



House of Commons
Defence Committee

The Strategic Defence and Security Review and the National Security Strategy

Sixth Report of Session 2010–12

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The Defence Committee

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The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

Additional written evidence may be published on the internet only.

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Conclusions and recommendations

Introduction

1. At the outset, we wish to pay tribute to the UK Armed Forces and associated civilian staff. They have continued to serve their country with distinction and dedication, especially operationally in Afghanistan, Libya and elsewhere, during an unsettling period of a major defence review and the major reform and restructuring of the Ministry of Defence. (Paragraph 8)

National Security Council

2. We repeat our welcome for the establishment of the National Security Council and its taking the strategic lead for defence and security issues. It must continue its work to break down the silo-mentality and departmental rivalry in Whitehall. We recommend that the Government, when responding to this Report, should identify appropriate areas for interdepartmental budgeting while maintaining proper accountability and not increasing levels of bureaucracy. The Government should provide us with further information on how it envisages the role of the NSC in terms of the prioritisation and allocation of resources. (Paragraph 21)
3. The NSC was, in our opinion, right to prioritise operations in Afghanistan. But we are concerned that the NSC did not appreciate the complexities of defence and security issues and had to undergo a steep learning curve. As a result we are not convinced that the NSC provided, at an early enough stage, the guidance and input that were necessary for formulating the SDSR, particularly given a truncated review period running alongside the Comprehensive Spending Review. We note that the next SDSR is due to be held shortly after the General Election in 2015. We recommend that steps should be taken to ensure that the lessons learned by the NSC and its secretariat are not lost. (Paragraph 27)
4. We do not propose the Government should establish a separate Department for National Security. This would be a major change, particularly when UK Armed Forces are committed on two major operations and given the current economic situation. However this should be kept under review as part of a continuous assessment of the effectiveness of the NSC, particularly as new and unexpected threats emerge. (Paragraph 30)
5. We welcome the appointment of a National Security Adviser as a major advance. However we believe that a dedicated, powerful and independent long-term voice for national security should exist within Government and recommend that the Prime Minister appoint a National Security Minister, separate from the Home Office, to act as National Security Adviser with a seat on the National Security Council. (Paragraph 34)
6. We recommend that the NSC secretariat be given the resources to undertake its own analysis and commission research, with appropriate precautions put in place to avoid

duplication of work already being undertaken by individual Government Departments and increased bureaucracy. (Paragraph 37)

7. We agree with the separation of responsibilities and roles between the NSC and COBR in respect of emergencies and recommend that measures be put in place to guard against any blurring of this in future. (Paragraph 39)
8. We note the Government's commitment to an annual report of progress of implementation of the SDSR and NSS for scrutiny by the Joint Committee on the National Security Strategy (JCNSS). We request more information on the format and status of this report. We will also continue to undertake scrutiny of the implementation of the NSS and SDSR. We also recommend that an annual debate should be held on the annual report on progress of implementation of the NSS and SDSR. This should be in Government time and held in the main House of Commons Chamber. (Paragraph 42)
9. We recognise the willingness of ministerial members of the National Security Council and the National Security Adviser to appear before select committees, other than the JCNSS, and expect this to continue. We also expect the Government to explore with the JCNSS and other parliamentary committees ways of improving the National Security Council's accountability and transparency. (Paragraph 43)

National Security Strategy

10. We commend the Prime Minister's initiative of inviting the Leader of the Opposition to attend the NSC. We hope that such invitations will become more frequent and that the Leader of the Opposition will accept them. (Paragraph 45)
11. We acknowledge that reduction of the budget deficit is the Government's strategic priority and that not to do so would have implications for maintaining the nation's security. It is not for us to discuss in this Report measures used to reduce the deficit although we have views on the effect on the defence budget. (Paragraph 54)
12. We note the declared aspiration of the NSC that Britain's national interest requires the rejection of any notion of the shrinkage of UK influence. We acknowledge that influence should not only be measured in military hardware or even military capability. However, given the Government's declared priority of deficit reduction we conclude that a period of strategic shrinkage is inevitable. The Government appears to believe that the UK can maintain its influence while reducing spending, not just in the area of defence but also at the Foreign Office. We do not agree. If the UK's influence in the world is to be maintained, the Government must demonstrate in a clear and convincing way that these reductions have been offset by identifiable improvements elsewhere rather than imprecise assertions of an increased reliance on diplomacy and 'soft power'. If the Government cannot do so, the National Security Strategy is in danger of becoming a 'wish list' that fails to make the hard choices necessary to ensure the nation's security. (Paragraph 64)
13. If the UK's influence in the world is to be maintained, we are concerned that the impact of defence cuts on the UK's defence commitments and role within NATO and other strategic alliances does not appear to have been fully addressed. UK

defence does not operate in a vacuum and decisions taken in the UK have repercussions for the spending commitments and strategic posture of allies and alliances. (Paragraph 65)

14. We dispute the Prime Minister's assertion that the UK has a full spectrum defence capability. We note that this view has been rejected by the single Service Chiefs. Indeed the Armed Forces Minister acknowledged that the UK has not had a full spectrum capability for many years, speaking instead of delivering a wide spectrum of military capabilities in the future. We remain to be convinced that this aspiration can be achieved. We also have serious concerns about whether a full spectrum defence capability can be maintained by co-operation with our allies given the challenges of aligning political with operational needs. (Paragraph 66)
15. We note the Government's assertion that the NSS is the ends and the SDSR is the ways and means in terms of the delivery of national strategy. However when developing the NSS in future years, the Government should identify with greater clarity the resources required and available to achieve the desired outcomes within the framework of the national security tasks. This analysis would enable the SDSR to take informed resourcing decisions. (Paragraph 74)
16. We commend the Government on the recognition of newly acknowledged threats, such as cyber crime, in the NSS. It is important that the right risks are identified and resources prioritised accordingly. (Paragraph 79)
17. We agree that the NSRA should be formally updated every two years but this must not be at the expense of being able to adapt the National Security Strategy to meet new threats or changing situations. We recommend that the NSC should keep the NSRA methodology under review and consider adapting it to take account of longer term risks in line with the commitment to an adaptable posture. (Paragraph 80)
18. We support the Government's adoption of an 'adaptable posture'. Given that the nature of security threats are becoming more global, less predictable and less visible it is vital to maintain a strong pool of resources on which we can draw in order to provide the capability to adapt to changing situations. We reject any notion that the UK can just retreat and defend its borders and those of its overseas territories. However there needs to be a full assessment of what the 'adaptable posture' will cost; defining the future state without attaching an accurate assessment of the resources required undermines the authority of the Government's intentions. (Paragraph 83)

Strategic Defence and Security Review

19. We commend the Government on the principle of their stated intention of regular SDSRs every five years. A gap of 12 years between reviews should never be allowed to occur again. However we have concerns that future SDSRs will therefore be tied too closely to the electoral cycle and call on the Government to explore ways of breaking this link. Whilst welcoming the widening of the scope of the review to include security issues, we repeat the concern expressed in our earlier Report on the SDSR process that there is some risk of dilution of the defence contribution due to possible

immediate or short term threats which may dominate the agenda to the exclusion of long-term defence assessments by the MoD. (Paragraph 85)

20. We agree with the Government's statement in the SDSR that Afghanistan remains the top priority. We shall continue to monitor the Government's pledge that operations there will be properly resourced, funded and equipped. We note that since publication of the SDSR UK Armed Forces have been committed to operations in Libya. We will monitor this operation closely and will be conducting an inquiry into Operations in Libya in October 2011. (Paragraph 86)
21. While we acknowledge that the Defence Planning Assumptions in the SDSR serve as a planning tool rather than a set of fixed operational plans or a prediction of precise operations that will be undertaken, we are concerned that as currently applied they suggest that UK Armed Forces will be continually operating at the maximum level envisaged by the Assumptions. This has serious implications. The Government should ensure that sufficient contingency is retained to deal with the unexpected. It is not sufficient to wait for the end of combat operations in Afghanistan at the end of 2014. (Paragraph 98)
22. We note the Government's intention to "confront the legacy of overstretch" citing the operations in Iraq and Afghanistan from 2006–09 as examples. The new Defence Planning Assumptions in the SDSR suggest that in future the Armed Forces would not be asked to undertake operations of a similar nature to Iraq and Afghanistan simultaneously. The Government should indicate if this is the case in their response to this Report. (Paragraph 99)
23. When committing to undertake new operations, such as Libya, the Government should state from the outset where that operation fits in the Defence Planning Assumptions and which of the military tasks it is meeting. This should not be limited to the numbers of Armed Forces personnel required, but also the capabilities that will be deployed and the consequences that this may have for other operations or wider defence-related matters, such as the defence budget and defence industry priorities. We can only conclude that the Government has postponed the sensible aspiration of bringing commitments and resources into line, in that it has taken on the new commitment of Libya while reducing the resources available to the MoD. (Paragraph 100)
24. We believe that for an aircraft carrier to be held in a state of extended readiness it must be fitted with catapults and arrestor gear. (Paragraph 109)
25. We expect the MoD to publish its work programme and final requirements for the conversion of the carriers and JSF by the end of 2012. (Paragraph 112)
26. We acknowledge the major contribution of the Harrier Force to the Armed Forces and to the security of the UK. We regret that it has been removed from service. We acknowledge the many pieces of evidence that called for the reintroduction of the Harrier Force. However we agree with our witnesses who stated that it is too late to do so due to the cost, industry losing the relevant personnel and the pilots being redeployed. We call on the Government to ensure that the best deal possible is

achieved in the disposal of the Harrier fleet and expect the Government to provide us with full details as soon as any agreement is reached. (Paragraph 120)

27. We support the decision to proceed with both the Queen Elizabeth class carriers and to develop the JSF carrier strike capability. We share the concerns of allies regarding the lifetime costs of the JSF. We expect the MoD to take action to ensure that the costs are controlled and to update us on this work on a regular basis. We note that the MoD is currently developing a plan for the regeneration of this capability and expect to have a sight of it at an early stage. The scale of the challenge the Ministry of Defence faces in generating the complex network of skills involved in flying fast jets from carriers in a manner not undertaken by the UK for many years is so great that this plan needs to be subjected to robust scrutiny both in Parliament and elsewhere. The plan must provide clarity of the steps being taken, specific milestones and dates and what funding is required and whether it is in place. We also note concerns regarding the future use of the second carrier and call on the Government to keep us informed of its plans as they progress. (Paragraph 126)
28. We deeply regret the decision to dispense with the Nimrod MRA4 and have serious concerns regarding the capability gaps this has created in the ability to undertake the military tasks envisaged in the SDSR. This appears to be a clear example of the need to make large savings overriding the strategic security of the UK and the capability requirements of the Armed Forces. We are not convinced that UK Armed Forces can manage this capability gap within existing resources. We call on the Government to outline its plans to manage the gap left by the loss of this capability, including the possible use of unmanned vehicles and collaboration with allies. In addition, the Government should outline its plans for the regeneration of this capability, including the skills and knowledge required to provide it. (Paragraph 137)
29. We are conscious of the uncertainty that the basing review has created for Service personnel, their families, local communities and businesses. We will monitor the outcomes of the review. We call on the Government to outline its proposals to assist the Service personnel, families and communities affected at an early stage in line with the obligations outlined in the Armed Forces Covenant. (Paragraph 151)
30. We note the MoD's update on 18 July 2011 of the plans for the withdrawal of UK Forces from Germany. However, given that half of UK Forces are due to return by 2015, we are concerned that the plans are not further advanced. We note that the required two years notice has not been given to the German authorities. We call on the Government to set out with clarity the costs and benefits of this project in terms of providing accommodation, infrastructure and training facilities which are already available to the United Kingdom in Germany. The MoD should provide us with a full implementation plan, its funding and method of attaining the stated goals, at the earliest opportunity and deliver clear communication of these plans for Service personnel, their families, local communities and businesses. The elements of the SDSR are interlinked and failure in one area may mean failure elsewhere. (Paragraph 152)
31. We expect to be regularly updated on these plans [in respect of future defence technical training]. We are concerned about the future of defence technical training

and request an early statement on how it is to be taken forward and will continue to monitor this vital aspect of defence reform. (Paragraph 154)

32. We welcome the Government's commitment to the reform of the Reserve Forces and the investment of £1.5 billion over the next 10 years. However we wish to see more detail on the planning and timing of the shift towards greater reliance on Reserve Forces. (Paragraph 161)
33. The Committee notes the conclusions and recommendations of the Independent Commission's Report [on Reserve Forces], in particular that the internal governance process should be administered by a Board, chaired by the Vice Chief of the Defence Staff. We particularly note the recommendation that the Council of Reserve Forces and Cadets Associations should report annually to Parliament on progress in implementing the recommendations of the Review. (Paragraph 162)
34. We note the observation in the Future Reserves 2020 Report that the costings on the manpower element of the defence budget, amounting to one-third of the total, need further work. We endorse the study's recommendation that detailed costing of Regular and Reserve units be prepared. (Paragraph 170)
35. We are not convinced, given the current financial climate and the drawdown of capabilities arising from the SDSR, that from 2015 the Armed Forces will maintain the capability to undertake all that is being asked of them. We note that there is mounting concern that the UK Armed Forces may be falling below the minimum utility required to deliver the commitments that they are currently being tasked to carry out let alone the tasks they are likely to face between 2015 to 2020 when it is acknowledged that there will be capability gaps. (Paragraph 171)
36. We are concerned that, on the one hand, Future Force 2020 seems to be regarded as a "wide spectrum" force able to undertake the security tasks required by the adaptable posture envisaged by the NSS while at the same time being regarded as the "critical mass" of the Armed Forces with some spare capacity that may be achieved by the establishment of alliances and bilateral operations. (Paragraph 172)
37. We recommend that the MoD should develop further the concept of a "critical mass" for the Armed Forces and establish a clearer measurable statement of what constitutes "critical mass" to allow verification and monitoring by Parliament. This should include not just the roles and structures of Regular and Reserve Forces but should be expanded to encompass enablers such as DSTL, industry, academia, the scientific and research community and the development of the defence knowledge base especially amongst the military and civil servants. (Paragraph 173)
38. We note the outcome of the Government's three month review of the SDSR. We acknowledge the planned 1% real terms increase in the defence equipment and equipment support budget between 2015–16 and 2020–21. However we note that this is based on a number of adjustments to the Defence programme, including rationalising vehicle acquisition and continuing efficiency savings from non-front-line costs. Although we welcome the additional certainty that this will bring in respect of the defence equipment and equipment support budget, we are concerned that this increase is simply a reallocation of resources and does not represent the real

terms increase in funding required to deliver Future Force 2020. In its response to this Report, the Government should also set out in much greater detail the baseline for the calculation of the 1% real terms increase in the defence equipment and defence support budget and the savings that will be made to realise it. (Paragraph 186)

39. We are concerned at the lack of information in the SDSR on the levels of funding required to deliver Future Force 2020 and the increase in defence spending that this would represent. The Government should provide an estimate of these in its response to this Report and the figures should be updated in the annual updates on implementation of the SDSR. We regard defence planning and procurement as being of a unique nature, particularly given the long timescales associated with it, and recommend that the Government should initiate ways of allowing the MoD to proceed with implementing Future Force 2020 with budgetary certainty outside the normal CSR timetable. (Paragraph 187)
40. We share witnesses' concerns that there are serious risks if Future Force 2020 is not achieved. A failure to achieve Future Force 2020 would represent a fall below "critical mass" and a reduction in the influence that the NSS and SDSR set out as desirable. We fully support the Prime Minister and the Secretary of State for Defence in their personal aspirations for real terms increases in defence funding from 2015 that will enable the commitments made in the SDSR for Future Force 2020 to be realised. However this is meaningless without a concrete commitment that these increases will be delivered. Decisions for post 2015 funding will have to be made in the very near future to ensure progress towards Future Force 2020. If the ambition of a real term funding increase is not realised, we will have failed our Armed Forces. (Paragraph 188)
41. We note that a real terms increase in defence funding from 2015 will coincide with the withdrawal from a combat role in Afghanistan and anticipate that the UK public, whilst being passionate in their support for the Armed Forces, will question this decision. The Government must ensure that the reasons for the increase are effectively communicated to the public. This should begin now. (Paragraph 190)

Ministry of Defence Budget

42. We agree with our predecessor Committee that the scale and nature of MoD contracts is quantitatively and qualitatively different from other Government procurement and its assertion that greater financial stability could help to control and reduce the hundreds of millions of pounds of unproductive costs which are incurred annually to keep the equipment programme spend within each year's budget. We recommend that the MoD and the Treasury should establish mechanisms for a ten year budget for the MoD. It is vital that the MoD has greater certainty of resources as it plans to implement Future Force 2020 which is essential to the nation's security in an ever-changing world. (Paragraph 197)
43. We were disappointed by the MoD's response to our requests for a breakdown of the MoD's financial commitments, including details of the components of its estimate of a £38 billion gap in the defence programme and the size of any remaining budget gap

after the SDSR. We note that the MoD now state the genuine size of the gap is substantially in excess of £38 billion. However, we also note the Secretary of State's assertion that the "for the first time in a generation, the MoD will have brought its plans and budget broadly into balance, allowing it to plan with confidence for the delivery of the future equipment programme". Without proper detailed figures neither statement can be verified. Given the difficulties the MoD has had in responding to our requests for a breakdown of the over-commitment in the MoD budget, we expect the Government in its response to this Report to set out in detail the basis for these statements. (Paragraph 204)

