOM)	
Foreland Shipping Ltd	Rail Settlement Plan Ltd	
FR Aviation Ltd	Receiver General for Canada	

Source: DASA (Defence Expenditure Analysis)

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# CHAPTER 1 - FINANCE

## DEFENCE CONTRACTS

**Table 1.17 Organisations paid £5 million or more by the Ministry of Defence in 2008/09 (continued)**

VAT exclusive at Current Prices (£ million)

<b>£10 - £25 million (95 Organisations)</b>		
A & P Group Ltd	David Brown Gear Systems Ltd	Navy Army and Air Force Institutes
AAH Pharmaceuticals Ltd	Defence Training Services Ltd	Paradigm Services Ltd
Advanced Material Engineering PTE. Ltd	Denel (Pty) Ltd	Perkins Engines Company Ltd
Airborne Systems Ltd	DHL Global Forwarding (UK) Ltd	Post Office Ltd
Anteon Ltd	EADS Defence and Security Systems Ltd	Qioptiq Ltd
Arval PHH Business Solutions Ltd	Electricity Authority of Cyprus	Raytheon Company
Ascent Flight Training (Management) Ltd	Falcon Support Services Ltd	Raytheon/Lockheed Martin Javelin Joint Venture
Astrum (UK) Ltd	Fast Training Services Ltd	Rockwell Collins UK Ltd
Atkins Consultants Ltd	Fastrax Ltd	RUAG Ammotec
Avenance PLC	FB Heliservices Ltd	Ryder Deutschland GmbH
Babcock International Group PLC	Gallagher Bassett International Ltd	Scottish Power Energy Retail Ltd
BAE Systems (Defence Systems) Ltd	GB Oils Ltd	Seafast Logistics PLC
BAE Systems Bofors AB	GE Aviation Systems Ltd	Seyntex NV
BAE Systems Information and Electronic Systems Integration	General Dynamics Ordnance and Tactical Systems - Canada Inc	Singapore Technologies Kinetics Ltd
Barloworld Handling Ltd	Genistics Ltd	SSAFA GSTT Care LLP
Bechtel Ltd	Goodrich Control Systems Ltd	Steria Ltd
Bonar Floors Ltd	Government Communications HQ	Systems Consultants Services Ltd
BP International Ltd	Haymills (Contractors) Ltd	Thales Avionics Ltd
Britten-Norman Aircraft Ltd	Inchcape Shipping Services Ltd	Thales Communications Inc
BVT Surface Fleet Maritime Ltd	Inviron Ltd	Thales Training & Simulation (Ace) Ltd
BVT Surface Fleet Portsmouth Ltd	J&P (O) Joint Venture-Accommodation Services	Thales Training & Simulation (Merlin) Ltd
CADG Engineering Pte Ltd	John Graham (Dromore) Ltd	The Treasury Solicitor
Carillion (AMBS) Ltd	LA International Computer Consultants Ltd	The United Kingdom Hydrographic Office
Cartus Ltd	Lockheed Martin Aeronautics Company	Turbomeca UK Ltd
Centerprise International Ltd	Lockheed Martin Maritime Systems and Sensors	Turner Facilities Management Ltd
Chemring Counter Measures Ltd	Lockheed Martin Overseas Corporation	United Tool Distributors Ltd
Chemring Defence UK Ltd	Manroy Engineering Ltd	Vega Consulting Services Ltd
Clark Construction Ltd	Marlborough Communications Ltd	Veolia Water Nevis Ltd
Companhia Brasileira De Cartuchos	Mass Consultants Ltd	VSM Estates Ltd
Compass Group UK and Ireland Ltd	Microsoft Ireland Operations Ltd	VT Communications Ltd
Corporate Document Services Ltd	Minerva Education and Training Ltd	World Fuel Services Europe Ltd
Cranfield University	NATO Maintenance and Supply Agency	
<b>£5 - £10 million (139 Organisations)</b>		
01DB-Metravib	Deflog VQ Trust Ltd	James Fisher Marine Services Ltd
A&P Falmouth Ltd	Deloitte MCS Ltd	KPMG LLP
ADS Gesellschaft Fur Active Schutzsysteme Mbh	Department for Work and Pensions	Kylmar (KMC) Ltd
Aerosystems International Ltd	Detica Ltd	Land and Property Services
Aggregate Industries UK Ltd	Diplomat Freight Services Ltd	Lincad Ltd
Alert Communications Ltd	Divex Ltd	Lockheed Martin Systems Integration-Owego
Alliant Techsystems Inc	Drumgrange Ltd	Lockheed Martin UK Integrated Systems & Solutions Ltd
Amec(AGL) Ltd	Dytecna Ltd	London and Regional (St Georges Court) Ltd
Argyll & Bute Council	E2V Technologies (UK) Ltd	M S I - Defence Systems Ltd
Athens	Entec UK Ltd	Man Diesel Ltd
Atkins Ltd	F N Herstal SA	Martin-Baker Aircraft Company Ltd
Aviation Requirements Ltd	Ferranti Technologies Ltd	Meggitt Defence Systems Ltd
BAE Systems Land Systems Pinzgauer Ltd	Finning (UK) Ltd	Microsoft Ltd
BAE Systems / Rockwell Collins Data Link Solutions LLC	Frimley Park Hospital NHS Foundation Trust	Mitie Engineering Maintenance Ltd
Bayford & Co Ltd	G3 Systems Ltd	Modis International Ltd
BMT Defence Services Ltd	G4S FSI Ltd	Monarch Airlines Ltd
BOC Ltd	Global Radiodata Communications Ltd	Morgan Ashurst PLC
BP Oil UK Ltd	Golley Slater and Partners Ltd	NSSL Ltd
Bristol Aerospace Ltd	H M Treasury	Nuclear Decommissioning Authority
British International Helicopter Services Ltd	Hawker Beechcraft Corporation	Oracle Corporation UK Ltd
Burness Corlett - Three Quays Ltd	Hawker Beechcraft Ltd	PA Consulting Services Ltd
BVT Surface Fleet Integrated Support Ltd	Hesco Bastion Ltd	Pace Petroleum Ltd
Cabinet Office	Hewlett-Packard Ltd	Palletways (UK) Ltd
CAE (UK) Ltd	Hogg Robinson (Travel) Ltd	Parity Solutions Ltd
Canon (UK) Ltd	Homes and Communities Agency	Petards Joyce-Loebl Ltd
CCRE Touchstone Ltd	Honeywell Aerospace UK	Peterborough and Stamford Hospitals NHS Foundation Trust
CEPSA	Ian Edgar (Liverpool) Ltd	Portsmouth Aviation Ltd
Chevron Singapore Pte Ltd	Imes Strategic Support Ltd	Racal Acoustics Ltd
City of Westminster	Inteq Services Ltd	Recon International Ltd
Compass Contract Services (UK) Ltd	ISS Mediclean Ltd	Reed Employment PLC
Converteam Ltd	Istec Services Ltd	Remploy Ltd
Cubic Defense Applications Inc	J & S Franklin Ltd	RFD Beaufort Ltd

