

James Cartlidge MP
Shadow Secretary of State for Defence
(via email)

4 July 2025

Dear Mr Cartlidge,

Thank you for your letter expressing concerns around the presentation of the cost of the Chagos Islands deal outlined by the Prime Minister in a press statement on 22 May. Specifically, he stated that “£101 million a year is the average cost; the net overall cost is therefore £3.4 billion overall, that’s over the 99 years”.

You raised two concerns; first, that the Social Time Preference Rate used to calculate the figure of £3.4 billion was not the most appropriate measure, and second, that the source for the £3.4 billion had not been made available.

It is beyond the remit of the Office for Statistics Regulation (OSR) to determine the most appropriate discount rate to use for such calculations. But given the Government’s reference to the Office for Budget Responsibility (OBR) in defence of its chosen figure, we have confirmed with the OBR that they believe that this is a reasonable one to use when discounting the value of a lease.

The OSR has considered the transparency with which the calculation was communicated within the press statement. The press release provides a range of information for readers, including Notes for Editors. Our one concern is that by describing the £3.4 billion figure as the net overall cost, it was not made clear to the public that the figure was calculated using a discounting method.

In relation to the source of the calculation, the explanatory memorandum explains how the £3.4 billion figure was calculated, including reference to the use of the Social Time Preference Rate for discounting.¹ We welcome that this information was made public at the time of the press statement in line with the principles of intelligent transparency. In future, we would encourage a link to this explanatory memorandum to be provided within the press statement in order to better support the public in understanding and scrutinising the figure.²

We have raised these two points with the Prime Minister’s office and the Foreign, Commonwealth & Development Office.

¹https://assets.publishing.service.gov.uk/media/682f25fbe9440506ee9539b7/EM_CS_Mauritius_1.20_25_Agreement_Chagos_Diego_Garcia.odt

²<https://www.gov.uk/government/news/uk-secures-future-of-vital-diego-garcia-military-base-to-protect-national-security>

Thank you again for raising this issue

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sir Robert Chote', written over a horizontal line.

Sir Robert Chote
Chair