44. We note the Secretary of State for Defence's commitment to carry out an assessment of the affordability of the equipment programme alongside an independent audit by the NAO. We are surprised that this assessment has not yet begun and expect to receive a timetable for this exercise in response to this Report. (Paragraph 205)
45. We welcome the establishment of the Major Projects Review Board. The Board faces a major challenge and we will monitor its effectiveness in ensuring the MoD's programmes are on time and within budget. We recommend that the MoD consider the appointment of suitably experienced independent members to the Board. (Paragraph 207)
46. We welcome the empowering of the single Service Chiefs, but are concerned that removing them from the Defence Board may result in an increase in the tensions between the three Services and encourage individual Service Chiefs to fight for their particular Service without consideration of overall defence requirements. It means that the Chief of Defence Staff will be the only Service representative on the Board, and could in turn leave them open to accusations of favouritism of their "home" Service over the others, whether justified or not. We intend to return to the command, control and accountability processes between the Chiefs of Staff in future inquiries. We will monitor the impact of this and the other reforms recommended by the DRU over the coming months as they are implemented. In addition we look forward to seeing in the near future greater detail from the MoD as to the budgetary implications of the changes being made. (Paragraph 211)
47. We recognise the pace and quantity of change occurring within the MoD is considerable and understand how disconcerting this has been for the Armed Forces and MoD civil servants, particularly at a time when UK Armed Forces are conducting two major campaigns in Afghanistan and Libya. While we recognise that reform of the MoD is long overdue, change on this scale requires exceptionally careful management. In response to this Report we require that the MoD inform us of how it will ensure that reform is not derailed by the speed of its implementation. We note the recent publication of the Defence Reform Unit Report and will monitor the implementation of its recommendations. The MoD should provide updates on work to implement the recommendations in its Annual Report. (Paragraph 212)

Conclusions

48. During our inquiry we sought to establish whether the new national security thinking and structures, under the leadership of the National Security Council, had led to a more coherent and well defined security policy in terms of the ends of the National Security Strategy and the ways and means set out in the Strategic Defence and Security Review. We agree with the Government that the operation in Afghanistan was the top priority during the development of the NSS and SDSR. Operations in Libya must also be prioritised. (Paragraph 213)
49. We welcome the establishment of the National Security Council and the commitment to an updated NSS and SDSR every five years. The changing character of the threats facing the nation required a more collective response from Government. The previous culture of departmental-silos and turf wars needed reform. However more reform is still required, such as the development of the role of the National Security Adviser, the capacity of the National Security Council Secretariat and greater use of interdepartmental budgeting arrangements. The National Security Council must also ensure that the UK's Armed Forces and the general public are seized of the aims and objectives of its security policy and increased engagement by the Government is essential to achieve this. The National Security Council should develop a uniform vocabulary for strategic thinking across Government. Strategy is understood in many different ways across Government and the military and too often the message and intent becomes blurred. (Paragraph 214)
50. The latest National Security Strategy is an improvement on earlier versions but we have major concerns regarding the realism of its statement of the UK's position in the world and its influence. There is a clear contradiction in the short to medium term between the NSC's statement "that Britain's national interest requires the rejection of any notion of the shrinkage of UK influence in the world" and the Government's overriding strategic aim of reducing the UK's budget deficit. Despite the stated intention of rejecting any notion of the shrinkage of influence, our witnesses have forcefully told us that the UK's global influence is shrinking. Future National Security Strategies must have as their starting point a policy baseline that is a realistic understanding of the world and the UK's role and status in it. That said, the UK has demonstrated, and continues to do so across the world, that it has a major role to play in global affairs. (Paragraph 215)
51. The UK's national ambition must be matched and constrained by a realistic assessment of the resources available to achieve it. The adaptable posture advocated in the current National Security Strategy is a good starting point, but must not become a hostage to fortune requiring the UK to participate in the resolution of every global security challenge. This policy baseline must be available at an early stage to ensure that the correct decisions are made in the subsequent Strategic Defence and Security Review in terms of force structures and capability and platform decisions. (Paragraph 216)
52. We acknowledge that it was necessary to undertake the SDSR alongside the CSR. This resulted in a better financial settlement for the MoD than might have been

realised if the two processes had been separated. However, given the speed of the review we are not convinced that the best use was made of experts from outside the Department. (Paragraph 217)

53. Our Report outlines some major concerns regarding the capability decisions made in the current Strategic Defence and Security Review. The starting point for capability decisions in future SDSRs should continue to be a consideration of what “sovereign” capabilities are required. The SDSR identified seven military tasks and the Defence Planning Assumptions that underpin them. However it does not set out how capability decisions such as those on Carrier strike and Nimrod MRA4 ensure that the Armed Forces are able to undertake the military tasks. In addition, the measures to be taken to cover the risks that capability gaps engender need to be developed—it is not sufficient to rely on old and new alliances although these are valuable. When capability gaps occur, concrete plans should be developed to regenerate the capability, including the necessary skills amongst Service personnel. We hope that the plans to redevelop the carrier and carrier strike capability might serve as a model for the future. (Paragraph 218)
54. The biggest challenge arising from the SDSR and the next SDSR is the realisation of Future Force 2020. We have serious concerns about whether it will be achieved, particularly as the provision of necessary resources is only a Government aspiration, not Government policy. Given the uniqueness of MoD procurement we regard it as essential that the MoD has more certainty in its long-term planning and recommend that ten-year budgeting be introduced. This would also give the MoD greater confidence in the decisions it takes in future SDSRs. However, as part of this, the MoD must reform, and ensure substantially improved transparency and control over its finance and budgetary practices. Without this it is extremely difficult for the MoD to argue for additional resources. While we welcome the Government’s new initiatives on value for money such as the Major Projects Review Board, we are not confident that given the reductions in the MoD budget and the continual reassessment and uncertainty in forward financial planning the UK Armed Forces will be able to reach Future Force 2020. (Paragraph 219)
55. The SDSR was unfinished business. It has been supplemented by a three month review and by further reports on the structure and senior management of the MoD, on the balance of Regular and Reserve Forces, on equipment, support, and technology for UK defence and security and the basing review. In the light of these changes it appears to us that despite statements to the contrary the SDSR has to all intent and purpose been re-opened and it has been done without the re-opening of the Comprehensive Spending Review. We will monitor events to ensure a coherent plan providing UK national security. (Paragraph 220)
56. Finally, we repeat our admiration for the Armed Forces and the civilians who support them. We must ensure that the implementation of the current SDSR and future SDSRs does not fail them. (Paragraph 221)

1 Introduction

1. The last Strategic Defence Review (SDR) was held in 1998. Our predecessor Committee analysed the outcome of the Review in several reports.¹ The previous Government began preparing for the next SDR by producing a Green Paper outlining the relevant issues in February 2010.² Between publication of the Green Paper and the General Election, the Ministry of Defence (MoD) followed a twin track approach. The first involved a range of preparatory studies of issues flowing from the Green Paper and in the second, in parallel with these studies, the MoD sought to engage the expertise of the wider defence academic and specialist community. The Department also worked on developing modelling and costing techniques, reviewing its strategic planning process and methodology to put in place a streamlined system to support the review and its implementation, and conducted studies to understand the financial and industrial consequences of making changes, particularly to the equipment programme.³

2. Following the General Election, the new coalition Government changed the scope of the SDR to embrace broader national and international security concerns, and to involve other Government departments. The Government also established a National Security Council (NSC) chaired by the Prime Minister and responsible for all strategic issues of national security. The NSC led on the development of a new National Security Strategy (NSS). It was also responsible for steering the Strategic Defence and Security Review (SDSR), under the direction of the Prime Minister, and the MoD was but one of a number of significant players in this process.⁴ In addition, the Prime Minister appointed Sir Peter Ricketts KCMG, a former Foreign Office Permanent Secretary, to the newly created post of National Security Adviser.

3. On 15 September 2010, we published a Report on the processes followed in the development of the SDSR.⁵ The Government's response to the Report was published on 6 December 2010.⁶ In addition, we held one-off evidence sessions on matters relevant to the SDSR with representatives from defence industries and with academics on 8 September and 15 September 2010.⁷

4. The National Security Strategy was published on 18 October 2010. The conclusions of the SDSR were published as a White Paper on 19 October, when the Prime Minister also made a statement to the House of Commons. The Comprehensive Spending Review (CSR)

1 For example see: Defence Committee, Eighth Report of Session 1997–98, *The Strategic Defence Review*, HC 138; Defence Committee, First Report of Session 1998–99, *The Strategic Defence Review: Territorial Army Restructuring*, HC 70; Defence Committee, Seventh Report of Session 1998–99, *The Strategic Defence Review: Defence Medical Services*, HC 447.

2 Ministry of Defence, *Adaptability and Partnership: Issues for the Strategic Defence Review*, Cm 7794, February 2010

3 Defence Committee, First Report of Session 2010–11, *The Strategic Defence and Security Review*, HC 345, Ev 14–15

4 HC (2010–11) 345, para 4 and Ev 13

5 HC (2010–11) 345

6 Defence Committee, Fourth Special Report of Session 2010–11, *The Strategic Defence and Security Review: Government response to the Committee's First Report of Session 2010–11*, HC 638

7 Defence Committee, *The Strategic Defence and Security Review*, Oral and Written Evidence, HC 451-i-ii

was published on 20 October. After publication of these documents, we considered it important that we looked at the outcomes of the SDSR within the wider context of the NSS.

5. We announced our inquiry on 13 January 2011 with the following terms of reference:

The Committee will examine whether the Government's decisions truly fulfil the stated intention of the SDSR as "set[ting] out the ways and means to deliver the ends set out in the National Security Strategy". The inquiry will also inform future inquiries looking at individual areas in more detail.

The Committee was particularly interested in establishing:

- how the NSS and SDSR related to each other as strategic and coherent documents and what added value the establishment of the National Security Council had brought to strategic defence and security policy;
- the role of the Ministry of Defence, including the Defence Reform Unit, and other Government departments, the National Security Council, the Armed Forces and other agencies in the development and implementation of the NSS and SDSR, including areas that stretch across Government such as the UK's increased role in conflict prevention;
- what capability gaps would emerge due to the SDSR, including how these were assessed as part of the development of the strategies and what impact this might have on the UK's defence planning assumptions and the ability to adapt to changing threats or unforeseen occurrences;
- whether the prescriptions of the SDSR would allow the MoD to balance its budget and make the required efficiency savings;
- whether a funding gap still remained, how significant was it and how would it impact on defence capability;
- how the implementation and success of the NSS and SDSR would be measured;
- the success of the Government in communicating the outcomes of the NSS and SDSR to the Armed Forces and the UK public, particularly in relation to current and future operations; and
- the timing of future SDSRs and the ability to plan for the medium to long term, and the process for renewing and updating the NSS, including the regeneration of lost capabilities.

6. We received 65 pieces of written evidence and held seven oral evidence sessions, commencing on 16 February 2011 and ending on 22 June. We are grateful to all those who have submitted evidence to this inquiry. We are also grateful for the assistance of our Specialist Advisers during this inquiry.⁸ We also discussed the outcomes of the NSS and SDSR with UK Armed Forces during our visit to Afghanistan in January 2011 and with

8 The Specialist Advisers' declarations of relevant interests are recorded in the Committee's Formal Minutes which are available on the Committee's website.

senior US politicians, officials and military personnel during our visit to the USA in April 2011.

7. During our inquiry we have looked at whether the establishment of the National Security Council has given a more strategic and coherent focus to national security issues. We were particularly keen to examine whether this was demonstrated in the outcomes of the National Security Strategy and the Strategic Defence and Security Review. We have also examined whether the SDSR and NSS relate to each other and together form a coherent narrative on the national security challenges facing the UK and the means of meeting them. The availability of MoD resources to implement the SDSR was examined in this context.

8. At the outset, we wish to pay tribute to the UK Armed Forces and associated civilian staff. They have continued to serve their country with distinction and dedication, especially operationally in Afghanistan, Libya and elsewhere, during an unsettling period of a major defence review and the major reform and restructuring of the Ministry of Defence.

2 National Security Council

Status and membership of the National Security Council

9. Following the 2010 General Election, the new Coalition Government established the National Security Council (NSC)⁹ with its own secretariat based in the Cabinet Office. The NSC held its first meeting on the afternoon of 12 May 2010, the Government's first full day in office, and continues to hold regular weekly meetings.

10. The NSC is a Cabinet Committee which, in similar fashion to other such committees, derives its authority from, and ultimately has its decisions ratified by, the Cabinet.¹⁰ It is chaired by the Prime Minister and its permanent members are the Deputy Prime Minister, the Chancellor of the Exchequer, the Defence, Energy and Climate Change, Foreign Affairs, Home and International Development Secretaries, the Chief Secretary to the Treasury and the Cabinet Office Minister of State.¹¹ Other Cabinet Ministers are invited to attend if an issue within their responsibilities is due to be discussed. The Chief of the Defence Staff, or his Deputy, the Chairman of the Joint Intelligence Committee and the Heads of Intelligence Agencies also attend regularly.¹²

11. The October 2010 National Security Strategy stated that the NSC had been established "to make sure the government takes decisions properly".¹³ In its written evidence to our earlier inquiry into the processes followed in the development of the SDSR, the MoD stated that "The new NSC provides high-level strategic guidance to Departments, co-ordinates responses to the dangers we face, and identifies priorities".¹⁴

12. In his evidence to us, the Foreign Secretary, Rt Hon William Hague MP, stated that the NSC was an executive decision making body:¹⁵

It takes many more decisions and discusses many more issues than the Cabinet would then go over in detail. The Cabinet also discusses security issues and international issues of defence and diplomacy, but not in the same detail as the NSC, which meets at least once a week to go through a range of subjects. It is the effective decision-making body on a vast range of the Government's decisions surrounding these issues. That is why it works, so far.

13. In its written evidence, the MoD expanded on the work of the NSC and its structures:¹⁶

9 Three sub-committees were also established: Threats, Hazards, Resilience and Contingencies; Nuclear; and Emerging Powers

10 Q 50

11 Ev 129–131; When the National Security Council was established, the Security Minister in the Home Office, Rt Hon Baroness Neville-Jones was also a member. However when Rt Hon Baroness Neville-Jones left the Government on 9 May 2011 she was not replaced on the NSC (See also para 33).

12 Q 52

13 HM Government, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, Cm 7953, p 5

14 Defence Committee, First Report of Session 2010–11, *The Strategic Defence and Security Review*, HC 345, Ev 13

15 Q 58

16 Ev 124 and Ev 129–131

The discipline of systematic, weekly consideration of national security priorities in a Ministerial forum chaired by the Prime Minister drives a more coherent approach to collective consideration of strategy across Government Departments. The NSC ensures Ministers consider national security in the round not as separate blocs.

The NSC drives and monitors the implementation of the SDSR and NSS by lead Ministers, officials and Departments. Lead Ministers, accountable to the NSC, take responsibility for coordinating priority areas of work to deliver national security tasks. A series of inter-Departmental committees at senior official level also support and inform the NSC. They report to the NSC(Officials) meeting that meets weekly.

14. Work is also being undertaken by individual Government Departments through departmental boards that are intended to “provide strategic leadership”.¹⁷ These boards are “responsible for developing the strategies for their Departments in line with the Government’s overarching strategic agenda”.

15. In our Report on the processes followed in the development of the SDSR, we welcomed the creation of the NSC.¹⁸ This welcome has been endorsed by our witnesses during this inquiry who generally thought that the NSC had been broadly acting in the way set out in the NSS even if they had reservations about certain aspects of its operation. Vice Admiral Sir Jeremy Blackham told us:¹⁹

In principle, the NSC is an extremely sound idea. I have always felt that defence is much too important to be left to the Ministry of Defence and, quite clearly, security is a much more wide-ranging business than purely a military one.

16. General Sir Rupert Smith agreed, commenting that “for about 100 years, we have organised ourselves on the basis that we can treat defence and security in parallel as separate activities, and we have been able to understand security on the basis of home-and-away”.²⁰ The situation, he argued, had changed:²¹

First, we have not got enough money to do it that way. Secondly, you cannot treat security on a home-and-away basis largely because of the speed, reach and range of global communications. We, of all nations, sit in the centre of the inhabited world, if you see it on a globe, and are utterly dependent in peace and war on our ability to trade. We cannot feed ourselves and we cannot heat ourselves in peace or war unless we trade. We cannot withstand a siege. So it is in our absolute interest to ensure our security on that continuum and not on the basis of home-and-away, as we used to be able to do.

17. Admiral Sir Jonathon Band, former First Sea Lord and Chief of Naval Staff, thought “it was quite demanding to ask it, as the very first thing it had to do when it arrived, immediately to redo the National Security Strategy [...] and then to conduct a defence

17 Ev 124 and Ev 129

18 Defence Committee, First Report of Session 2010–11, *The Strategic Defence and Security Review*, HC 345, para 4

19 Q 452 [Vice Admiral Sir Jeremy Blackman]

20 Q 302

21 Q 302

review, which is pretty challenging at the best of times, and particularly so when you do it at the same time as a CSR. The question the National Security Council was asked pretty early on was demanding. I think it did not a bad job [...]”.²²

18. Some doubt has been expressed as to how far the NSC would be able to break down the departmental-silo mentality of Whitehall. Professor Michael Clarke from the Royal United Services Institute (RUSI) told us:²³

I think the framework of thinking was more coherent than in previous defence reviews [...] but it is not yet clear whether that has enough traction within Whitehall, because it's quite radical. What the NSS says is a pretty radical re-thinking of the way we should discuss security for a country like Britain in the 21st century. That is easy to say for a group of clever people writing a good essay on it, but it's much harder to push through Whitehall, which is stovepiped for a different sort of security environment. In the next few years, I think we in the analytical community will be looking at how far the NSC and the NSS are able to gain real traction within Whitehall.