Source: DASA(Defence Expenditure Analysis)

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# CHAPTER 1 - FINANCE

## DEFENCE CONTRACTS

**Table 1.17 Organisations paid £5 million or more by the Ministry of Defence in 2008/09 (continued)**

<b>£5 - £10 million (139 organisations)</b>		
Ricardo UK Ltd	Sodexo Ltd	Universal Engineering Company (Charlestown) Ltd
Right Management Ltd	South Gloucestershire Council	University Hospital Birmingham NHS Foundation Trust
Royal Air Force Museum	South Tees Hospitals NHS Trust	Vector Aerospace Engine Services UK Ltd
Royal Hospital	Specialist Computer Centres PLC	VT Flagship Fire Fighting Training Ltd
Royal Mail Group PLC	SSAFA Family Health Services	VT Training PLC
Ryder PLC	Supacat Ltd	Wallop Defence Systems Ltd
S.Com Group Ltd	Systems Engineering & Assessment Ltd	Wellman Defence Ltd
Saab Training Systems AB	Technogym UK Ltd	Wescam Inc
Saft Ltd	Terberg DTS (UK) Ltd	West Berkshire District Council
SCA Packaging Ltd	Thales Training and Simulation Ltd	Wiltshire and Somerset Colleges Partnership Ltd
Scottish and Southern Energy PLC	Thistle Garments Ltd	Wiltshire Council
Sea Cadet Corps	Trant Construction Ltd	Wrekin Construction Company Ltd
Security Services Group	Tricomm Housing Ltd	WYG Management Services Ltd
Sefa Contractors JV	TRL Technology Ltd	
Smit International (Scotland) Ltd	Trustmarque Solutions Ltd	

Source: DASA(Defence Expenditure Analysis)

1. Debut Services Ltd includes payments made to Debut Services Ltd and Debut Services (South West) Ltd.
2. OCCAR-EA includes payments made to OCCAR-EA and Organisation for Joint Armaments Co-operation Executive Admin.
3. On 22 May 2007 it was announced that ABRO business units would merge with those of Defence Aviation Repair Agency (DARA) to form a single new Government owned organisation called Defence Support Group (DSG).
4. Reserve Forces and Cadets Association includes payments made to: the Council of Reserve Forces and Cadets Association, Reserve Forces and Cadets Association for East Anglia, Lowland Reserve Forces and Cadets Association, Reserve Forces and Cadets Association for Wales, Reserve Forces and Cadets Association for Greater London, South East Reserve Forces and Cadets Association, The Highland Reserve Forces and Cadets Association, The Reserve Forces and Cadets Association for the North of England, The Reserve Forces and Cadets Association for Yorkshire and the Humber, The Wessex Reserve Forces and Cadets Association, West Midland Reserve Forces and Cadets Association, Reserve Forces and Cadets Association for Northern Ireland, Council of Reserve Forces and Cadets Associations Pension Scheme, The Reserve Forces and Cadets Association for the North West of England and the Isle of Man and The United Kingdom Reserve Forces Association.