19. In evidence to the Joint Committee on the National Security Strategy, Rt Hon Baroness Neville-Jones, former Security Minister and NSC member, commented that another potential problem was the way budgets are allocated on a departmental basis:²⁴

Perhaps I might say that the one thing that has not happened—the party canvassed this in opposition—was the notion of a single budget. There is indeed the single security account, but there is no wider pooling of moneys, as they are still departmentally allocated. We need to see how that works out in practice. The previous Government tried the experiment of pooling, which I do not think worked terribly well, and there is of course a constitutional problem, which is that parliamentary committees want to see accountability to them, so perhaps this Committee may be able to do something in that area. It is a fairly difficult one and it is not easy to see sweeping solutions that are compatible with a Secretary of State's responsibilities. But we need to devise some measure of flexibility so that we can allocate resources at mid-term or according to need, if it arises. That is because one thing that a national security concept should be able to give us in policy-making is greater flexibility than perhaps we have had in the past.

20. In evidence to the Foreign Affairs Committee, Sir Peter Ricketts, National Security Adviser, commented “that the NSC can be an influence to make sure that the top priorities that are set are then funded.” He gave the example that cross-departmental discussion of the SDSR in the NSC had probably enabled Ministers “to find £650 million for cross-Government cyber-work which wouldn't have fitted into any single budget”. However, he thought that the “great majority” of Government security spending would continue to be done through departments.²⁵ Also in evidence to the Foreign Affairs Committee, Rt Hon

22 Q 402

23 Q 4 [Professor Michael Clarke]

24 Uncorrected transcript of oral evidence taken before the Joint Committee on the National Security Strategy on 4 July 2011, HC (2010–12) 1384-i, Q 2

25 Foreign Affairs Committee, Seventh Report of Session 2010–12, *The Role of the FCO in UK Government*, HC 665, Qq 207–210

William Hague MP, Foreign Secretary, noted that there was ‘good scope for interdepartmental budgeting’ and that ‘through the National Security Council we are able to take a broader view across Government of where our resources are being directed’.²⁶

21. We repeat our welcome for the establishment of the National Security Council and its taking the strategic lead for defence and security issues. It must continue its work to break down the silo-mentality and departmental rivalry in Whitehall. We recommend that the Government, when responding to this Report, should identify appropriate areas for interdepartmental budgeting while maintaining proper accountability and not increasing levels of bureaucracy. The Government should provide us with further information on how it envisages the role of the NSC in terms of the prioritisation and allocation of resources.

National Security Strategy and the Strategic Defence and Security Review

22. Although its foremost priority was Afghanistan, an early task for NSC was the development of a new National Security Strategy and undertaking a Strategic Defence and Security Review. In our earlier report on the SDSR process in September 2010, we regretted that the NSS had still to be published, although it was clear from briefings we received from the then MoD Permanent Secretary that it existed in substantial outline and we understood it had been the Government’s intention to publish it before Summer 2010.²⁷ It was subsequently published on the day before the SDSR. In response to our Report the Government stated:²⁸

The NSS and SDSR were developed together and were both coherent and consistent. Crucially, the strategic approach of the NSS and its priorities fed directly into SDSR decisions. Clearly both the NSS and SDSR had to make hard choices about which capabilities to protect, which to enhance, and which to cut back, and therefore they both had to be developed in close coordination with the Spending Review. It thus made sense to publish them in October when their shared strategic approach could best be demonstrated.

23. During our inquiry we explored the contribution of the NSC to the development of the NSS and SDSR. At our first evidence session, Professor Michael Clarke commented on the linkage between the NSC and the NSS and SDSR:²⁹

If you are talking directly about the NSC, I would say that that encapsulated quite a lot of good thinking in the NSS. It certainly was relevant to the SDSR, but the SDSR itself had to be handled in such a truncated way because of the time problem that I am not convinced that the NSC had the sort of input to the SDSR that it would have wanted, or that certainly the Ministry of Defence would have wanted it to have. The

26 HC (2010–12) 665, Q 288

27 Defence Committee, First Report of Session 2010–11, *The Strategic Defence and Security Review*, HC 345, para 15

28 Defence Committee, Fourth Special Report of Session 2010–11, *The Strategic Defence and Security Review: Government response to the Committee’s First Report of Session 2010–11*, HC 638, p 5

29 Q 3 [Professor Michael Clarke]

NSC and the NSS are very closely connected, but the NSC and the defence review are less connected than they should have been.

24. When we put this possible lack of connection to Admiral Sir Mark Stanhope, First Sea Lord and Chief of the Naval Staff, he responded “I am not entirely in agreement that they are completely divorced from one another”.³⁰ He added that a “connection strategy is an ends, ways and means product. The National Security Strategy itself, as a paper, gave us the ends. The ways and the means were connected through the publication, or the formulation, of the SDSR. I didn’t necessarily say [...] that all the consequences are perfect”.³¹

25. Professor Hew Strachan, Professor of the History of War, Oxford University, commented on the “amount of misplaced effort that occurred because the NSC was not able to produce a National Security Strategy in enough time to co-ordinate what was happening in the defence review process”.³²

26. We put it to Air Chief Marshal Lord Stirrup, former Chief of the Defence Staff (CDS) and attendee at the NSC, that the complexity of defence issues meant that the NSC inevitably took some time to become familiar with them, and to begin to address the most pressing problems. He acknowledged that there was a knowledge gap when the NSC was established and that it had undergone a learning curve which was still continuing when he stepped down as CDS. He commented that the gap was “not so much defence, but the complex issues of the security issues facing the UK”. He added:³³

The NSC spent a great deal of time in the early days focusing on Afghanistan—I would say quite rightly—and on gathering evidence from a variety of people and on developing its thoughts and understanding of the challenges of Afghanistan. That did not leave much time for other parts of the world, but of course one has to prioritise. An area that we then needed to turn to—and had done only partially by the end of my time—was Pakistan. That is a hugely complex issue and a very difficult area, but of great importance to our national security in the UK. There are many others besides. The NSC got to grips with the issues as quickly as it could, and prioritised them rightly. However, they are so many and so complex that it was inevitably going to take time.

27. The NSC was, in our opinion, right to prioritise operations in Afghanistan. But we are concerned that the NSC did not appreciate the complexities of defence and security issues and had to undergo a steep learning curve. As a result we are not convinced that the NSC provided, at an early enough stage, the guidance and input that were necessary for formulating the SDSR, particularly given a truncated review period running alongside the Comprehensive Spending Review. We note that the next SDSR is due to be held shortly after the General Election in 2015. We recommend that steps should be taken to ensure that the lessons learned by the NSC and its secretariat are not lost.

30 Q 176

31 Q 177

32 Q 3 [Professor Hew Strachan]

33 Q 260

Whitehall structure

28. Following the 2010 General Election, Rt Hon Baroness Neville-Jones was appointed to the Government as Security Minister, based in the Home Office, and a member of the NSC. At the same time Sir Peter Ricketts KCMG, a former Foreign Office Permanent Secretary, was appointed to the new position of National Security Adviser.

A Department for National Security?

29. During our inquiry, we considered the Whitehall structure for addressing security issues, including the possibility of the establishment of a separate Department for National Security to break down the departmental-silo attitude when dealing with national security issues. Ministers argued that the NSC had meant that Ministers worked collectively and had not tackled issues just from the point of view of their department. Rt Hon Oliver Letwin MP, Minister of State at the Cabinet Office, told us:³⁴

May I add something as the outsider, observing the various Departments? What has really struck me is that we have gone through many discussions in the National Security Council on a wide range of issues and you cannot predict in advance “the Foreign Office view”, or “the Defence view”, or whatever. This is not operating as a series of departmental silos with their own views. We genuinely have a discussion about how we want to move forward on any given question and what resources we have available to us. At that stage, people talk in terms of what their Department can contribute. Without you being there, I can’t adequately convey this to you, but I have been enormously impressed by the extent to which simply having this form of meeting, the fact that it is continuous—as well as having the meeting discuss many things, rather than just one set of things—makes it the case that people stop thinking of themselves simply as departmental Ministers. They don’t come and read out briefs from their Department. They really engage together—we engage together—as a manifestation of the Government trying to solve a national problem.

30. We do not propose the Government should establish a separate Department for National Security. This would be a major change, particularly when UK Armed Forces are committed on two major operations and given the current economic situation. However this should be kept under review as part of a continuous assessment of the effectiveness of the NSC, particularly as new and unexpected threats emerge.

Minister for National Security and National Security Adviser

31. Witnesses generally welcomed the appointment of a National Security Adviser, but also raised doubts about whether this should be a senior civil servant. They argued that the role needed to be filled by a political heavyweight with the prominence to take the lead on the national security agenda and with the leverage to resolve disputes between departments.³⁵

34 Q 109 [Rt Hon Oliver Letwin MP]

35 Qq 452–453 and Ev w9 [Nigel Hall] [Note: references to Ev wXX are references to written evidence published in the volume of additional written evidence published on the Committee’s website]

Some suggested that a senior official could then be appointed as Deputy National Security Adviser.³⁶

32. We put the suggestion of a Cabinet Minister for National Security to the Foreign Secretary who replied:³⁷

Maybe it is beyond our pay grades, but it is something that we have discussed in the past. I discussed it with the Prime Minister, particularly before we came to power. We take the view that a Minister for Security in the Home Office is the right way to have a Security Minister, which is what we have, and that Minister is a member of the NSC. To operate satisfactorily, Ministers with responsibilities in these areas need the presence in a Department and the leverage and weight in Whitehall that comes from membership.

33. On 9 May 2011, Rt Hon Baroness Neville-Jones, Minister of State for Security and Counter-Terrorism in the Home Office and a member of the National Security Council, stepped down from the Government. James Brokenshire MP, an existing Home Office Minister, was appointed as Parliamentary Under-Secretary for Crime and Security, but without a seat on the National Security Council. On 24 June, the Prime Minister announced that the tenure of Sir Peter Ricketts as National Security Adviser would end in January 2012 when he would become the UK Ambassador to France, having held post for 21 months. His replacement was announced as Sir Kim Darroch, currently the UK's Permanent Representative to the EU.³⁸

34. We welcome the appointment of a National Security Adviser as a major advance. However we believe that a dedicated, powerful and independent long-term voice for national security should exist within Government and recommend that the Prime Minister appoint a National Security Minister, separate from the Home Office, to act as National Security Adviser with a seat on the National Security Council.

National Security Council Secretariat

35. The NSC is supported by a National Security Secretariat in the Cabinet Office. The Secretariat has been created largely from previously existing structures in the Cabinet Office. The National Security Secretariat is headed by the National Security Adviser. Meetings of the NSC are prepared by a weekly meeting of officials at Permanent Under-Secretary level (NSC (Officials)), chaired by the NSA. The MoD's written evidence stated that "[the NSC (Officials)] meeting coordinates Government policy across a wide range of national security issues and assesses how significant policy questions should be presented to Ministers [and] also coordinates the NSC forward work programme, which is agreed with the Prime Minister".³⁹

36. The organisation of the NSC secretariat was reviewed after completion of the SDSR. The team that had been brought together to develop the NSS and SDSR was disbanded and

36 Qq 452 [Professor Julian Lindley-French]

37 Q 57 [Rt Hon William Hague MP]

38 "Senior Diplomatic Appointments", Prime Minister's press release, 24 June 2011

39 Ev 124

the secretariat reverted to the pre-SDSR structure of five Directorates: Foreign and Defence Policy; Strategy and Counter-terrorism; Security and Intelligence; Cyber Security & Information Assurance; and Civil Contingencies. The secretariat currently employs 195 people.⁴⁰ Concern has been expressed that the NSC secretariat does not undertake its own analysis or commission research. Professor Hew Strachan commented:⁴¹

I think the crucial question is the composition of the Secretariat and how you wish to put it together. Professor Clarke has just spoken about the inputs and the way the Secretariat can draw things together, but we should think about how it can generate its own inputs if there are areas it feels it should look at, rather than be reactive to things that have been put into it. How far can it create a demand? How far can it generate its own demands?

37. We recommend that the NSC secretariat be given the resources to undertake its own analysis and commission research, with appropriate precautions put in place to avoid duplication of work already being undertaken by individual Government Departments and increased bureaucracy.

The NSC and COBR

38. It is intended that in times of emergency the NSC sets the strategic direction and priorities, and COBR deals with the day to day planning of operations to meet these challenges. This was made clear in the Prime Minister's statement to the House of Commons on Libya and the Middle East on 28 February 2011 in the context of the evacuation of UK citizens from Libya:⁴²

The Government will continue to focus on ensuring that our citizens are safe. Cobra has met regularly to co-ordinate the effort, and I personally chaired three meetings over the weekend. The National Security Council is looking at the overall strategic picture, and it met last Friday and again today, not least to look at other risks to British citizens in countries in the wider region.

39. We agree with the separation of responsibilities and roles between the NSC and COBR in respect of emergencies and recommend that measures be put in place to guard against any blurring of this in future.

Parliamentary scrutiny of the National Security Council

40. The MoD's written evidence told us that the NSC's effectiveness is:⁴³

[...] assessed by the Cabinet through the routine reporting of Council conclusions at each meeting. NSC discussions can also be elevated to Cabinet when issues require

40 However, following a review, the NSC structure would see a reduction in staff of around 25% and the number of Directorates reduced from five to four. See Foreign Affairs Committee, Seventh Report of Session 2010–12, *The Role of the FCO in UK Government*, HC 665, Ev 137–138 & Ev 140.

41 Q 5 [Professor Hew Strachan]

42 HC Deb, 28 February 2011, col 24

43 Ev 123

the broader collective attention of Cabinet or when outcomes of discussions are relevant to a wider audience. This has taken place on a number of occasions including before publication of the SDSR.

41. In our Report on the SDSR process, we stated that we had concerns regarding how effective Parliamentary scrutiny of the National Security Council would be carried out.⁴⁴ The National Security Strategy included a commitment to parliamentary scrutiny in the form of an annual report of progress of implementation on the SDSR and the NSS for scrutiny by the Joint Committee on the National Security Strategy.⁴⁵ In addition, in its written evidence, the MoD stated that:⁴⁶

Oversight of policy operation, including of decisions reached by the NSC, is undertaken by Parliamentary Select Committees such as the Joint Committee on the National Security Strategy (JCNSS). [...] As Secretary to the NSC, the National Security Adviser (NSA) has provided evidence to a number of Select Committees on the effectiveness of the NSC.

42. We note the Government's commitment to an annual report of progress of implementation of the SDSR and NSS for scrutiny by the Joint Committee on the National Security Strategy (JCNSS). We request more information on the format and status of this report. We will also continue to undertake scrutiny of the implementation of the NSS and SDSR. We also recommend that an annual debate should be held on the annual report on progress of implementation of the NSS and SDSR. This should be in Government time and held in the main House of Commons Chamber.

43. We recognise the willingness of ministerial members of the National Security Council and the National Security Adviser to appear before select committees, other than the JCNSS, and expect this to continue. We also expect the Government to explore with the JCNSS and other parliamentary committees ways of improving the National Security Council's accountability and transparency.

Attendance of the Leader of the Opposition

44. In January 2010, the Prime Minister, when Leader of the Opposition, stated that the "NSC will be responsible as a de facto 'War Cabinet' for the conduct of the UK contribution to the mission in Afghanistan" and that "if elected, we will invite the leaders of the main opposition parties to attend the war cabinet on a regular basis so they can offer their advice and insights".⁴⁷ At our evidence session on 9 March, we were told that the "Opposition had been invited to meetings of the NSC" and that Rt Hon Harriet Harman MP, when acting Leader of the Labour Party, had attended a meeting in the early summer.⁴⁸ Rt Hon Oliver Letwin MP, Minister of State at the Cabinet Office, explained that invitations would continue to be issued by the Prime Minister from time to time "if

44 Defence Committee, First Report of Session 2010–11, *The Strategic Defence and Security Review*, HC 345, para 8

45 HM Government, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, Cm 7953, para 0.21

46 Ev 124

47 Conservative Party, *A Resilient Nation: National security Green Paper No.13*, January 2010

48 Q 62

there was a particular issue on which he thought there was likely to be a huge national advantage in doing so”.⁴⁹ We understand from the Cabinet Office that since our evidence session, Rt Hon Edward Miliband MP, Leader of the Opposition, attended a meeting of the NSC on 12 April 2011.

45. We commend the Prime Minister’s initiative of inviting the Leader of the Opposition to attend the NSC. We hope that such invitations will become more frequent and that the Leader of the Opposition will accept them.

3 National Security Strategy

Foundation of the National Security Strategy

46. The first National Security Strategy was published by the previous Government in March 2008.⁵⁰ An update to the Strategy was published in 2009.⁵¹ The new Coalition Government published a new National Security Strategy, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, on 18 October 2010.⁵² In its foreword, the Prime Minister said that:⁵³

The National Security Council has overseen the development of a proper National Security Strategy, for the first time in this country's history. To be useful, this strategy must allow the Government to make choices about the risks we face. Of course, in an age of uncertainty the unexpected will happen, and we must be prepared to react to that by making our institutions and infrastructure as resilient as we possibly can. Unlike the last Government, our strategy sets clear priorities—counter-terrorism, cyber, international military crises and disasters such as floods. The highest priority does not always mean the most resources, but it gives a clear focus to the Government's effort.

47. The NSS asserts that “the National Security Strategy of the United Kingdom is: to use all our national capabilities to build Britain's prosperity, extend our nation's influence in the world and strengthen our security”.⁵⁴ The first two parts of the NSS “outline [the Government's] analysis of the strategic global context and [the Government's] assessment of the UK's place in the world”. It goes on to identify the UK's core objectives as: “ensuring a secure and resilient UK” and “shaping a stable world.”⁵⁵ The next section, “Risks to Our Security”, sets out three tiers of risks in order of priority (see below) based on a National Security Risk Assessment (NSRA)⁵⁶ and then goes on to discuss the tier one risks in more detail.

50 Cabinet Office, *The National Security Strategy of the United Kingdom: Security in an interdependent world*, Cm 7291, March 2008

51 Cabinet Office, *The National Security Strategy of the United Kingdom: Update 2009 Security for the Next Generation* Cm 7590, June 2009

52 HM Government, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, Cm 7953, October 2010. The House of Commons was notified of the publication of the NSS through a Written Statement by the Prime Minister. See HC Deb 18 October 2010 c48WS. A number of relevant factsheets have also been published online by the Cabinet Office

53 HM Government, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, Cm 7953, October 2010, p 5

54 *Ibid.*, para 0.5

55 *Ibid.*, para 0.16

56 *Ibid.*, pp 26–27, The methodology used for the NSRA is set out in more detail in paras 3.7–3.14 and Annex A of the NSS

National Security Strategy: Priority Risks

Tier One: The National Security Council considered the following groups of risks to be those of highest priority for UK national security looking ahead, taking account of both likelihood and impact.

- International terrorism affecting the UK or its interests, including a chemical, biological, radiological or nuclear attack by terrorists; and/or a significant increase in the levels of terrorism relating to Northern Ireland.
- Hostile attacks upon UK cyber space by other states and large scale cyber crime.
- A major accident or natural hazard which requires a national response, such as severe coastal flooding affecting three or more regions of the UK, or an influenza pandemic.
- An international military crisis between states, drawing in the UK, and its allies as well as other states and non-state actors.

Tier Two: The National Security Council considered the following groups of risks to be the next highest priority looking ahead, taking account of both likelihood and impact. (For example, a CBRN attack on the UK by a state was judged to be low likelihood, but high impact.)

- An attack on the UK or its Overseas Territories by another state or proxy using chemical, biological, radiological or nuclear (CBRN) weapons.
- Risk of major instability, insurgency or civil war overseas which creates an environment that terrorists can exploit to threaten the UK.
- A significant increase in the level of organised crime affecting the UK.
- Severe disruption to information received, transmitted or collected by satellites, possibly as the result of a deliberate attack by another state.

Tier Three: The National Security Council considered the following groups of risks to be the next highest priority after taking account of both likelihood and impact.

- A large scale conventional military attack on the UK by another state (not involving the use of CBRN weapons) resulting in fatalities and damage to infrastructure within the UK.
- A significant increase in the level of terrorists, organised criminals, illegal immigrants and illicit goods trying to cross the UK border to enter the UK.
- Disruption to oil or gas supplies to the UK, or price instability, as a result of war, accident, major political upheaval or deliberate manipulation of supply by producers.
- A major release of radioactive material from a civil nuclear site within the UK which affects one or more regions.
- A conventional attack by a state on another NATO or EU member to which the UK would have to respond.
- An attack on a UK overseas territory as the result of a sovereignty dispute or a wider regional conflict.
- Short to medium term disruption to international supplies of resources (e.g. food, minerals) essential to the UK.

48. Despite this tiered approach, the NSS asserted that:⁵⁷

All these risk areas are important [...] and all of them require government action to prevent or mitigate the risk. In many cases, we take action precisely to prevent risks that are in Tier Two or Tier Three from rising up the scale to become more pressing and reach Tier One.

49. The document concludes with details of how the new NSS is to be implemented. It identifies eight “cross cutting National Security Tasks”,⁵⁸ which will be supported by more “detailed planning guidelines” which are set out in the SDSR.⁵⁹ The cross cutting National Security Tasks are:

1. Identify and monitor national security risks and opportunities.
2. Tackle at root the causes of instability.
3. Exert influence to exploit opportunities and manage risks.
4. Enforce domestic law and strengthen international norms to help tackle those who threaten the UK and our interests.
5. Protect the UK and our interests at home, at our border, and internationally, in order to address physical and electronic threats from state and non-state sources.
6. Help resolve conflicts and contribute to stability. Where necessary, intervene overseas, including the legal use of coercive force in support of the UK’s vital interests, and to protect our overseas territories and people.
7. Provide resilience for the UK by being prepared for all kinds of emergencies, able to recover from shocks and to maintain essential services.
8. Work in alliances and partnerships wherever possible to generate stronger responses.

50. The NSS stated that implementation will “need a whole-of-government approach.” In order to ensure that future risks can be anticipated, the Government “will ensure that strategic all-source assessment, horizon scanning and early warning feed directly into policy-making through biennial reviews of the NSRA” and “lead ministers will take responsibility for co-ordinating areas of work to deliver the national security tasks.” Implementation of the NSS and SDSR is to be driven “from the centre by a cross departmental Implementation Board chaired by the Cabinet Office.” This is intended to monitor “progress, risks and issues and to identify areas of concern”.⁶⁰

57 HM Government, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, Cm 7953, October 2010, paras 3.15–3.16

58 *Ibid.*, p 33

59 HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, pp 10–12

60 HM Government, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, Cm 7953, October 2010, paras 4.09–4.13

51. Following publication, immediate reaction to the National Security Strategy (NSS) varied, with considerable debate about whether certain risks had been placed in the appropriate tier. There was also some criticism that both the NSS and SDSR processes had been unduly rushed in order to facilitate the Comprehensive Spending Review.⁶¹

UK influence in the world

Deficit Reduction

52. In their foreword to the NSS, the Prime Minister and Deputy Prime Minister stated:⁶²

Our ability to meet these current and future threats depends crucially on tackling the budget deficit. Our national security depends on our economic security and vice versa. An economic deficit is also a security deficit. So at the heart of the Strategic Defence and Security Review are some tough choices to bring the defence budget back to balance. Those choices are informed by the risks, analysis and prioritisation set out in this National Security Strategy.

53. In his evidence Air Chief Marshal Lord Stirrup stated that deficit reduction was the overall priority during discussions on the NSS and SDSR:⁶³

One must remember that although people have charged that the SDSR was not strategic, it most certainly was strategic but the strategy was to eliminate the deficit. Frankly, even from a security and defence point of view, I would have to say that that must be the right objective. Without a strong economy, without growth and without sound finances we are not going to have secure defences. It is just not possible, and that has been proved time and again throughout history. One can argue about the tactics that are employed to repair the economy and the finances—that is a separate issue—but strategically it surely must be the right top-level objective. In all our considerations, the requirement to do that and, therefore, the requirement to reduce expenditure overrode just about everything else.

54. We acknowledge that reduction of the budget deficit is the Government's strategic priority and that not to do so would have implications for maintaining the nation's security. It is not for us to discuss in this Report measures used to reduce the deficit although we have views on the effect on the defence budget.

55. During the lead up to publication of the NSS and SDSR, Rt Hon William Hague MP, Foreign Secretary, made a series of keynote speeches on the Government's foreign policy thinking and priorities which informed debate on the foreign policy baseline for the NSS. When published, the NSS stated: "The networks we use to build our prosperity we will also use to build our security".⁶⁴ The NSS also asserted: "The National Security Council has

61 For examples of reaction to National Security Strategy see House of Commons Library Research Paper 11/10, *UK Defence and Security Policy: A New Approach*, January 2011, pp 19–21

62 HM Government, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, Cm 7953, October 2010, p 4

63 Q 273

64 HM Government, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, Cm 7953, October 2010, para 0.5

reached a clear conclusion that Britain's national interest requires us to reject any notion of the shrinkage of our influence".⁶⁵

56. During our inquiry, this latter assertion caused much debate. Professor Michael Clarke of RUSI said that the Foreign Secretary in his speeches had given a "useful series of shopping lists saying that we should do lots of things, and do everything better in a more co-ordinated, efficient way." He went on to warn that:⁶⁶

Those things are easy to say but the bottom line is about where the resources are to make things happen. What we have at the moment is an NSS of no strategic shrinkage which, I have to say, is fairly aspirational. Some part of those aspirations can be met, but probably not all of them. What we are engaged in, I guess, between now and 2014–15, is having to make some pretty hard choices as to which of those aspirations we are prepared to fund. At the moment, the NSS would have us do a little bit more of everything with rather less resource.

57. When we asked the Foreign Secretary about these concerns, he responded:⁶⁷

That is the objective that I am sure it is right to start with. If you just left everything to itself, given the shrinking proportion of the world's economy accounted for by the United Kingdom or the European Union, our influence would naturally shrink, so we have to exert ourselves to ensure that it does not. In the case of the Foreign Office, that means changing budgetary arrangements.

58. Air Chief Marshal Lord Stirrup told us that the statement had caused much debate in the NSC.⁶⁸

Personally, I did not buy it, and my view is that if the priority is to eliminate the deficit over the course of a Parliament, the rather drastic action that will be necessary means a period of strategic shrinkage. That is my personal view, but that was not the view that prevailed in the production of the document. As I said, what we sought to do was reverse that strategic shrinkage over the second half of the decade, but that is still an open question.

59. According to Professor Julian Lindley-French from the Netherlands Defence Academy, the UK's influence was shrinking:⁶⁹

I live in the Netherlands; I have lived abroad now for 25 years. I am in Washington an awful lot, and believe me our influence is shrinking rapidly. I am seeing that and hearing that. I am working closely with the French, who are very frustrated by this almost pretence that is going on in London.

65 HM Government, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, Cm 7953, October 2010, para 0.8

66 Q 15 [Professor Michael Clarke]

67 Q 81

68 Qq 274–275

69 Q 454 [Professor Julian Lindley-French]

What strikes me, ladies and gentleman, about the National Security Strategy is that it paints a very big picture of a big world and then promptly cuts all the tools available to influence it. That strikes me as the essential paradox of the two documents.

“Full spectrum capability”

60. Given the Government’s aspiration of no shrinkage of influence in the world, we sought to explore the defence implications of this statement with the three Single Service Chiefs. At our evidence session with them we discussed the notion of “national ambition” contained in the NSS and SDSR. Admiral Sir Mark Stanhope told us: “Following on from the obvious Afghanistan focus, national ambition seems to be set by a sense that we are quite clear that we want to remain a player on the world stage in international security and defence at a given level.”⁷⁰ Chief of the Air Staff Sir Stephen Dalton added:⁷¹

“[The Government’s] national ambition was to focus on this adaptive posture, where we would have enough to do those committed and reactive things, but where we also had the ability to do that bit more. That means that we have to have the ability to be expeditionary. The ambition was still to be able to have national forces that could be projected anywhere in the globe.”

61. When we also asked the single Service Chiefs whether looking from now until 2015 they would describe the UK’s national ambition as being a full spectrum capability, each of them answered “no”.⁷² When our Chair put their response to the Prime Minister during his evidence session with the Liaison Committee on 17 May 2011, the following exchange took place:⁷³

Q198 Mr Arbuthnot: Last week, we asked the chiefs of staff whether they would still describe our national ambition as being a full spectrum capability, and the answers were as follows. Chief of the Air Staff: No. First Sea Lord: No. Chief of the General Staff: No. Would your answer be the same?

Mr Cameron: I would answer yes.

Q199 Chair (Sir Alan Beith): Just like all Prime Ministers, you get in there, and all of a sudden we have the importance of intervention, with all the implications that that has for our defence capability.

Mr Cameron: The question being, are you a full spectrum defence power, I would answer that literally by saying yes, because I think if you look at the-

Q200 Mr Arbuthnot: Are you not a little worried that your chiefs of staff don’t share that?

Mr Cameron: I will give a proper answer—I really will, I promise. If you look across the piece, you take a Navy that has got hunter-killer submarines, that has a nuclear

70 Q 189 [Admiral Sir Mark Stanhope]

71 Q 189 [Air Chief Marshal Sir Stephen Dalton]

72 Q 200

73 Oral evidence taken before the Liaison Committee on 17 May 2011, HC (2010–12) 608-ii

deterrent that we are renewing, that has two of the most modern and up-to-date aircraft carriers coming down the track; if you look at our Air Force, that has got the Typhoon, one of the most capable and successful aircraft that anyone has anywhere in the world-

Chair: Prime Minister, everyone knows what we've got.

Mr Cameron: All right-and through we go and through we go. And we are spending £900 million on cyber and we have superb special forces, probably among the best in the world. To me, that definitely describes the fourth largest defence budget in the world; the sixth biggest economy. That describes to me a pretty full spectrum capability. Of course, the defence chiefs-quite rightly, because they are standing up for their services-will always want more. I think the relationship between a Prime Minister and the defence chiefs should be quite a robust one, and I like the fact that the Chief of the Defence Staff, David Richards, and I are able to have good, proper arguments and discussions. That's how it should be.

In the end, the politician is responsible. I am responsible for the fact we are still in Afghanistan. I am responsible for the fact that I am putting people's lives at risk in Libya. That is my responsibility. Our armed services do a fantastic job in delivering the intent of the Prime Minister and the Cabinet, but in the end it has got to be a relationship where the politicians and the military are able to have a frank and clear discussion. And we won't always say precisely the same thing in public, which is why I am not frightened of giving a different answer publicly to what they said, because I think, when you look at our £33 billion defence budget as I say, the fourth largest in the world-you see a pretty full spectrum capability.

Of course, there are additional things you'd like to have. There is always more that you would like to have. If you were running the Navy, the Army or the Air Force, and you said, "No, I've got everything I want," you would have half your people up in arms, saying, "Hold on, what about this bit of kit or that bit of kit?" I would say that we still have a very strong set of military capabilities, the like of which only one or two other countries in the world have.

62. At our final evidence session, we put these points to Nick Harvey MP, Minister for the Armed Forces, who responded:⁷⁴

Influence is not just a question of the size of our military force. The UK exerts influence in a variety of ways: diplomatic and economic, development assistance and technological and cultural exchanges. Even in the case of our military force, size is only part of the consideration. What we do with it and our willingness to use it is part and parcel of our strategic influence. We aim, as the NSS said, to deliver a distinctive British foreign policy that extends our influence and, as I said, that covers trade, economic and all sorts of other considerations. I do not believe, taken in the round, that the NSS amounts to strategic shrinkage.

63. When asked about the Chiefs of Staffs' statements on full spectrum capability, he appeared to contradict the Prime Minister:⁷⁵

Your question presupposes that we had a full spectrum of capability prior to the SDSR. I do not think there is a universal definition of full spectrum capability. If you were to take it as meaning that we were militarily capable of doing anything that we wanted in any theatre in the world while being totally self-reliant, I would suggest to you that it has been decades since we retained that sort of definition of a full spectrum of capability. If you were to ask whether our future capability across the air, maritime and land domains retains a wide spectrum of capabilities, undoubtedly it does. But I do not think that we have had a full spectrum of capability in decades.

64. **We note the declared aspiration of the NSC that Britain's national interest requires the rejection of any notion of the shrinkage of UK influence. We acknowledge that influence should not only be measured in military hardware or even military capability. However, given the Government's declared priority of deficit reduction we conclude that a period of strategic shrinkage is inevitable. The Government appears to believe that the UK can maintain its influence while reducing spending, not just in the area of defence but also at the Foreign Office. We do not agree. If the UK's influence in the world is to be maintained, the Government must demonstrate in a clear and convincing way that these reductions have been offset by identifiable improvements elsewhere rather than imprecise assertions of an increased reliance on diplomacy and 'soft power'. If the Government cannot do so, the National Security Strategy is in danger of becoming a 'wish list' that fails to make the hard choices necessary to ensure the nation's security.**

65. **If the UK's influence in the world is to be maintained, we are concerned that the impact of defence cuts on the UK's defence commitments and role within NATO and other strategic alliances does not appear to have been fully addressed. UK defence does not operate in a vacuum and decisions taken in the UK have repercussions for the spending commitments and strategic posture of allies and alliances.**

66. **We dispute the Prime Minister's assertion that the UK has a full spectrum defence capability. We note that this view has been rejected by the single Service Chiefs. Indeed the Armed Forces Minister acknowledged that the UK has not had a full spectrum capability for many years, speaking instead of delivering a wide spectrum of military capabilities in the future. We remain to be convinced that this aspiration can be achieved. We also have serious concerns about whether a full spectrum defence capability can be maintained by co-operation with our allies given the challenges of aligning political with operational needs.**

Strategy: ends, ways and means

67. The NSS stated:⁷⁶

A national security strategy, like any strategy, must be a combination of **ends** (what we are seeking to achieve), **ways** (the ways in which we seek to achieve those ends) and **means** (the resources we can devote to achieving the ends) [...] It must **balance the ends, ways and means**. The ways and means by which we seek to achieve our objectives must be appropriate and sufficient and the objectives must also be realistic in light of the means available.

68. Professor Michael Clarke, Director of RUSI, wrote immediately after the NSS was published:⁷⁷

It is an honest attempt to think afresh about British security [...] The problem with it, as it presently exists, is that it is not really a strategy as such, but a methodology for a strategy. It does not make hard choices between real things—which is what strategists have to do [...] Of course, government ministers have to make the hard choices between real things all the time. But as we have seen in the last week, when the Prime Minister had to make a personal judgement between the analysis of his Chancellor as opposed to the analysis of his Defence Minister, these genuinely strategic decisions came down to a personal instinct. It is not clear that the National Security Strategy has yet gained enough political weight to inform, still less to shape, those personal instincts.