# CHAPTER 1 - FINANCE

## DEFENCE CONTRACTS

**Table 1.17a Private Sector Companies paid £50 million or more by the Ministry of Defence in 2008/09: By Holding Company**

This table shows a subset of the data contained within **Table 1.17**, providing a listing of the Private Sector Companies that were paid £50 million or more through the Financial Management Shared Service Centre (FMSSC) in 2008/09.

This listing details the individual subsidiaries listed in **Table 1.17** 'rolled up' by holding company and single entity private companies where no other subsidiary has been recorded by the FMSSC. The term 'holding company' refers to companies which are full or part owner of other companies (subsidiaries and joint ventures). The table includes only those subsidiaries where the MOD has made payments during 2008/09 and therefore, is not an exhaustive listing of all subsidiaries and joint ventures relating to that holding company. It also excludes those companies and/or joint ventures which work as part of a consortium. Payments to joint ventures have been allocated to their parent holding companies in proportion to their equity holdings. The table excludes all payments made to public sector bodies, government departments and agencies, local authorities, MOD trading funds, multi nation project management agencies, charities and associations.

Please note that the placement of companies by payment bandings may differ from **Table 1.17** as the sum of the annual payments made to the holding company will exceed the values for individual subsidiaries listed in **Table 1.17**. The composition of Holding Companies in terms of their subsidiaries is derived as at **31 March 2009**. A listing of each company's subsidiaries and joint ventures, who have made payments during 2008/09 can be found in the footnotes below. It is recognized that the structure and ownership of modern corporations is dynamic and changes frequently. The FMSSC are responsible for the majority of such payments (around 95% by value) made by MOD. Other payments are made, for example, via British Defence Staff (United States), MOD Trading Funds and through local cash offices. The table is split into payment groups with the companies shown in **alphabetical order**. Company and organisation names have been reproduced (at 1 April 2009 position) directly from the truncated entries recorded on the FMSSC database and may appear in a shortened format in places.

Where a contract is novated during the year, annual payments are shown against the new 'owner' (company or entity) of that contract.

VAT exclusive at current prices (£ million)		
<b>Over £500 million (10 Companies)</b>		
Babcock International Group PLC <sup>1</sup>	Lockheed Martin Corporation <sup>5</sup>	Thales SA <sup>9</sup>
BAE Systems PLC <sup>2</sup>	QinetiQ Group PLC <sup>6</sup>	VT Group PLC <sup>10</sup>
Finmeccanica SpA <sup>3</sup>	Rolls-Royce Group PLC <sup>7</sup>	
Hewlett-Packard Company <sup>4</sup>	Serco Group PLC <sup>8</sup>	
<b>£250 - £500 million (4 Companies)</b>		
BT Group PLC <sup>11</sup>	General Dynamics Corporation <sup>13</sup>	
EADS NV <sup>12</sup>	Jacobs Engineering Group Inc. <sup>14</sup>	
<b>£100 - £250 million (17 Companies)</b>		
Aspire Defence Holdings Ltd <sup>15</sup>	Kirk Cayman Ltd <sup>21</sup>	Royal Dutch Shell PLC <sup>27</sup>
BP PLC <sup>16</sup>	Le Grand Annington Ltd <sup>22</sup>	Scottish & Southern Energy PLC <sup>28</sup>
Carillion PLC <sup>17</sup>	Lend Lease Corporation Ltd <sup>23</sup>	Sodexo SA <sup>29</sup>
Hess Corporation <sup>18</sup>	Man SE <sup>24</sup>	The Boeing Company <sup>30</sup>
Interserve PLC <sup>19</sup>	Marshall of Cambridge <sup>25</sup>	Turner & Co (Glasgow) Ltd <sup>31</sup>
KBR Inc <sup>20</sup>	Raytheon Company <sup>26</sup>	
<b>£50 - £100 million (17 Companies)</b>		
Air Partner PLC <sup>32</sup>	HCR Group Holdings Ltd <sup>38</sup>	Peel Ports Holding (CI) Ltd <sup>44</sup>
Chapman Freeborn International Ltd <sup>33</sup>	International Business Machines Corporation <sup>39</sup>	RMPA Holdings Ltd <sup>45</sup>
Clearpower Ltd <sup>34</sup>	Modus Services (Holdings) Ltd <sup>40</sup>	SAAB AB <sup>46</sup>
Cobham PLC <sup>35</sup>	Motor Oil (Hellas) Corinth Refineries SA <sup>41</sup>	Supreme Group Holding Sarf <sup>47</sup>
EDF Electricite de France SA <sup>36</sup>	Nats Holdings Ltd <sup>42</sup>	Ultra Electronics Holdings PLC <sup>48</sup>
Fujitsu Limited <sup>37</sup>	Northrop Grumman Corporation <sup>43</sup>	

Source: DASA (Defence Expenditure Analysis)

1. Babcock International Group PLC includes payments made to Babcock Defence Systems Ltd, Babcock Dyncorp Ltd, Babcock International Group PLC, Babcock Marine (Clyde) Ltd, Babcock Marine (Rosyth) Ltd, Babcock Support Services Ltd, BNS Nuclear Services Ltd, Debut Services (South West) Ltd, Debut Services Ltd, Devonport Royal Dockyard Ltd, Frazer-Nash Consultancy Ltd, Holdfast Training Services Ltd, LSC Group Ltd, Rosyth Royal Dockyard Pension Scheme, Strachan & Henshaw Ltd and Weir Strachan & Henshaw Ltd.