69. On 17 November 2010, General Sir David Richards, the then new Chief of the Defence Staff, told us:⁷⁸

I do not think that it is true, though, to say that we have lost our ability to think strategically. What we need to rediscover is how to turn that thinking into effect—to draw together the ends, ways and means. The National Security Strategy document is not a bad objective in terms of our ends, but I would say that the ways and means are an area of weakness.

70. When we put this to the Foreign Secretary, he replied:⁷⁹

The National Security Strategy is an assessment, largely, of the risks, the impact and likelihood of the risks, and then in broad terms, what we need to do about it. The means were more set out in the following day's publication of the Strategic Defence and Security Review, so, whether people think that is an area of weakness depends on what they think about that review. Clearly, these are things that are being properly tied together for the first time in government. In your terms, looking today at the

76 HM Government, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, Cm 7953, October 2010, para 0.14

77 Professor Michael Clarke, *Preliminary RUSI Briefing: The National Security Strategy 2010*, RUSI

78 Defence Committee, *Appointment of the Chief of Defence Staff*, Oral and written evidence, HC 600-i, Session 2010–11, Q 3

79 Q 73

processes here, that assessment of risks, the overall sense of strategy, and then ensuring that the SDSR supported that is what this process is.

71. The Secretary of State for Defence added:⁸⁰

[The then CDS] took part fully in the NSC itself in the formation of the Security Strategy and, of course, he was central to the SDSR itself. If you are interpreting the comment to mean that the military think that it would be nice to have an unlimited budget I am sure you are correct.

72. Air Marshal Lord Stirrup, former Chief of the Defence Staff said:⁸¹

The NSS talks about priorities, but it does not say that you have to be able to deal with every one of those priorities to the same degree. Clearly, the amount of effort you put into the priorities depends on circumstances at the time. It depends on the international situation, but it also depends on how much you have to invest. If you have less to invest, you can cover fewer of the bets. I do not think they became disconnected; there was never a sense, going back to my earlier answer, that the NSS was going to provide you with a set answer that was going to cost a set amount and that if you did not provide that money you could not have the answer. It is scalable to a very large extent, but the significant reduction in the budget meant that the sliding scale was going to be downwards rather than upwards.

73. Vice Admiral Sir Jeremy Blackham was critical of the NSS in terms of ways, means and ends.⁸²

It seems that the NSS does not, in fact, specify the ways and means. It specifies ends, but there is very little about ways and means. Indeed, as I said in my opening remarks, there is a range of instruments that are necessary to preserve a nation's security, but I find missing from the NSS any assessment of what these ways and means actually are and what the potential penalties of not doing certain things are. Of course, I accept the right of any Government—and, more particularly, any Parliament—to decide what the national stance should be and what we are prepared to do and what we are not, but I am concerned that the NSS makes a claim that we will do something, which it then fails to support with the ways and means that it proposes, and, of course, with the finance that it has available to it.

74. We note the Government's assertion that the NSS is the ends and the SDSR is the ways and means in terms of the delivery of national strategy. However when developing the NSS in future years, the Government should identify with greater clarity the resources required and available to achieve the desired outcomes within the framework of the national security tasks. This analysis would enable the SDSR to take informed resourcing decisions.

80 Q 74

81 Q 271

82 Q 467

National Security Risk Assessment

75. As part of the development of the NSS the Government “conducted the first ever National Security Risk Assessment (NSRA) to assess and prioritise all major areas of national security risk—domestic and overseas”. As part of the process:⁸³

Subject-matter experts, analysts and intelligence specialists were asked to identify the full range of existing and potential risks to our national security which might materialise over a five and 20 year horizon. All potential risks of sufficient scale or impact so as to require action from government and/or which had an ideological, international or political dimension were assessed, based on their relative likelihood and relative impact. Impact was assessed based on the potential direct harm a risk would cause to the UK’s people, territories, economy, key institutions and infrastructure.

76. The NSS states that “the [NSRA] process of identifying, assessing and prioritising risks is intended to give us strategic notice about future threats to enable us to plan our response and capabilities in advance”. However the NSS states that there are “limits” to this process as “we cannot predict every risk that might occur, as there is intrinsic uncertainty in human events. We must be alert to change. We will continue to assess the risks facing us.” The NSS commits to a full review of the NSRA every two years.⁸⁴

77. In his evidence to the Committee, Professor Malcolm Chalmers said:⁸⁵

One of the main innovations in the NSS is the attempt—in the National Security Risk Assessment—to prioritise across risks. [...]

The NSS, therefore, is a work in progress. One of the main tasks for the NSRA update, planned for 2012, should be to find methodologies that allow the Strategy to take greater account of the longer term risks that, rightly, underpin the SDSR’s commitment to an Adaptable Posture.

78. General Rupert Smith had concerns about this process taking place every two years:⁸⁶

We have arrived at a methodology that is not, in itself, wrong, but it is a recognition of our vulnerabilities—it is about our vulnerabilities within the strategic base as opposed to out there, where, as you have said, half our objectives are. In the methodology, it assumes a threat and it assumes a context, but we do not know what the threats are. We acknowledge in the National Security Strategy that we have to manage the context, so we cannot be sure of what that is either. Those two sets of assumptions are likely to be ignored, particularly if we are going to address our risk assessment only every two years, which I think is very dodgy in a volatile world.

83 HM Government, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, Cm 7953, October 2010, paras 3.6–3.7

84 HM Government, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, Cm 7953, October 2010, paras 3.10–3.11

85 Ev 119 and Ev 120

86 Q 342

79. We commend the Government on the recognition of newly acknowledged threats, such as cyber crime, in the NSS. It is important that the right risks are identified and resources prioritised accordingly.

80. We agree that the NSRA should be formally updated every two years but this must not be at the expense of being able to adapt the National Security Strategy to meet new threats or changing situations. We recommend that the NSC should keep the NSRA methodology under review and consider adapting it to take account of longer term risks in line with the commitment to an adaptable posture.

Adaptable Posture

81. Although the NSS ranked current risks, it also acknowledged that over the next 20 years the UK would face threats from a variety of sources. The NSS recognised preventative action, such as conflict prevention, international aid and defence diplomacy, as major objectives. The ability to identify threats at an early stage and be adaptable to them remained, however, a crucial component of the NSS.⁸⁷

Our ability to remain adaptable for the future will be fundamental, as will our ability to identify risks and opportunities at the earliest possible stage. It will also be essential to maintain highly capable and flexible Armed Forces so that we can exercise military power when necessary.

82. The Secretary of State for Defence outlined the alternative postures considered by the NSC and the reasons for rejecting them and opting for the ‘adaptable posture’.⁸⁸

There were two other postures quite strongly advocated by some. One was that we should invest in what you might call “Fortress Britain”, withdrawing back closer to home and investing in the appropriate assets in that direction. There were others who said to go exactly the other way, and that we should have a highly committed posture. Assume that the conflicts of the future would be like the ones we face in Afghanistan now, and there would be no requirement for widespread maritime capabilities, for example. We purposely chose an adaptable posture, recognising that there are always limitations on the amount of money we have available. What posture would give us the best capability to respond to the lack of predictability that exists out there?

[...]

I think that the broad decision to go for an adaptable posture was correct. Will we have to keep that constantly reviewed as the risk assessment is done every two years, and as the NSS and the SDSR are done every four years? Of course we will, but I don’t see any reason, in light of experience, to change the assumptions on which the SDSR is undertaken.

87 HM Government, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, Cm 7953, October 2010, para 1.33

88 Q 94

83. We support the Government's adoption of an 'adaptable posture'. Given that the nature of security threats are becoming more global, less predictable and less visible it is vital to maintain a strong pool of resources on which we can draw in order to provide the capability to adapt to changing situations. We reject any notion that the UK can just retreat and defend its borders and those of its overseas territories. However there needs to be a full assessment of what the 'adaptable posture' will cost; defining the future state without attaching an accurate assessment of the resources required undermines the authority of the Government's intentions.

4 Strategic Defence and Security Review

Background

84. Following the May 2010 General Election, the new Coalition Government started work on a Strategic Defence and Security Review. This was the first defence review for 12 years, the last having taken place in 1998. Unlike previous Strategic Defence Reviews, the review was widened to include security matters and was to be overseen by the new National Security Council and developed alongside a new National Security Strategy and a Comprehensive Spending Review. The Ministry of Defence's written evidence to our earlier inquiry into the processes followed in the development of the SDSR stated:⁸⁹

The combination of the SDSR and NSS will provide a coherent approach to security across Government and ensure the right balance of resources to meet our commitments. It is a fundamental objective to ensure that our Armed Forces have what they need to do what is asked of them.

The approach being taken by the NSC involves analysis of national security policy and capability across all relevant Government Departments and agencies. For this reason the Review is being led from the centre of Government, the Cabinet Office working with the Treasury. Defence capabilities and resources are accordingly being considered alongside all other security capabilities in order to measure the relative cost effectiveness of each. Cost effectiveness of capabilities will be measured by what they offer and how effective they are at addressing the defence and security challenges of the 21st Century. This will enable Ministers to consider relative priorities across all national security capabilities in an integrated way. Depending on the outcome of the SDSR, some national security capabilities may be reduced to enhance others if that provides the most effective means of protecting the UK's national security interests.

85. The previous Government had started work on a new SDR in late 2009 and published a Green Paper in February 2010. When taking up post in May 2011, Rt Hon Liam Fox MP, Secretary of State for Defence, initiated work in the MoD on the new widened review. The MoD undertook 41 individual policy and capability studies in respect of the SDSR. The conclusions of the SDSR were published as a White Paper⁹⁰ on 19 October 2010 with the Prime Minister making a statement to the House.⁹¹ It is proposed that future SDSRs shall be held every five years with the next one due in 2015.⁹² **We commend the Government on the principle of their stated intention of regular SDSRs every five years. A gap of 12 years between reviews should never be allowed to occur again. However we have concerns that future SDSRs will therefore be tied too closely to the electoral cycle and call on the Government to explore ways of breaking this link. Whilst welcoming the**

89 Defence Committee, First Report of Session 2010–11, *The Strategic Defence and Security Review*, HC 345, Ev 13

90 HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948

91 HC Deb, 19 October 2010, cols 797–801

92 HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, para 1.3

widening of the scope of the review to include security issues, we repeat the concern expressed in our earlier Report on the SDSR process that there is some risk of dilution of the defence contribution due to possible immediate or short term threats which may dominate the agenda to the exclusion of long-term defence assessments by the MoD.

86. The SDSR stated that “Afghanistan remains the main effort of Defence [...] and the Government is fully committed to ensuring that the campaign is properly resourced, funded and equipped”.⁹³ Since publication of the SDSR, UK Armed Forces have also been committed to operations in Libya under UN Security Council Resolution 1973. We assess the impact of this new operation in the context of the SDSR later in this report. **We agree with the Government’s statement in the SDSR that Afghanistan remains the top priority. We shall continue to monitor the Government’s pledge that operations there will be properly resourced, funded and equipped. We note that since publication of the SDSR UK Armed Forces have been committed to operations in Libya. We will monitor this operation closely and will be conducting an inquiry into Operations in Libya in October 2011.**

87. In November 2010, the then new Chief of the Defence Staff, General Sir David Richards explained to us his interpretation of the SDSR:⁹⁴

My interpretation, as we would operate within the military, is that the Commander’s intent is the National Security Strategy, while our detailed orders are the SDSR document. As I have said a couple of times, I think the National Security Strategy—we could debate whether it is a strategy in the sense of a grand strategy, which is a different issue, but it has clear aiming points for all of us—is good and clear. We need to get there; how quickly is the issue. The SDSR is our immediate aiming point—i.e. Future Force 2020. While we veer and haul around what is deliverable within the 2020 time line, and I am sure you will want to probe into that, that is my interpretation of orders. But, as with everything else in military operations, the enemy has a vote and money is a factor—all the things we know will make aspects of the SDSR challenging to deliver.

88. The SDSR started by expanding on the eight National Security Tasks contained in the NSS and sets out “more detailed planning guidelines on how they are to be achieved”⁹⁵ and goes on to state that “these will drive detailed decisions by departments over the next five years on how to prioritise resource allocation and capability development.”⁹⁶ The following sections attempted to “explain how all government departments will implement these new National Security Tasks and Planning Guidelines”.⁹⁷ These were followed by sections on the implications for alliances and the structural reforms required to implement these changes.

93 HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, paras 2.2–2.3

94 Defence Committee, *Appointment of the Chief of the Defence Staff*, Oral and written evidence, HC 600-i, Session 2010–11, Q 2

95 HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, pp 10–12

96 *Ibid.*, para 1.6

97 *Ibid.*, para 1.7

Military Tasks and Defence Planning Assumptions

89. The SDSR stated that the UK “will take a new approach to developing and employing the Armed forces, consistent with the key elements of the adaptable posture” and will “deliver a major restructuring of the Armed Forces in order to generate future military capabilities.”⁹⁸

90. The MoD’s written evidence stated:⁹⁹

Based on the adaptable posture the NSC agreed a set of eight cross-cutting National Security Tasks that link to the priorities set out in NSS, with more detailed Planning Guidelines on how they are to be achieved. These will drive detailed decisions by Departments over the next five years on how to prioritise resource allocation and capability development.

Within the overall framework of the National Security Tasks the contribution of the Armed Forces is further defined through Military Tasks, which describe what the Government may ask the Armed Forces to undertake; and through more detailed Defence Planning Assumptions about the size of the operations we plan to undertake, how often we might undertake them, how far away from permanent bases, with which partners and allies, and how soon we expect to recover from the effort involved. The seven Military Tasks are:

- defending the UK and its Overseas Territories
- providing strategic intelligence
- providing nuclear deterrence
- supporting civil emergency organisations in times of crisis
- defending our interests by projecting power strategically and through expeditionary interventions
- providing a defence contribution to UK influence
- providing security for stabilisation.

The new Defence Planning Assumptions envisage that the Armed Forces in the future will be sized and shaped to conduct:

- an enduring stabilisation operation at around brigade level (up to 6,500 personnel) with maritime and air support as required, while also conducting:
 - one non-enduring complex intervention (up to 2,000 personnel), and
 - one non-enduring simple intervention (up to 1,000 personnel);

98 HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, pp 10–12, paras 2.10–2.11

99 Ev 125–126

or alternatively:

- three non-enduring operations if we were not already engaged in an enduring operation;

or:

- for a limited time, and with sufficient warning, committing all our effort to a one-off intervention of up to three brigades, with maritime and air support (around 30,000, two-thirds of the force deployed to Iraq in 2003).

91. The SDSR stated that the new Defence Planning Assumptions (DPAs) “serve as a planning tool to guide us in developing our forces rather than a set of fixed operational plans or a prediction of the precise operations we will undertake”.¹⁰⁰ The SDSR also outlined, for planning purposes, the three types of operations that the Armed Forces might be required to undertake:¹⁰¹

- standing commitments, which are permanent operations essential to our security or to support key British interests around the world;
- intervention operations, which are short-term, high-impact military deployments;
- stabilisation operations, which are longer-term mainly land-based operations to stabilise and resolve conflict situations primarily in support of reconstruction and development and normally in partnership with others.

Operations are further divided into:

- non-enduring operations, which last less than six months, typically requiring a force to be deployed and then withdrawn without replacement. Examples might include evacuation of UK citizens (as in Lebanon in 2006) or a counter-terrorist strike operation
- enduring operations, which last for more than six months and normally require units to carry out a tour of duty and then be replaced by other similar units.

These descriptions help us to structure and scale our forces, rather than to plan for specific operations. In reality there is considerable overlap between types of operation and our forces must be flexible enough to adapt.

92. One of the intentions of the SDSR was to “confront the legacy of overstretch.” It asserted that “between 2006 and 2009 UK forces were deployed at medium scale in both Iraq and Afghanistan” and that “this exceeded the planning assumptions that had set the

¹⁰⁰ HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, para 2.13

¹⁰¹ *Ibid.*, p 18

size of our forces and placed greater demands both on our people and on their equipment than had been planned for.”¹⁰²

93. Admiral Sir Mark Stanhope suggested that the DPAs demonstrated the UK’s national ambition:¹⁰³

Following on from the obvious Afghanistan focus, national ambition seems to be set by a sense that we are quite clear that we want to remain a player on the world stage in international security and defence at a given level. That is defined by the defence planning assumptions, which are: a stabilisation operation at a slightly smaller scale than Afghanistan, a complex intervention for example Libya, and another non-complex operation of an evacuation scale. Those latter two are timed to be no longer than six months. There is a clear ambition that this is what we want to achieve, as well as recognising the day-to-day business.

94. The single Service Chiefs told us that the current operations in Afghanistan and Libya were within the Defence Planning Assumptions in the SDSR. Admiral Mark Stanhope noted that according to the DPAs the Navy was not currently overstretched:¹⁰⁴

In terms of the defence planning assumption as one stabilisation operation and two complex and non-complex operations—likening Libya to a complex operation—according to the requirement, no, we are not. We are stretched, though, across the other requirements, which makes it quite challenging.

Given the current tempo of operations, the single Service Chiefs agreed that their respective Services were stretched but not overstretched.¹⁰⁵ In June 2011 tensions arose between senior military personnel and the prime Minister following comments by Admiral Sir Mark Stanhope and Air Chief Marshal Sir Simon Bryant regarding the demands being placed on the Armed Forces.

95. Air Chief Marshal Lord Stirrup, former CDS, was concerned about potential circumstances arising that would be very serious for UK national security. He commented:¹⁰⁶

We need to keep something, in terms of contingency, in reserve to deal with such very serious threats, should they materialise. So, I get very concerned not only about exceeding the defence planning assumptions, but about committing everything we have to continuing operations. This is not about keeping everything in reserve, just in case something comes up; that clearly does not make any sense. However, it is about keeping sufficient contingency to deal with the unexpected when it is very close to home in terms of our interests.

102 HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, para 2.5

103 Q 189 [Admiral Sir Mark Stanhope]

104 Q 201 [Admiral Sir Mark Stanhope]

105 Qq 201–214

106 Q 281

96. Wing Commander Andrew Brookes, Director, Air League (which exists to promote the cause of British aviation), went further and asserted that the UK could not carry out all the tasks envisaged in the DPAs:¹⁰⁷

There are three tasks that are laid down: an enduring stabilisation operation, a non-enduring complex and a non-enduring civil intervention—that is, an Afghanistan, a Libya and rescuing everybody out of Zimbabwe. We can no longer do the third; the third is beyond us. We already do not have the funding to do what is in there.

97. When he was Shadow Secretary of State for Defence, on 30 April 2010, the current Secretary of State for Defence wrote that “a future Conservative Government will aim to bring commitments and resources into line”.¹⁰⁸

98. **While we acknowledge that the Defence Planning Assumptions in the SDSR serve as a planning tool rather than a set of fixed operational plans or a prediction of precise operations that will be undertaken, we are concerned that as currently applied they suggest that UK Armed Forces will be continually operating at the maximum level envisaged by the Assumptions. This has serious implications. The Government should ensure that sufficient contingency is retained to deal with the unexpected. It is not sufficient to wait for the end of combat operations in Afghanistan at the end of 2014.**

99. **We note the Government’s intention to “confront the legacy of overstretch” citing the operations in Iraq and Afghanistan from 2006–09 as examples. The new Defence Planning Assumptions in the SDSR suggest that in future the Armed Forces would not be asked to undertake operations of a similar nature to Iraq and Afghanistan simultaneously. The Government should indicate if this is the case in their response to this Report.**

100. **When committing to undertake new operations, such as Libya, the Government should state from the outset where that operation fits in the Defence Planning Assumptions and which of the military tasks it is meeting. This should not be limited to the numbers of Armed Forces personnel required, but also the capabilities that will be deployed and the consequences that this may have for other operations or wider defence-related matters, such as the defence budget and defence industry priorities. We can only conclude that the Government has postponed the sensible aspiration of bringing commitments and resources into line, in that it has taken on the new commitment of Libya while reducing the resources available to the MoD.**

Decisions affecting Military capability

101. As part of the move towards Future Force 2020, the SDSR announced several changes to the configuration of each of the Services.¹⁰⁹ The recommendations were wide-ranging and some extremely controversial. Among the proposals were:

107 Q 504

108 “A Conservative Strategic Defence and Security Review”, Defence Management.com, 30 April 2010. See also Conservative Party, *A new Covenant for our Armed Forces and their Families: The Conservative Armed Forces Manifesto, 2010*, p 15.

- to decommission the UK's current aircraft carriers and Harrier aircraft, thereby creating a 10-year gap in Carrier Strike capability.
- To continue with the procurement of the Queen Elizabeth-class aircraft carrier and procure the carrier-variant of the Joint Strike Fighter (JSF) from 2020.
- To withdraw all British Forces in Germany by 2020.
- Immediately to cancel the Nimrod MRA4 programme.
- To close as surplus to RAF requirements RAF Kinloss and two other RAF bases

We were unable to cover all the capability decisions contained in the SDSR, instead concentrating on those listed above and examining how they flowed from the NSS and the military tasks, Defence Planning Assumptions and the plans for Future Force 2020 listed in the SDSR.

Aircraft Carriers and Carrier-Strike capability

102. The Aircraft Carrier and Harrier Force decisions caused much debate during our inquiry and formed the bulk of the written evidence we received.¹¹⁰ We focused on the plan to go ahead with procuring both Queen Elizabeth carriers, the uncertainty of the future role of the second carrier and the 10-year gap in carrier-strike capability caused by the replacement of the Harrier fleet with the carrier-variant of the JSF and the installation of catapult and arrestor gear.

103. At a strategic level, Professor Chalmers from RUSI was uncertain how the decisions flowed from the NSS: “in the discussion of the aircraft carrier decision, there was an explicit difference drawn out between the threat environment that we face in the next 10 years, which doesn’t require carrier-based aircraft, and what we anticipate after that, which does. But that isn’t related back to the analysis in the NSS.”¹¹¹

A single operational carrier

104. The SDSR announced that HMS Ark Royal would be decommissioned immediately. Following a short further study after the SDSR, the MoD announced that HMS Illustrious would leave service in 2014 after Helicopter carrier HMS Ocean returned to service after a planned refit and that HMS Ocean would be retained to provide a helicopter platform capability in the longer term.¹¹²

105. The Government decided to continue with the procurement, started under the previous Administration, of two Queen Elizabeth class aircraft carriers which would

109 HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, pp 19–34

110 Ev w1, Ev w5, Ev w7, Ev w12, Ev w60, Ev w77, Ev w115, and Ev w120 ff

111 Q 8

112 The announcement regarding HMS Illustrious and HMS Ocean was made on 15 December 2010 after a short study to determine which platform would provide the most effective helicopter platform capability (HC Deb 15 December 2010, 103WS).

provide the carrier strike capability from 2020. Although the SDSR accepted the “strategic requirement for a future carrier strike capability”, it could not foresee circumstances in which the UK would require the scale of strike capability planned by the procurement of two Queen Elizabeth class aircraft carriers. It is therefore planned to operate only one of the aircraft carriers with the other held at extended readiness which left open the options “to rotate them, to ensure a continuous UK carrier-strike capability; or to regenerate more quickly a two-carrier strike capability.” The SDSR also stated that one of the carriers might be sold and the UK would rely on cooperation with a ‘close ally’ to provide continuous carrier-strike capability. The next SDSR in 2015 would review these options to take account of how the “future strategic environment develops”.¹¹³

106. First Sea Lord and Chief of Naval Staff, Admiral Sir Mark Stanhope, commented on having only one operational carrier.¹¹⁴

I’m very clear that if you want to have a capability that’s available to this nation continuously, you can’t do that with one carrier. The French one is a good example. You have your capability five years in eight, because three years, roughly, are taken up either maintaining it or working it up. So if you want a continuous capability, you need both carriers. The options sit in the SDSR, and you’re quite right: there is some indecision. But we’re building both carriers, and that’s the way ahead at the moment.

107. Admiral Sir Jonathon Band, former First Sea Lord and Chief of Naval Staff, agreed that it would be “very challenging to run the carrier force that we want on one ship only”.¹¹⁵

108. At our final evidence session General Houghton, Vice Chief of the Defence Staff, stated that:¹¹⁶

We proceed to abide by the SDSR outcome that one will be in operational use and a second at extended readiness. But we sensibly delayed till 2015 a decision on whether or not to keep it in extended readiness in perpetuity or actually to use the existence of the second carrier in the context of what might be a different financial situation, whether or not we want to make operational use of it. Therefore, we give ourselves the ability to have a carrier available 100% of the time rather than just what would be five years out of seven.

109. We believe that for an aircraft carrier to be held in a state of extended readiness it must be fitted with catapults and arrestor gear.

110. We challenged General Houghton that if the UK only had one aircraft carrier, every time it went into refit it would prove to the Treasury that it was not needed. He responded:¹¹⁷

¹¹³ HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, pp 22–23

¹¹⁴ Q 215 [Admiral Sir Mark Stanhope]

¹¹⁵ Q 423

¹¹⁶ Q 578

¹¹⁷ Q 579

That is palpably a serious risk. That is one of the areas where, as it were, in international collaboration, it would make sense—would it not?—between, for example, ourselves and the French, that we made certain, in terms of the availability of our single carriers, that we so rostered them that there was a seamless availability between the two nations.

111. We explored this proposed interoperability further in terms of the capability of UK and French carriers. General Houghton agreed that it would not be possible to ‘fight’ from the French carrier, Charles de Gaulle, and that a fully laden JSF would also be unable to land.¹¹⁸ Despite these caveats General Houghton asserted:¹¹⁹

If there is a political agreement that there will be defence co-operation and political decision making about the commitment of a coalition force, everything flows from that. We cannot just say, “I’m not certain that we get on with the French.” There will be issues of interoperability, but if the political will is there to make the defence co-operation treaty a reality of political will in real-time scenarios, we would salute, turn to the right and match our capabilities accordingly.

112. We note that the MoD is still examining the options to bring into service the Queen Elizabeth class carriers. We understand that this includes the timing of fitting the catapults and arrestor gear, including whether one or both carriers should have the system fitted. We have received no evidence that any analysis has been carried out on the cost and scope of work required, or on the financial and technical consequences of switching JSF variant at the time of the SDSR. **We expect the MoD to publish its work programme and final requirements for the conversion of the carriers and JSF by the end of 2012.**

Harrier Force and the JSF

113. The SDSR also announced that the Harrier, which provided the carrier-strike capability, would be retired from service by April 2011. A smaller Tornado fleet would provide more diverse fast jet capability in the near term in respect of Afghanistan and any other concurrent operational requirement.¹²⁰

114. The SDSR also announced that catapult and arrestor gear would be installed on the single operational carrier. This would delay the in-service date from 2016 to 2020 and mean a ten year gap in carrier-strike capability but would allow “greater interoperability with US and French carriers and naval jets” which would “ensure continuous carrier strike capability and reduce the overall carrier protection requirements on the rest of the fleet”. The installation of catapult and arrestor gear would also allow the acquisition of the carrier-variant of the JSF instead of the short take-off and vertical landing (STOVL) variant to replace the Harrier Force. The SDSR asserted that this version of the JSF had a longer range and greater payload which was the “critical requirement for precision strike

118 Qq 580–582

119 Q 584

120 The SDSR committed to a fast jet capability of Typhoon and JSF with Harrier being withdrawn immediately and a smaller Tornado fleet being retained as an interim measure. See also HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, pp 25–26.

operations in the future”.¹²¹ It is envisaged that the single carrier would routinely carry 12 fast jets for operations while retaining the capacity to deploy up to 36 as previously planned.

115. Wing Commander Andrew Brookes thought that:¹²²

The JSF decision was exactly the right one. The carrier variant goes further and carries more; it is far more potent and has much more utility. Once you have decided to go for the 65,000-tonne carrier, you don’t even need the jumping bean up-and-down capability that the other carrier had, so I think that is a very good decision.

116. Admiral Sir Jeremy Blackham agreed:¹²³

I have always believed that the provision of a conventionally catapult-launched aircraft added vastly to the capability of any aircraft carrier. The payload is greater, the range is greater, you can recover them more easily and so on and so forth. So I think that decision is extremely sensible in principle, although it does, to my mind, open the question as to which aircraft we should buy, because the Joint Strike Fighter would not be the only possible contender for such a role. But it is certainly the most expensive.

117. However, Admiral Sir Jonathon Band was critical of the late decision to convert to catapult and arrestor gear:¹²⁴

My view is that that was quite a late call in the SDSR process, from all indications; I don’t know, but I think it was a fairly late call. To make the change of variant call and at the same time to get rid of your Harrier force, which would have helped you to get there, is unfortunately a strange set of decisions—let me put it that way—in my view. The Navy has got the will, as I have said to one of your colleagues, to get over that problem, but in my view it is not a clever way of doing it; it is a destructive way.

[...] I was absolutely clear—this is exactly what I said when I was First Sea Lord on whether we could afford to keep the Tornado and the Harrier going—that we needed that sovereign capability and a route to the new carrier capability, so we should keep a small Harrier force going, operating off the CVSs. When Queen Elizabeth arrives, she should be a Harrier carrier. If at some stage someone wanted to do a cats and traps change, it should go into the Prince of Wales, which would be worked up as the first JSF carrier, and then, if you could afford it, you convert Queen Elizabeth. That was a very, very simple plot, which I’d guess—though I don’t have my hands on the figures—would be the cheapest decision, too.

118. We discussed with Vice Admiral Jeremy Blackham whether a small number of Harriers should have been retained to meet the capability gap. He commented:¹²⁵

121 The SDSR committed to a fast jet capability of Typhoon and JSF with Harrier being withdrawn immediately and a smaller Tornado fleet being retained as an interim measure. See also HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, p 23

122 Q 494

123 Q 497

124 Q 441 and Q 446

We have *Illustrious*, which has just come out of refit this week, I think, and will be able to be in service for quite a long time yet, if we wanted to do that. So it would have been possible to keep a ship that was prepared, ready and able. Temporary detachments to other ships work, but they are not the real thing. It would be very difficult to maintain the skills that way. What I am saying is that we have allowed short-term considerations—because the SDSR is dominated by short-term considerations—to undermine our long-term vision. That seems to me to be anything but strategic.

119. In response Wing Commander Andrew Brookes stated: “Although I hear everything that everyone is saying, we have probably gone past the point of no return. I think you will find that the crews who flew the Harriers are now going through Typhoon training. Much as I agree with him entirely—it is a bit silly to have an aircraft carrier with no aircraft on it—I think that that is past”.¹²⁶

120. We acknowledge the major contribution of the Harrier Force to the Armed Forces and to the security of the UK. We regret that it has been removed from service. We acknowledge the many pieces of evidence that called for the reintroduction of the Harrier Force. However we agree with our witnesses who stated that it is too late to do so due to the cost, industry losing the relevant personnel and the pilots being redeployed. We call on the Government to ensure that the best deal possible is achieved in the disposal of the Harrier fleet and expect the Government to provide us with full details as soon as any agreement is reached.

Carrier strike capability gap and regeneration

121. We asked Sir Jonathon Band about the effect of a 10-year capability gap on the ability to conduct expeditionary operations.¹²⁷

If you haven’t got carrier air, and you have a worry either that you don’t get the overflight or it comes too late for the operations, you have answered your own question. You are seriously limited. We can still do expeditionary operations. The challenge will be how high in intensity they can be without an aircraft carrier of your own, or without relying on the French or Americans to do it for you. If the members of the right partnership all agree the mission, we can probably still do quite a lot, and what we provide will be high quality. When it comes to doing something that only worries Britain, then we are badly placed.

He added “for the period that we do not have any carrier capability, you could not do a rerun of something like Sierra Leone. We can’t do anything by ourselves where there is serious risk, because you would not do that without a carrier.”¹²⁸

122. At our session with the single Service Chiefs we discussed plans for regenerating the carrier-strike capability. Air Chief Marshal Sir Stephen Dalton commented:¹²⁹

125 Q 499 [Vice Admiral Sir Jeremy Blackham]

126 Q 499 [Wing Commander Andrew Brookes]

127 Q 419

128 Q 420

The key for getting the capability together is to ensure that we have the ability to regrow the proficiency not only to fly aeroplanes, but to operate aeroplane—in other words, all the people who make up the capability. People tend to think that is the pilots, but there are also the engineering personnel on board a carrier and the personnel who direct assets on and off the carrier. We need to make sure, as we are doing, that we are putting together a coherent plan that makes sure that we can develop those people and give them the necessary experience so that we keep them available to us for when we have the capability in place. That is part of the strategy we're working right now to achieve.

123. Admiral Sir Mark Stanhope added:¹³⁰

That is a very important point. In terms of working it up, it is not just the carrier that is not available; you have no way of maintaining competencies, which is something that requires constant training, in the three-year down period. You may be able to leverage off your allies, which of course we would do, but you can never leverage enough, nor would they be willing to supply that much. Then you would have a long period of getting back into the saddle again.

124. At our final evidence session, we asked the Vice Chief of the Defence Staff about the plan for regenerating the capability and when it would be available for us to examine:¹³¹

My personal ambition is to scrutinise the plan at the DOB Carrier Strike—subsequently re-titled DOB Carrier Enabled Capability—on about 13 July, when the senior responsible officer, Rear-Admiral Amjad Hussain, is presenting his Level 0 Plan to me. I am absolutely confident that there will be some holes in that plan; of that, I have absolutely no doubt. But I am also pretty confident that sub-strands of work will be beaver away to plug the holes in that plan. I recognise most of what you said as some of the challenges of bringing about the regeneration of this capability in a 2020 time frame. It is significant. [...]

In terms of complexity, this thing is about the size of putting on the Olympics. Do not underestimate the complexity of this thing; I am sure you do not. The closer we can get—the more time you give, the more robust the plan will be—and, therefore, please wait until the autumn at least, so that we are confidently maturing it.

125. According to the recent National Audit Office's report on the value for money of the carrier programme,¹³² when the main investment decision was made in respect of the two Queen Elizabeth carriers in 2007, the estimated cost was £3.65 billion. In July 2010, prior to the SDSR, this had risen to £5.24 billion and following the SDSR rose to £6.24 billion which included the additional £1 billion cost of converting one carrier to catapult and arrestor gear. The report suggests that SDSR decisions should realise savings of some £3.4 billion over ten years. The report raised concerns that the SDSR is unaffordable unless there is a real terms increase in defence funding from 2015 onwards and that continuing problems

129 Q 215 [Air Chief Marshal Sir Stephen Dalton]

130 Q 215 [Admiral Sir Mark Stanhope]

131 Q 604 and Q 607

132 National Audit Office, *Carrier Strike*, July 2011, HC 1092

faced by the MoD in balancing its budget means that the programme is vulnerable to further change. It also noted that the decisions in the SDSR had introduced additional technical, cost and schedule uncertainty and there were concerns regarding the regeneration of the capability especially as the ways they may be used operationally is still developing.