2. BAE Systems PLC includes payments made to Aerosystems International Ltd, BAE Systems (Aviation Services) Ltd, BAE Systems (Defence Systems) Ltd, BAE Systems (Hawk Synthetic Training) Ltd, BAE Systems (Operations) Ltd, BAE Systems Australia Ltd, BAE Systems Bofors AB, BAE Systems CNIR, BAE Systems Defence Ltd, BAE Systems Electronics & Integrated Solutions, BAE Systems Electronics Ltd, BAE Systems Haaglunds AB, BAE Systems Information & Electronic Systems Integration Inc, BAE Systems Information & Electronic Warfare Systems, BAE Systems Integrated System Technologies Ltd, BAE Systems Land Systems (Bridging) Ltd, BAE Systems Land Systems (Munitions & Ordnance) Ltd, BAE Systems Land Systems (Weapons and Vehicles) Ltd, BAE Systems Pinzgauer Ltd, BAE Systems Marine Ltd, BAE Systems National Security Solutions Inc, BAE Systems Pension Funds Trustees Ltd, BAE Systems PLC, BAE Systems Projects (Canada) Ltd, BAE Systems Properties Ltd, BAE Systems Surface Fleet Solutions Ltd, BAE Systems/Rockwell Collins Data Link Solutions LLC, BVT Surface Fleet Integrated Support Ltd, BVT Surface Fleet International Ltd, BVT Surface Fleet Ltd, BVT Surface Fleet Maritime Ltd, BVT Surface Fleet Portsmouth Ltd, BVT Surface Fleet Support Ltd, Corda Ltd, Fleet Support Ltd, IFS Defence Ltd, Information Science Consultants Ltd, MBDA UK Ltd, Piper Group PLC, SAAB AB (Publ), SAAB AB Gripen, SAAB Bofors Dynamics AB, SAAB Seaeys Ltd, SAAB Training Systems (UK) Ltd and SAAB Training Systems AB.

3. Finmeccanica SpA includes payments made to AgustaWestland International Ltd, Aviation Training International Ltd, DRS Data Services Ltd, DRS EW & Network Systems Inc, DRS Sensors and Targeting Systems Inc, DRS Technologies UK Ltd, Galileo Avionica Spa, MBDA UK Ltd, Selex Communications Ltd, Selex Sensors & Airborne Systems Ltd, Selex Systems Integration Ltd, Vega Consulting Services Ltd and Westland Helicopters Ltd.

4. Hewlett-Packard Company includes payments made to EDS Defence Ltd, Electronic Data Systems Ltd, Hewlett-Packard Ltd and Hewlett-Packard South Africa (Pty) Ltd.

5. Lockheed Martin Corporation includes payments made to Ascent Flight Training (Management) Ltd, AWE Management Ltd, AWE PLC, Lockheed Martin Aeronautics Company, Lockheed Martin Aerospace Systems Integration Corp, Lockheed Martin Canada Inc, Lockheed Martin Corp, Lockheed Martin Maritime Systems & Sensors Ltd, Lockheed Martin Overseas Corp, Lockheed Martin Sippican Inc, Lockheed Martin System Integration-Owego Ltd, Lockheed Martin UK Insys Ltd, Lockheed Martin UK Integrated Systems & Solutions Ltd, Lockheed Martin UK Ltd and Raytheon/Lockheed Martin Javelin Joint Venture.

Footnotes continued on next page



# CHAPTER 1 – FINANCE

## INTERNATIONAL DEFENCE

This section presents information on the MOD's commitment to conflict prevention, contextual information on NATO countries' defence expenditure and information on the top world-wide military spenders. **Table 1.18** presents the estimated costs incurred by the MOD in respect of operations and peacekeeping exercises during the past three financial years. **Table 1.19** details the defence expenditure in Constant 2008 Prices & Current Exchange Rates (US\$ Billions) for each of the NATO member states. **Table 1.20** presents the defence expenditure as a percentage of GDP for each of the NATO countries. **Table 1.21** details the top 15 military spenders worldwide, ranked using Market Exchange rates and Purchasing Power Parity rates.

### Main Findings

#### MOD Operations and Peacekeeping (Table 1.18)

- In 2008/09, the MOD spent just over £4.0 billion on conflict prevention worldwide.
- The net additional cost incurred by the MOD as a result of operations in Iraq and Afghanistan was around £1.4 billion and £2.6 billion respectively.

#### NATO Countries' Defence Expenditure (Tables 1.19 and 1.20)

- The UK is the third largest military spender in NATO after the USA and France.
- USA, Greece and Bulgaria have the highest estimated total defence expenditure as a percentage of GDP for NATO Countries at 3.9%, 2.8% and 2.6% respectively.