126. We support the decision to proceed with both the Queen Elizabeth class carriers and to develop the JSF carrier strike capability. We share the concerns of allies regarding the lifetime costs of the JSF.¹³³ We expect the MoD to take action to ensure that the costs are controlled and to update us on this work on a regular basis. We note that the MoD is currently developing a plan for the regeneration of this capability and expect to have a sight of it at an early stage. The scale of the challenge the Ministry of Defence faces in generating the complex network of skills involved in flying fast jets from carriers in a manner not undertaken by the UK for many years is so great that this plan needs to be subjected to robust scrutiny both in Parliament and elsewhere. The plan must provide clarity of the steps being taken, specific milestones and dates and what funding is required and whether it is in place. We also note concerns regarding the future use of the second carrier and call on the Government to keep us informed of its plans as they progress.

Nimrod MRA4

127. The SDSR announced that the Nimrod MRA4 maritime aircraft programme would not be brought into service.¹³⁴ This is expected to save over £2 billion over the next ten years.¹³⁵

128. This rebuilt aircraft would have extended the operating life of the Nimrod fleet by several decades. It would have had more efficient jet engines, thus increasing its flight range, and an improved flight deck to simplify control operations and reduce crew requirements. New detection systems would have been installed, as well as additional weapons for anti-submarine warfare. It had, however, been subject to significant delays and cost overruns.

129. On his appointment as Chief of the Defence Staff in November 2010, General Sir David Richards, told us the decision to dispense with this programme had been “very difficult”. He considered the decision an acceptable risk but not a gamble.¹³⁶

We live within a financial envelope and the key requirement, if you are going to make big savings, is to take out a whole capability. It hasn’t been a happy acquisition story. Given that its primary role is to do with the deterrent, of which it is one of five layers that do that sort of thing [...] the view was that it was a risk that was acceptable, and we have all signed up to that. I cannot go into the detail of those layers of

133 Q 609

134 HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, p 27

135 SDSR Briefing Pack: RAF, October 2010

136 Defence Committee, *Appointment of the Chief of Defence Staff*, Oral and written evidence, HC 600-i, Session 2010–11, Q 38

activity, but people who know much more about it than me were of a view that, in this respect, it was a risk but it was not a gamble.

In regard to the Nimrod MRA4's wider role, he added:¹³⁷

On its wider role in things like counter-piracy, what we will have to do—and it is one reason why we have enthusiastically entered the Anglo-French arrangement, the new treaty—is to look at how we can, in an alliance, start to compensate for areas that we might not have enough of, or have at all, but that other countries have. That is going to be a reality as we take all this forward, as equipment gets more expensive and all that sort of thing.

130. The single Service Chiefs gave some examples of the measures being taken to mitigate the risks associated with this loss of capability. Air Chief Marshal Stephen Dalton commented that “in support of operations and submarine activity, the Navy are making greater use of frigates and of their Merlin helicopters to protect the sea lanes and prosecution of identification and attacks on submarines”. In respect of long range search and rescue capability he described the use of “E-3D command and control radar aeroplanes [as the] co-ordinator and control of the search and rescue efforts” and “the ability of [...] Hercules to launch life rafts into the sea”.¹³⁸ Admiral Sir Mark Stanhope added:¹³⁹

The loss of the risk can be mitigated under the current threat levels that we are expecting to envisage and we are into security areas here which I do not want to go into. So we can mitigate in terms of the delivery of the strategic deterrent as well as in terms of the force protection of deployed task groups.

In respect of counter-piracy he agreed with General Sir David Richards that this was an “area in which [...] we will have to rely a lot more on our allies than we have in the past”.¹⁴⁰

131. We questioned witnesses whether the removal of the Nimrod MRA4 was consistent with the military tasks in the SDSR of providing a nuclear deterrent, gathering strategic intelligence, protecting the UK and providing security for stabilisation (for example anti-piracy operations). Air Chief Marshal Lord Stirrup stated that:¹⁴¹

Anti-submarine warfare is one of the most difficult military tasks that the Armed Forces carry out. It is very complex and requires a layered approach. That has been demonstrated clearly over the years, and wide area surveillance is a very important element within that. [...] We have now lost that. In the light of current threats, it is not a critical weakness, but should the threat re-emerge—it could well re-emerge—it would become an important weakness.

137 Defence Committee, *Appointment of the Chief of Defence Staff*, Oral and written evidence, HC 600-i, Session 2010–11, Q 38

138 Q 241 [Air Chief Marshal Sir Stephen Dalton]

139 Q 241 [Admiral Sir Mark Stanhope]

140 Q 241 [Admiral Sir Mark Stanhope]

141 Qq 276–277

132. Wing Commander Andrew Brookes commented on the decision in respect of the priority risks listed in the NSS:¹⁴²

There are 15 security priority risks. I have gone through and listed the ones that require the maritime reconnaissance, and eight out of 15 require that. Here we have over half the tasks, and they are not being met because the MPA aren't used. I remember the Falklands; we only retook the Falklands, arguably, because we had the Nimrod and we had the Victor with its radar in the front that could sweep everywhere around the Falklands and South Georgia to make sure there were no naval vessels in the area. That capability is gone. We're a maritime nation, and we do not have that capability. That seems the biggest sin of all.

133. Our inquiry also explored how this capability and the required skills base could be regenerated. Air Chief Marshal Lord Stirrup noted:¹⁴³

It would be very difficult to recover from because it is a very specialised field. It requires a great deal of expertise and quite a lot of experience. I cannot give a specific answer on a plan to recover a wider surveillance capability for anti-submarine warfare, because it is not yet clear how it is to be done. I suspect that inevitably it will involve bringing in help from allies, who have retained their capability and building upon that, and slowly rebuilding the UK's own seed corn.

134. Air Chief Marshal Lord Stirrup commented on the area of the SDSR which he would revisit if more money became available:¹⁴⁴

I think probably the whole area of intelligence surveillance, targeting and reconnaissance. It was an area that we wanted to protect in the SDSR. It was set out as a clear policy decision not only to protect it but, if possible, to improve it. That was not possible, given the financial constraints. So we have reduced in those areas, and I suspect that my first area of concern would be to reverse some of those reductions.

He added that this might include some of the maritime patrol capability:¹⁴⁵

I am not clear at the moment what stage they have reached in the examination of the ability of unmanned vehicles to help in this area. As you know, we have expanded the number of unmanned aero vehicles over recent years in this area in particular. They are so valuable predominantly because of their endurance, and the fact that they can stay up for so long. They have been critical to current operations, and they will be critical to other operations as well. It would not necessarily be a reversal of the Nimrod decision, not that I think that that is feasible since they have been cut up, but it might be putting some of that capability into the unmanned arena.

142 Q 510 [Wing Commander Andrew Brookes]

143 Q 290

144 Q 293

145 Q 294

135. We questioned whether the complex systems envisaged for the Nimrod MRA4 could have been deployed in a different platform such as an Airbus. Professor Julian Lindley-French commented:¹⁴⁶

A representative of a certain American company asked me whether its platform could take that equipment, and the answer would appear to be yes. Again, what saddened me was that I approached the Dutch and spoke to the French about offsetting operating costs with potential multinational forces. The initial response was very interested; the French told me that they would even offer the Breguet Atlantics that they had in store if we upgraded their electronics suites. I don't know whether that is possible, but the point is that of the seven military tasks in the SDSR, the MRA4 could have played a very important role in all of them. It was the loss of the enablers, because the single services were forced back to defend their own core competencies by the process, which for me was the biggest failing of the SDSR process. Forget all the strategic stuff: there was a haggle at that last weekend, which was utterly unacceptable in terms of the national strategic requirements.

136. When we asked General Houghton, VCDS, about the Nimrod decision he commented:¹⁴⁷

It would be fair to say that among the Chiefs of Staff and in the military advice, it was one of the most difficult decisions to come to terms with, because it has multiple uses. It was made easier by the fact that there were still some residual challenges—there is still a bit of a debate about that—so it was not a capability in hand but one that was promised downstream. There was still a significant amount of money involved in bringing it into service and then running it. It was a difficult decision for the Chiefs of Staff to support because of its multiple uses, but the ultimate judgment was that there was manageable risk in all those areas of use, including deterrence, where you know there are several layers to it—not for discussion in open session.

137. We deeply regret the decision to dispense with the Nimrod MRA4 and have serious concerns regarding the capability gaps this has created in the ability to undertake the military tasks envisaged in the SDSR. This appears to be a clear example of the need to make large savings overriding the strategic security of the UK and the capability requirements of the Armed Forces. We are not convinced that UK Armed Forces can manage this capability gap within existing resources. We call on the Government to outline its plans to manage the gap left by the loss of this capability, including the possible use of unmanned vehicles and collaboration with allies. In addition, the Government should outline its plans for the regeneration of this capability, including the skills and knowledge required to provide it.

Basing Review and the return of UK Armed Forces from Germany

138. The SDSR also discussed the future basing requirements for the Armed Forces. The SDSR stated that as a result of the “withdrawal of Nimrod MRA4 and Harrier, as well as the

146 Q 510 [Professor Julian Lindley-French]

147 Q 597

reduction in size of the Tornado fleet” RAF Kinloss and two other bases would no longer be required. The SDSR went on to state: “However, we have not made decisions on the future use of any of these bases. It is likely that some of the estate vacated as a result of the changes announced in this White Paper will be used by units returning from Germany or retained for other purposes”.¹⁴⁸

139. We asked Sir Stephen Dalton, Chief of the Air Staff, for an update on progress on decisions on RAF bases:¹⁴⁹

The decision has been made that we will no longer need some of our air bases for the foreseeable future, and three in particular. Of course, the decision on the first one was made some while ago, and it was the decision that RAF Lyneham will close as an air base next year. We will move our air transport assets to RAF Brize Norton. More relevantly in terms of the SDSR, you will have read that the air base at Kinloss will no longer be required for the RAF as of the middle of next year. The decision about what that air base will be used for has still to be made. The process is ongoing, and I think that the decision is coming nearer, but it has certainly not yet been made.

Under the SDSR, we are due to lose one more air base. The decision on that one is moving ahead. It is still in the process of being staffed. I do not know when that will be made clear [...] it is quite a complex process, not least because, as CGS has just pointed out, some of them will potentially be required for Army units to move into. Therefore rebrigading, as we are doing now, is necessary to match the requirement from the RAF point of view and for the other flying elements of the Army and Navy. There is a complex study going on, depending on what we will do with the whole site, so I do not expect many decisions to be made before the middle of this year.

140. The SDSR also included plans for half of UK Armed Forces (approximately 20,000 Service personnel) in Germany to return by 2015 and the remainder by 2020. In the SDSR, the Government stated “there is no longer any operational requirement for UK forces to be based there, and the current arrangements impose financial costs on the UK, disruption on personnel and their families and opportunity costs in terms of wider Army coherence”.¹⁵⁰

141. During our inquiry Professor Hew Strachan commented that if the aspiration of real terms increase in defence funding from 2015 was not achieved “the thing that seems to me most undeliverable by 2020, if this uplift doesn’t happen, is the commitment to bring the Army back from Germany, because the accommodation simply won’t be there to enable it to return.”¹⁵¹

142. We discussed progress in this area with General Sir Peter Wall, Chief of the General Staff, who commented:¹⁵²

148 HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, para 2.D.13

149 Q 232

150 HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, p 28

151 Q 45

152 Q 230

As far as repatriating the 20,000 or so soldiers and 23,000 dependants, who we have living in Germany thanks to the hospitality of the Federal Government, there is indeed a plan to do that over the next 10 or so years. Some of those numbers will be reduced by the units being disbanded, though none will be combat units that have served in Afghanistan; they will be more part of the support structure, but nevertheless very important. The rest will be moved back to new garrison locations in the United Kingdom, which is subject to an ongoing study, and no decisions have yet been made.

143. We asked whether the Government had given the German authorities the required two year's notice of its plans. General Wall replied:¹⁵³

We are in active discussions with the Germans, at both the Federal level and the Länder level. That is how I know that we have got the support that we have from them for our plans, whatever the time frame is. In fact, they would prefer things to go more slowly.

144. We also asked General Wall on whether there would be some co-ordination between the closure of RAF bases and the return of UK Personnel from Germany. He commented:¹⁵⁴

I think that that is going to depend on the situation in each base, in terms of how much additional work is required to convert a base from one role to another; on whether the people who might be coming back are on operations; and on how much we decide that we are going to split our formations and have moves over a protracted period, which is obviously not very good for cohesion for the next turn of the handle in Afghanistan, and all that sort of stuff. At the moment, that is all being worked upon in the context of a defence-led plan.

145. In a statement to the House of Commons on 18 July 2011, the Secretary of State for Defence announced further decisions on the future of RAF Kinloss, Leuchars, Lossiemouth and Marham:¹⁵⁵

RAF Kinloss will be used to house Army units from approximately 2014–15 (subject to further detailed planning);

RAF Leuchars will cease to be an air base but will remain in military use and be used to site two major Army units joining from between 2015–17 with a formation headquarters before 2015;

RAF Lossiemouth would be retained as a long-term RAF base with Typhoon force being built up and providing the location for the Northern Quick Reaction Alert task; and

RAF Marham would remain as a Tornado GR4 main operating base.

153 Q 237

154 Q 236

155 HC Deb, 18 July 2011, cols 643–645 and Ev 158 ff

146. The Secretary of State also gave an update on plans for the return of UK Armed Forces from Germany, and issued a Written Ministerial Statement which gave additional information:¹⁵⁶

The Defence of the United Kingdom, and wider military tasks, including the capacity to support the civil authorities in times of crisis, requires a strong military presence across the entire country. We have also considered the impact of changes on local communities. Finally, we have taken into account the need to make the maximum use of existing defence estate and to dispose of that which is not required.

Much detailed planning remains to be done, both to identify the most effective drawdown plan for the forces currently in Germany and to determine which units are the best match for which sites. We will also need to take into account the potential changes in the balance between the Regular and Reserve forces I have also announced today. And there will be a need for the appropriate level of engagement with local authorities, including the preparation of sustainability assessments and the other work needed to meet our obligations. This means that some uncertainties remain, particularly about the timescales in which the necessary moves will take place. But our strategic objective and the key building blocks of our plan are clear. I will set these out, together with indicative timescales we are currently assuming for planning purposes”.

147. The Secretary of State confirmed that the disposition of the Army would be based on five Multi-role Brigades of which two would be centred on Salisbury Plain, a third at Catterick, a fourth in the East Midlands centred on the former RAF Cottesmore and the fifth in a new garrison at Kirknewton in Scotland. It is intended to use other former RAF bases and existing Army bases including North Luffenham (Rutland), Bassingbourn (Cambridgeshire) and Woodbridge (Suffolk) to begin accommodating units from Germany between 2015–18.

148. Other sites mentioned by the Secretary of State to accommodate Army units returning from Germany are Aldergrove in Northern Ireland in 2015 and Pirbright (Surrey) in 2013.

149. The Secretary of State stated: “Routine business on basing and further work on disposals will continue. [...] This will be done in close consultation with the German authorities, which will continue as the Army now draws up its plans for how to draw down from Germany in a sensible and coherent way.”¹⁵⁷

150. In conclusion the Secretary of State for Defence stated:¹⁵⁸

The detailed planning work, including the investment required to adapt sites, will now get under way based on this strategic direction. The Ministry of Defence will now begin the process of detailed planning and the appropriate and necessary engagement with the Devolved Administrations and local authorities concerned around the country.

156 HC Deb, 18 July 2011, cols 67WS

157 HC Deb, 18 July 2011, cols 69WS

158 HC Deb, 18 July 2011, cols 70WS

Further work will be done to draw up individual project plans and determine the timing and sequencing of the Army moves, and this may affect some of the indicative timescales set out here. Once completed, this will deliver the military requirement for basing and estate, which will facilitate our work to maximise the effectiveness of our Armed Forces under the adaptable posture set out in the SDSR. It will rebalance the Defence footprint across the UK, offer stability to our Armed Forces, and deliver better value for money for the taxpayer.

151. We are conscious of the uncertainty that the basing review has created for Service personnel, their families, local communities and businesses. We will monitor the outcomes of the review. We call on the Government to outline its proposals to assist the Service personnel, families and communities affected at an early stage in line with the obligations outlined in the Armed Forces Covenant.

152. We note the MoD's update on 18 July 2011 of the plans for the withdrawal of UK Forces from Germany. However, given that half of UK Forces are due to return by 2015, we are concerned that the plans are not further advanced. We note that the required two years notice has not been given to the German authorities. We call on the Government to set out with clarity the costs and benefits of this project in terms of providing accommodation, infrastructure and training facilities which are already available to the United Kingdom in Germany. The MoD should provide us with a full implementation plan, its funding and method of attaining the stated goals, at the earliest opportunity and deliver clear communication of these plans for Service personnel, their families, local communities and businesses. The elements of the SDSR are interlinked and failure in one area may mean failure elsewhere.