#### Top Worldwide Military Spenders (Table 1.21)

- In 2008, total worldwide military expenditure is estimated to be nearly US\$1.5 Trillion at current prices and exchange rates.
- The USA is the world's largest military spender accounting for 42% of worldwide expenditure in 2008.
- In 2008, the UK is the fourth largest military spender, accounting for around 5% of worldwide military spend, behind the USA, China and France (using comparisons based on market exchange rates). The UK is fifth, based on purchasing power parity comparisons, after USA, China, India and Russia.

#### Sources of International Defence data

International Defence statistics are available in a variety of publications and on a substantial number of websites. A selection of sources, which may prove useful in making these sorts of comparisons are listed in the Bibliography and Useful Websites sections. The UK Ministry of Defence has no control over the quality, reliability and coverage of data contained within these sources and does not endorse any specific output.

**Data provided in Tables 1.19, 1.20 and 1.21 fall outside the scope of National Statistics and as such, must be regarded as illustrative only.**

# CHAPTER 1 – FINANCE

## INTERNATIONAL DEFENCE

### Limitations of International Defence data

Data on defence expenditure are associated with a number of limitations, of which there are three main types: reliability, validity and comparability.

The main problems associated with reliability stem from the limited and varying definitions of defence expenditure. The coverage of official data on defence expenditure varies significantly between countries, over time for the same country and, furthermore, in some countries actual expenditure may be very different from budgeted expenditure. These factors limit the utility of international defence expenditure.

A further reason for their limited utility is the very nature of expenditure data. The fact that they are merely input measures gives them limited utility as an indicator of military strength or capability. In reality, the composition of military expenditure has a major impact on the military capability it provides, as does the technological level of military equipment, the state of maintenance and repair, and so on. The most appropriate use of defence and military expenditure data, even when reliably measured and reported, is therefore as an indicator of the economic resources consumed for military purposes.

Comparisons of the defence spending of different countries confront two significant problems. Firstly, while there are standard definitions of defence spending and accounting conventions used by the international organisations, principally the UN, not all countries record and publish their defence spending in accordance with such definitions and conventions. Secondly, conversion into a common currency using market exchange rates (MER) tends to undervalue the currency and hence the scale of expenditure of lower income countries. Attempts are often made to circumvent this problem using purchasing power parity (PPP) measures. These use currency conversion rates which equalise the overall price of a bundle of goods and services in each country. However PPP measures can be highly inaccurate because of the difficulty of allowing for differences in quality and devising appropriate and relevant “weighting” of individual goods and services. Civilian based PPPs may also not be representative of defence goods and services.

While these problems are fairly insignificant in relation to the comparison of defence spending between NATO members in **Table 1.19**, they are substantial in relation to the global comparison in **Table 1.21**.

### Note on revised NATO definition

The NATO definition for defence expenditure includes the activities of other countries that provide Military Assistance but excludes countries receiving assistance. The NATO definition differs from national definitions so the figures quoted may diverge considerably from those given in national budgets.

Additionally, from 2004 NATO has adopted a revised definition covering the defence expenditure of member states. The new definition also seeks to exclude expenditure on Other Forces which are structured, equipped and trained to support defence forces and which are realistically deployable. Most nations have now reported defence expenditures according to this new definition, and in some cases (Greece, Turkey, Italy, Luxembourg, Portugal and Turkey), this has resulted in a significant apparent decrease in defence expenditures.

More information relating to the revised NATO definition can be found on the NATO website at: [http://www.nato.int/issues/defence\\_expenditures/index.html](http://www.nato.int/issues/defence_expenditures/index.html)

# CHAPTER 1 - FINANCE

## INTERNATIONAL DEFENCE

### Table 1.18 MOD Operations and Peacekeeping Costs<sup>1</sup>

This table shows a breakdown of the actual net operating and capital costs for the three main operations currently undertaken by the MOD. These costs cover the net additional costs (both direct and indirect) incurred by the Department as a result of major military operations: that is, those costs over and above those that the Department would have incurred had the operation not been undertaken. For example, expenditure on wages and salaries or savings from cancelled training exercises are deducted from the total cost of the operation.

	Inclusive of non-recoverable VAT at Current Prices (£ million)								
	Iraq			Afghanistan			Balkans		
	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
<b>Total by Operation</b>	<b>956</b>	<b>1 457</b>	<b>1 381</b>	<b>738</b>	<b>1 504</b>	<b>2 623</b>	<b>56</b>	<b>26</b>	<b>22</b>
<b>Total Operating Costs</b>	<b>787</b>	<b>1 055</b>	<b>1 124</b>	<b>560</b>	<b>1 071</b>	<b>1 655</b>	<b>55</b>	<b>26</b>	<b>22</b>
<i>of which:</i>									
<b>Direct Costs:</b>									
Service Manpower	100	98	115	49	85	73	11	2	2
Civilian Manpower	15	14	21	4	9	15	5	2	1
Infrastructure costs	83	130	133	101	149	162	13	8	5
Equipment support	206	278	306	112	200	384	6	1	-
Other costs and services	137	162	153	89	160	312	14	7	9
Income <sup>2</sup>	5	4	-	(2)	11	(24)	(10)	(1)	(2)
Stock consumption	218	237	207	164	301	527	15	6	6
<b>Indirect Costs:</b>									
Stock write off / (write-on)	-	-	1	-	4	-	-	-	-
Provisions	6	5	-	-	-	-	1	(1)	-
Depreciation, amortisation (including UOR <sup>3</sup> ) and fixed asset write-off	14	119	164	39	143	187	-	-	-
Cost of capital	3	8	24	2	9	18	-	-	-
<b>Total Capital Costs</b>	<b>169</b>	<b>403</b>	<b>257</b>	<b>178</b>	<b>433</b>	<b>968</b>	<b>1</b>	<b>-</b>	<b>-</b>
<i>Of which:</i>									
<b>Capital Costs (by area)</b>									
Capital addition (including UOR's and Recuperation)	169	403	257	178	433	968	1	-	-

Source: MOD Annual Report & Accounts

1. Excludes programme expenditure grouped in either the African or Global pools.
2. Positive figures on the income line represent the cost of income foregone i.e. loss of receipts as a result of conducting operations (e.g. food and accommodation receipts in respect of deployed personnel). Negative figures (shown in brackets) on the income line represent income generated on operations (e.g. support to other nations in respect of catering and medical services).
3. UOR = Urgent Operational Requirements

# CHAPTER 1 - FINANCE

## INTERNATIONAL DEFENCE

**Table 1.19 NATO Countries' Defence Expenditure 2004 - 2008**

This table shows defence payments accrued within financial years 2004-2008 for NATO member states. **Figures are stated at 2008 US dollar constant prices and current exchange rates.** They have been derived by DASA from Table 1 in the NATO Press Release "Financial and Economic Data Relating to NATO Defence" dated 19th February 2009 which is available on the NATO website ([http://www.nato.int/cps/en/SID-8CDA6C58-D5DB0B60/natolive/news\\_50991.htm?selectedLocale=en](http://www.nato.int/cps/en/SID-8CDA6C58-D5DB0B60/natolive/news_50991.htm?selectedLocale=en)). These figures have not been endorsed by NATO.

The NATO definition of defence expenditure differs from national definitions so the figures quoted may diverge considerably from those given in national budgets. Expenditure is included for countries that provide Military Assistance. Expenditure is not included for countries receiving assistance. The financial year has been designated by the year which includes the highest number of months. For example, year 2007 represents 2007/08 for Canada and the United Kingdom and 2006/07 for the United States (where the financial year for United States runs from October through to September).

Defence expenditures have been calculated on the basis of the revised NATO definition agreed in 2004. Most nations have now reported defence expenditures according to this new definition. More information on the new NATO definition can be found in the **International Defence notes and key trends**.

**Differences between the totals and sums of the components are caused by rounding.**

**The data in this table are outside the scope of National Statistics because they are provided by an organisation outside the UK Government Statistical Service.**

Constant 2008 Prices & Current Exchange Rates (US\$ billion)

Country	2004	2005	2006	2007	Estimated 2008
<b>NATO Total<sup>1,2</sup></b>	<b>802.4 II</b>	<b>831.7 II</b>	<b>845.3 II</b>	<b>881.3 II</b>	<b>895.2</b>
<b>NATO - Europe<sup>1,2</sup></b>	<b>268.5 II</b>	<b>271.3 II</b>	<b>275.2 II</b>	<b>294.1 II</b>	<b>300.8</b>
Belgium	4.8	4.6	4.5	5.3	5.5
Bulgaria <sup>1,3</sup>	0.7	0.7 II	0.9	1.2	1.3
Czech Republic	2.2	2.4	2.5	2.6	3.2
Denmark	4.0	3.8	4.1	4.3	4.4
Estonia <sup>1</sup>	0.2	0.2	0.2	0.4	0.5
France <sup>4,5</sup>	59.4	57.4 II	58.5	63.1	66.2
Germany	42.6	41.3	40.0	43.5	46.2
Greece <sup>6</sup>	6.7	7.3	7.7	8.4	10.0
Hungary <sup>6</sup>	1.7	1.7	1.5	1.8	1.8
Italy <sup>6</sup>	38.2	36.4	35.1	29.3	30.5
Latvia <sup>1</sup>	0.2	0.2	0.3	0.5	0.5
Lithuania <sup>1</sup>	0.3	0.3	0.4	0.5	0.5
Luxembourg <sup>6</sup>	0.3	0.3	0.3	0.3	0.2
Netherlands	10.5	10.4	10.7	11.7	12.1
Norway	5.5	5.3	5.3	6.0	5.9
Poland	5.2	6.0	6.4	8.0	10.2
Portugal <sup>6</sup>	3.2	3.4	3.3	3.4	3.7
Romania <sup>1</sup>	1.7	2.1	2.4	2.7	3.0
Slovak Republic <sup>1</sup>	0.8	0.9	1.0	1.2	1.5
Slovenia <sup>1</sup>	0.6	0.6	0.6	0.7	0.8
Spain	14.2	14.2	15.2	17.1	19.0
Turkey <sup>6</sup>	10.5	11.2	12.1	12.1	13.3
United Kingdom <sup>3</sup>	55.0 II	60.6	62.1	70.4	60.5
<b>North America</b>	<b>533.8</b>	<b>560.4</b>	<b>570.2</b>	<b>587.2</b>	<b>594.4</b>
Canada	12.9	14.3	15.8	18.3	19.5
United States <sup>7</sup>	520.9	546.1	554.4	568.9	574.9

Source: DASA derived estimates from NATO data

1. Bulgaria, Estonia, Latvia, Lithuania, Romania, the Slovak Republic and Slovenia joined the NATO Alliance in 2004. Most Defence expenditures have been calculated on the basis of the revised NATO definition agreed in 2004.
2. Iceland is a member of the NATO Alliance but has no armed forces.
3. Data include military pensions, for the United Kingdom from 2005 and for Bulgaria from 2006.
4. France is a member of the Alliance but does not belong to the integrated military structure and does not participate in collective force planning. The defence data relating to France are indicative only.
5. Data include non-deployable elements of Other Forces and, from 2006, they are calculated with a new accounting methodology.
6. Data do not include non-deployable elements of Other Forces; for Greece, Hungary, Portugal and Turkey from 2002, for Italy from 2007 and for Luxembourg from 2008.
7. Data do not include pensions.

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## INTERNATIONAL DEFENCE

**Table 1.20 NATO Countries' Defence Expenditure as % of GDP 2004-2008**

This table shows defence payments accrued by NATO member states within financial years 2004-2008 as a percentage of GDP. The figures are extracted from Table 1 in the NATO Press Release "Financial and Economic Data Relating to NATO Defence" dated 19th February 2009 (website [http://www.nato.int/cps/en/SID-8CDA6C58-D5DB0B60/natolive/news\\_50991.htm?selectedLocale=en](http://www.nato.int/cps/en/SID-8CDA6C58-D5DB0B60/natolive/news_50991.htm?selectedLocale=en)). Figures are based on the NATO definition of defence expenditure and are stated at constant prices, where the effects of inflation have been removed.

The NATO definition of defence expenditure differs from national definitions so the figures quoted may diverge considerably from those given in national budgets. Expenditure is included for countries that provide Military Assistance. Expenditure is not included for countries receiving assistance. The financial year has been designated by the year which includes the highest number of months. For example, year 2007 represents 2007/08 for Canada and the United Kingdom and 2006/07 for the United States (where the financial year for United States runs from October through to September).

Defence expenditures have been calculated on the basis of the revised NATO definition agreed in 2004. Most nations have now reported defence expenditures according to this new definition. Revisions to individual countries are due to the adoption of the new NATO definitions. More information on the new NATO definition can be found in the **International Defence notes and key trends**.

**The data in this table are outside the scope of National Statistics because they are provided by an organisation outside the UK Government Statistical Service.**

Country	Constant 2000 Prices (Percentage of GDP)				
	2004	2005	2006	2007	Estimated 2008
<b>NATO - Total<sup>1,2</sup></b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.8</b>	<b>2.8</b>
<b>NATO - Europe<sup>1,2</sup></b>	<b>1.9</b>	<b>1.8</b>	<b>1.8</b>	<b>1.7</b>	<b>1.7</b>
Belgium	1.2	1.1	1.1	1.1	1.1
Bulgaria <sup>1,3</sup>	2.5	2.5	2.8 <sup>r</sup>	3.0	2.6
Czech Republic	1.8	1.8	1.7	1.4	1.4
Denmark	1.4	1.3	1.4	1.3	1.3
Estonia <sup>1</sup>	1.5 <sup>r</sup>	1.5	1.4	1.8	1.9
France <sup>4,5</sup>	2.6	2.5	2.5 <sup>r</sup>	2.4	2.3
Germany	1.4	1.4	1.3	1.3	1.3
Greece <sup>6</sup>	2.6	2.7	2.7	2.6	2.8
Hungary <sup>6</sup>	1.5	1.4	1.2	1.3	1.2
Italy <sup>6</sup>	1.8	1.6 <sup>r</sup>	1.4 <sup>r</sup>	1.1	1.1
Latvia <sup>1</sup>	1.3	1.3	1.6	1.6	1.7
Lithuania <sup>1</sup>	1.5	1.3	1.3	1.2	1.2
Luxembourg <sup>6</sup>	0.7	0.7	0.6	0.6	0.4
Netherlands	1.5	1.5	1.5	1.5	1.4
Norway	1.9	1.7	1.6	1.6	1.5
Poland	1.8	1.8	1.8	1.8	1.9
Portugal <sup>6</sup>	1.6	1.7	1.6	1.5	1.5
Romania <sup>1</sup>	2.0	2.0	1.8	1.5	1.5
Slovak Republic <sup>1</sup>	1.7	1.7	1.6 <sup>r</sup>	1.5	1.5
Slovenia <sup>1</sup>	1.5	1.4 <sup>r</sup>	1.6	1.5	1.5
Spain	1.2	1.2	1.2	1.2	1.2
Turkey <sup>6</sup>	2.3 <sup>r</sup>	2.1 <sup>r</sup>	2.1 <sup>r</sup>	1.7	1.7
United Kingdom <sup>3</sup>	2.2 <sup>r</sup>	2.5	2.4 <sup>r</sup>	2.5	2.2
<b>North America</b>	<b>3.7</b>	<b>3.7</b>	<b>3.7</b>	<b>3.7</b>	<b>3.7</b>
Canada	1.2	1.2	1.2	1.3	1.3
United States <sup>7</sup>	3.9	3.9 <sup>r</sup>	3.9	3.9	3.9

Source: NATO

1. Bulgaria, Estonia, Latvia, Lithuania, Romania, the Slovak Republic and Slovenia joined the NATO Alliance in 2004. Most Defence expenditures have been calculated on the basis of the revised NATO definition agreed in 2004.
2. Iceland is a member of the NATO Alliance but has no armed forces.
3. Data include military pensions, for the United Kingdom from 2005 and for Bulgaria from 2006.
4. France is a member of the Alliance but does not belong to the integrated military structure and does not participate in collective force planning. The defence data relating to France are indicative only.
5. Data include non-deployable elements of Other Forces and, from 2006, they are calculated with a new accounting methodology.
6. Data do not include non-deployable elements of Other Forces; for Greece, Hungary, Portugal and Turkey from 2002, for Italy from 2007 and for Luxembourg from 2008.
7. Data do not include pensions.

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## INTERNATIONAL DEFENCE

**Table 1.21 Top Worldwide Military Spenders: 2008**

This table shows the Top 15 Worldwide Military Spenders in 2008. Figures are in US billion Dollars and at **current prices and Exchange Rates**. Countries are ranked separately using Market Exchange Rates and Purchasing Power Parity (PPP) rates. If a different base year were used, the rankings could change due to fluctuations in exchange rates. **The calculations of military expenditure using PPP rates have been performed independently by DASA and are not sourced from the Stockholm International Peace Research Institute (SIPRI).**

Conversion into a common currency using Market Exchange Rates (MER) tends to undervalue the currency, and hence the scale of expenditure of lower income countries. Although, this may also be because a large part of the economy of a lower income country is domestically based and not based on internationally traded goods and services. Attempts are often made to circumvent this problem using Purchasing Power Parity (PPP) measures. These use currency conversion rates which equalise the overall price of a bundle of goods and services in each country. However, PPP measures can be highly inaccurate because of the difficulty of allowing for differences in quality and devising appropriate and relevant "weighting" of individual goods and services. Civilian based PPPs may also not be representative of defence goods and services. As such, this table must be regarded as providing only an illustrative ranking of world-wide military spending.

**The data in this table are outside the scope of National Statistics because they are provided by an organisation outside the UK Government Statistical Service.**

At Current Prices and Exchange Rates

Market Exchange Rates				
Rank	Country	Spending US\$ billions	Spending Per Capita US\$	World Share %
1	USA	607.0	1 967	41.5
2	China	[84.9]	[63]	[5.8]
3	France	65.7	1 061	4.5
4	UK	65.3	1 070	4.5
5	Russia	[58.6]	[413]	[4.0]
<b>Sub-total Top 5</b>		<b>881.5</b>		<b>60</b>
6	Germany	46.8	568	3.2
7	Japan	46.3	361	3.2
8	Italy	40.6	689	2.8
9	Saudi Arabia <sup>2</sup>	38.2	1 511	2.6
10	India	30.0	25	2.1
<b>Sub-total Top 10</b>		<b>1 083.4</b>		<b>74</b>
11	South Korea	24.2	501	1.7
12	Brazil	23.3	120	1.6
13	Canada	19.3	581	1.3
14	Spain	19.2	430	1.3
15	Australia	18.4	876	1.3
<b>Sub-total Top 15</b>		<b>1 187.8</b>		<b>81</b>
<b>World Total</b>		<b>1 464</b>	<b>217</b>	<b>100</b>

Purchasing Power Parity Rates <sup>1</sup>		
Rank	Country	Spending US\$ billions
1	USA	607.3
2	China	[155.3]
3	India	81.6
4	Russia	[79.1]
5	UK	54.6
<b>Sub-total Top 5</b>		<b>977.9</b>
6	France	49.1
7	Saudi Arabia <sup>2</sup>	47.2
8	Japan	41.0
9	Germany	37.3
10	South Korea	34.9
<b>Sub-total Top 10</b>		<b>1 187.4</b>
11	Italy	32.0
12	Brazil	29.3
13	Iran <sup>3</sup>	21.7
14	Turkey	19.8
15	Taiwan	18.8
<b>Sub-total Top 15</b>		<b>1 309.0</b>
<b>World Total</b>		<b>..</b>

Source: Stockholm International Peace Research Institute (SIPRI) & DASA (Defence Expenditure Analysis)

1. The figures in PPP dollar terms have been converted by DASA using estimated PPP rates (for 2008), based on price comparisons of the components of GDP published by the International Monetary Fund (IMF). SIPRI have not endorsed these estimates.
2. The figures for Saudi Arabia include expenditure for public order and safety and might be slight overestimates.
3. The figure for Iran is for national defence and does not include spending on the Revolutionary Guards Corps, which constitutes a considerable part of Iran's total military expenditure.

[ ] Indicates SIPRI estimate