153. On 18 July 2011, The Secretary of State also confirmed that:¹⁵⁹

RAF Lyneham is the preferred location for future defence technical training. This confirms that the Department will withdraw from Arborfield in Berkshire and Bordon in Hampshire, releasing the sites for sale by 2014–15 at the latest. This announcement in no way threatens the existing defence presence at St Athan. There are no plans to move or reduce the 300 technical training posts as part of the rationalisation to Lyneham. Indeed plans to relocate additional defence units to St Athan are being developed, and if those plans come to fruition, they will bring a major uplift in employment at that base. We intend to make an announcement before the end of the year.

154. We expect to be regularly updated on these plans. We are concerned about the future of defence technical training and request an early statement on how it is to be taken forward and will continue to monitor this vital aspect of defence reform.

159 HC Deb, 18 Jul 2011, col 69WS

Regional impact of the SDSR and Basing Review

155. In written evidence, it was asserted that some regions of the UK had seen a reduction in their defence footprint and that this had not been addressed by the outcomes of the SDSR.¹⁶⁰

156. Responding to this assertion, Peter Rogers, Chief Executive Officer, Babcock, commented:¹⁶¹

I would like to see some evidence that proves that is the case, because I don't have any. We have 3,000 people in defence in Scotland; we had 3,000 people there six months ago; and we still expect to have 3,000 or more in a year's time. I don't see any evidence of Scotland being picked on or suffering more than any other region.

Ian Godden, Chairman, ADS, added:¹⁶²

The ADS Scotland Council—we have a council of 50 companies in Scotland—has never raised that subject with me, and we have not debated it at any of our last four meetings. If it is an issue, it is in somebody else's mind not ours at the moment.

157. During his statement to the House of Commons on 18 July, the Secretary of State was questioned on the regional impact of the outcomes of the basing review. He responded:¹⁶³

The security of the nation and the requirements of defence were paramount in our analysis, but we have also considered the impact of changes on local communities, the impact on service personnel and their families and the current pattern of the armed forces in Britain.

158. The Secretary of State also noted in the House that Scotland would gain some 2,500 new Army posts, and that of the 20,000 personnel currently serving in Germany, some 6,500 to 7,000 were likely to return to Scotland.¹⁶⁴

159. In response to a request for research to be carried out on the defence estates and the industrial footprint of UK defence in Scotland, the Secretary of State undertook to look at the footprint across the United Kingdom. We welcome the Secretary of State's undertaking to carry out an assessment into the defence and industrial footprint of United Kingdom defence across the UK.¹⁶⁵

Review of Reserve Forces

160. In October 2010, following the announcement of the outcomes of the SDSR, the Prime Minister commissioned a review of Reserve Forces to be undertaken by an Independent Commission. The Review was to look at the balance between Regular and

160 Ev w71

161 Q 388 [Peter Rogers]

162 Q 388 [Ian Godden]

163 HC Deb, 18 July 2011, cols 644

164 HC Deb, 18 July 2011, cols 645, 649 and 655

165 HC Deb, 18 July 2011, cols 647

Reserve Forces, and whether in the context of modern threats and modern skills, optimum use was being made of reservists and the volunteer ethos in society. The Review reported on 18 July 2011 and reached “four broad conclusions”:¹⁶⁶

- Our Reserves are in decline;
- We have failed to modernise reservist Roles;
- We are not exploiting the potential of our Reserves; and
- We are not using the Reserves efficiently.

The Review then made a number of recommendations to address these issues.

161. Following publication of the Review, the Government stated that it would proceed with a £1.5 billion investment package over 10 years to enhance the capability of the Reserves. **We welcome the Government’s commitment to the reform of the Reserve Forces and the investment of £1.5 billion over the next 10 years. However we wish to see more detail on the planning and timing of the shift towards greater reliance on Reserve Forces.**

162. **The Committee notes the conclusions and recommendations of the Independent Commission’s Report, in particular that the internal governance process should be administered by a Board, chaired by the Vice Chief of the Defence Staff. We particularly note the recommendation that the Council of Reserve Forces and Cadets Associations should report annually to Parliament on progress in implementing the recommendations of the Review.**

Future Force 2020

163. The SDSR stated that the planning framework of Military Tasks and DPAs had enabled the Government to “identify the Armed Forces we will need over the next ten years and the changes that are required to deliver them.”¹⁶⁷ These are set out in the SDSR as Future Force 2020. The SDSR states that Future Force 2020 will, in general, comprise three broad elements:¹⁶⁸

- The Deployed Force – which consists of forces engaged on operations and those forces which conduct permanent operations essential to national security, including the nuclear deterrent, the maritime presence in the South Atlantic and UK air defence.
- The High Readiness Force – which allow the UK to react rapidly to crises and constitute a balance of highly capable land, air and maritime capabilities.

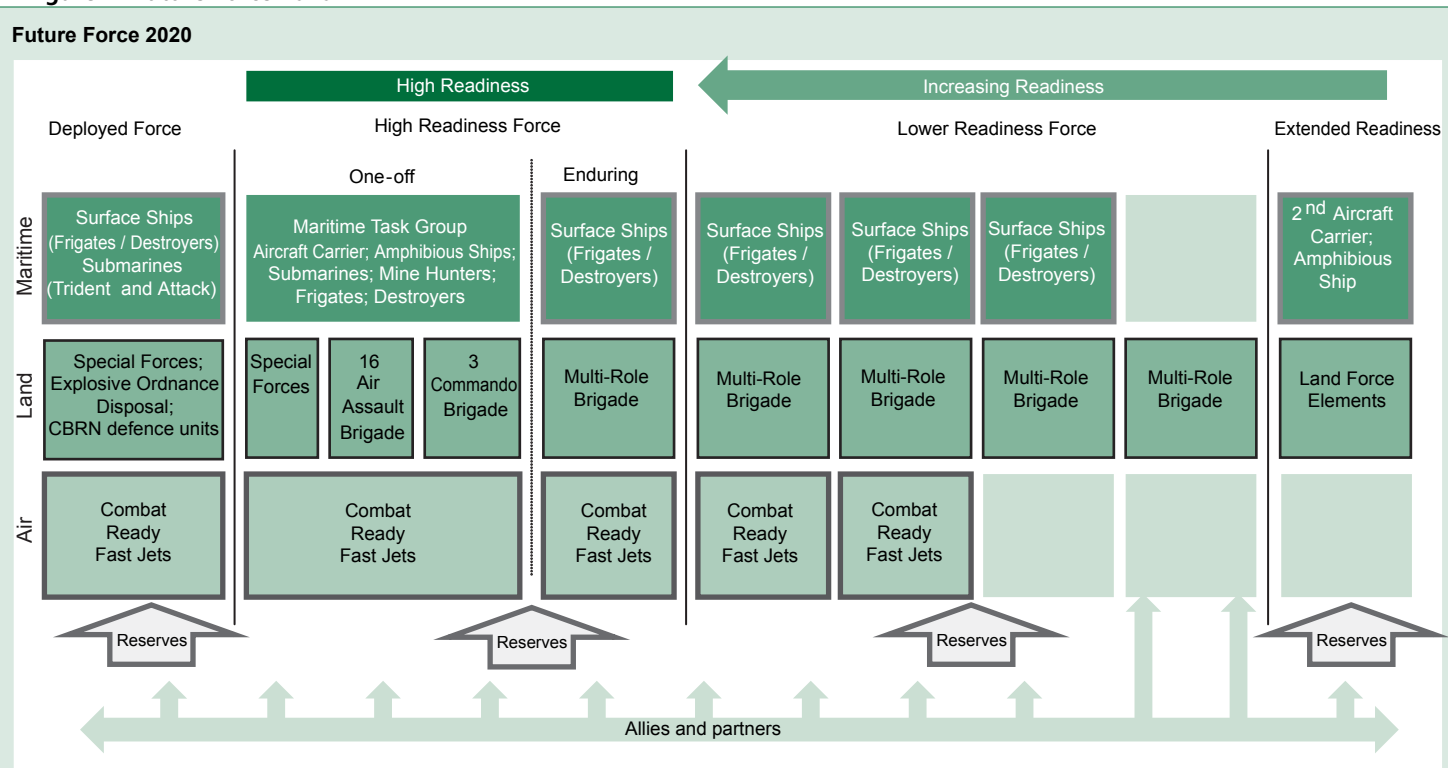
166 The Independent Commission to Review the United Kingdom’s Reserve Forces, *Future Reserves 2020*, July 2011, p 4

167 HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, para 2.A.1

168 *Ibid.*, para 2.A.2

- The Lower Readiness Force – including those personnel recently returned from operations and those preparing to enter a period of high readiness. These forces will support enduring operations and provide additional flexibility.

Figure 1: Future Force 2020



The future force is structured to give us the ability to deploy highly capable assets quickly when we need to but also to prepare a greater scale and range of capability if required. The aim is to do so affordably and in a way that minimises demands on our people. Five concepts are central to achieving the optimal effect:

- **Readiness.** We will hold a small number of our most capable units at high readiness. Doing so imposes additional costs in terms of preparation and training, maintaining equipment ready to go, and having on standby the enablers needed to deploy it rapidly. It places considerable demands on the personnel held at high readiness and their families. The majority of our forces are held at graduated levels of lower readiness, conducting their routine training cycle or recovering from deployment or periods of higher readiness, making fewer demands on our equipment and stocks and under less constant pressure.
- **Reconstitution.** We will hold some capabilities at what is known as extended readiness. The capabilities will not be available for operations in the short term but will be capable of being reconstituted if we have strategic notice of possible, but low probability, events to which we might have to respond to protect our national security. So for example, we will place elements of our amphibious capability in extended readiness rather than remove it from the force structure entirely.
- **Reinforcement.** Reserve Forces will contribute to each element of the future force. They provide additional capacity when regular forces are deployed at maximum effort. But they also provide specialists who it would not be practical or cost-effective to maintain within the regular forces and who can be used to augment smaller operational deployments – medical reservists play a vital role in Afghanistan, for example.
- **Regeneration.** We will maintain the ability to regenerate capabilities that we plan not to hold for the immediate future. This will require plans to maintain technical expertise, keep skills and training going, and work with allies and partners who do hold such capabilities and with whom we can, for example, exchange personnel. We will have the capability to fly fast jets off maritime platforms when the new carrier and Joint Strike Fighter enter service, but the capability will not be maintained when Harrier is retired so we will need a plan to regenerate it.
- **Dependency.** We rarely deploy alone. We and our NATO Allies consciously depend on each other for particular capabilities. For example, the UK does not have its own theatre missile defence capability, while we have capabilities that are highly valued by coalition partners such as mine counter-measures vessels. Part Five sets out our willingness and intention to deepen operational cooperation and potentially rely more on others when it makes sense to do so. We also depend for some capabilities on the market – for example, we do not hold all the shipping capacity we need as it is more efficient and effective to charter it when we need it.

This flexible approach will allow us more effectively to counter the threats we are most likely to face today while maintaining the ability to respond to different threats in the future.

Future Force 2020 and “Critical Mass” of UK Armed Forces

164. Given the single Service Chiefs’ rejection of the UK national ambition to 2015 as being a full spectrum capability (see paragraphs 60–66), we attempted to establish whether Future Force 2020 could be described as full spectrum. Nick Harvey MP, Minister for the Armed Forces believed “it will have a wide spectrum of capability”.¹⁶⁹ General Houghton added:¹⁷⁰

If it is positive, made affordable and delivered, you can have a dance about the meaning of full spectrum. I read what Sir Rupert Smith said, and full spectrum is, in many respects, relative to one’s enemy, not to the universe. You have to constrain your boundaries. It meets the National Security Council’s adaptive posture in its considerations of the time. So it still has the ability to project power in all three environments at a strategic distance, and the ability to commit to a sustained operation on the land in the messy environment as depicted in our “Future Character of Conflict”. In that respect, it would be full spectrum within sensible bounds; it must be bounded in the reality of national ambition.

165. We asked Air Chief Marshal Lord Stirrup about the robustness of the Future Force 2020 goals and their susceptibility to events. He described them as “reflect[ing] a robust military thinking on what balance of capability, given that we have a balanced approach to this as a strategy baseline, can be afforded within the defence budget that we are envisaging in the 2020 time frame.”¹⁷¹

166. Admiral Sir Jonathon Band, former First Sea Lord and Chief of the Naval Staff, commented:¹⁷²

What I would say is that for the level of ambition that I still read into the NSS, and the sort of activities in the past two months of our Prime Minister and statements from our Foreign Secretary, it seems we need a set of defence forces certainly nothing smaller than 2020 force structure. My personal view is that in some areas that is too tight. However, that is the choice of the Government of the day.

167. In our examination of Future Force 2020 proposed in the SDSR we also discussed with General Sir Nicholas Houghton, Vice Chief of the Defence Staff, what his assessment was of the “critical mass”, that is the threshold of operational effectiveness, of UK Armed Forces and how this translated into Future Force 2020. General Houghton set out his assessment at three levels: that of each Service, the combined Armed Forces and the adaptive element of the force in the 2020 outcome.¹⁷³ In respect of the three Services he commented:

If you take the Royal Navy, it needs to have a finite number of frigates and destroyers. I think the First Sea Lord would say that the 19 frigates and destroyers

169 Q 551 [Nick Harvey MP]

170 Q 551 [General Sir Nicholas Houghton]

171 Q 281

172 Q 423

173 Q 528

that are posited for the 2020 force structure are at about the critical mass of that element of the Navy. You would say the same for the amphibious capability, the carrier strike and the strategic submarine force. Similarly, the Army would probably speak to a critical mass of being able to conduct combined arms manoeuvres at brigade level and being able to sustain that brigade level over time on a long-term operation. The RAF, as well, will have its own sense of what the critical mass of its service is institutionally. It would speak to that better than I can, but I give you a flavour of it. The number of fast jets posited for the 2020 force structure is close to what that institutional sense of the critical mass would be.

168. In terms of the combined Armed Forces he defined “critical mass” as:

[T]he critical mass of the combined Armed Forces—the combination of all the Armed Forces of the country—in meeting what is expected of them in terms of the military tasks. Here, you can sensibly break out critical mass between those things which, if you like, are nationally non-discretionary, which relate to the committed force—the security of the United Kingdom, the security of the overseas territories, the maintenance of the nuclear deterrent and a whole range of standing commitments—and those things that, on a wholly national basis and on a non-discretionary footing, we would need to do.

169. General Houghton rejected the suggestion that UK Armed Forces were currently below “critical mass” as “we are drawing down elements of the force to the 2020 structure in terms of numbers of destroyers, the size of the Army and those sorts of things.”¹⁷⁴ We put to him concerns that the additional calls being placed on the Armed Forces could distort priorities and impact on the aspirations of Future Force 2020. He acknowledged these concerns, but stated that “ultimately that decision is made politically” with advice from the Armed Forces to Ministers on “the degree to which running two operations hot over a period of time would stress the force structure”. When pressed on whether a critical stage was approaching in terms of force structure, he replied “no. I do not think it is. It does involve the requirement to run elements of the services hot for a sustained period of time, but the force structure is sufficiently resilient enough to do that.”¹⁷⁵

170. We note the observation in the Future Reserves 2020 Report that the costings on the manpower element of the defence budget, amounting to one-third of the total, need further work. We endorse the study’s recommendation that detailed costing of Regular and Reserve units be prepared.

171. We are not convinced, given the current financial climate and the drawdown of capabilities arising from the SDSR, that from 2015 the Armed Forces will maintain the capability to undertake all that is being asked of them. We note that there is mounting concern that the UK Armed Forces may be falling below the minimum utility required to deliver the commitments that they are currently being tasked to carry out let alone the tasks they are likely to face between 2015 to 2020 when it is acknowledged that there will be capability gaps.

174 Q 529

175 Qq 532–533

172. We are concerned that, on the one hand, Future Force 2020 seems to be regarded as a “wide spectrum” force able to undertake the security tasks required by the adaptable posture envisaged by the NSS while at the same time being regarded as the “critical mass” of the Armed Forces with some spare capacity that may be achieved by the establishment of alliances and bilateral operations.

173. We recommend that the MoD should develop further the concept of a “critical mass” for the Armed Forces and establish a clearer measurable statement of what constitutes “critical mass” to allow verification and monitoring by Parliament. This should include not just the roles and structures of Regular and Reserve Forces but should be expanded to encompass enablers such as DSTL, industry, academia, the scientific and research community and the development of the defence knowledge base especially amongst the military and civil servants.

Funding for Future Force 2020

174. When announcing the outcomes of the SDSR to the House of Commons, the Prime Minister set out his aspiration for real terms increases in the defence budget from 2015.¹⁷⁶

The White Paper we have published today sets out a clear vision for the future structure of our armed forces. The precise budgets beyond 2015 will be agreed in future spending reviews. My own strong view is that this structure will require year-on-year real-terms growth in the defence budget in the years beyond 2015. Between now and then the Government are committed to the vision of 2020 set out in the review and we will make decisions accordingly. We are also absolutely determined that the Ministry of Defence will become much more commercially hard-headed in future and will adopt a much more aggressive drive for efficiencies.

175. On 4 November 2010, in a debate on the SDSR, the Secretary of State for Defence restated the requirement for real terms funding increases from 2015: “my very strong belief, which the Prime Minister shares, is that the structure that we have agreed for 2020 will require year-on-year real-terms growth in the defence budget beyond 2015.”¹⁷⁷

176. We discussed the ambition of real terms increases in defence spending with ministerial witnesses on 9 March. While they all agreed with the aspiration, they argued that it could not be made Government policy as it was not possible for the Government to commit to spending outside the period of the current Comprehensive Spending Review settlement nor commit any future government following a probable General Election in 2015. Rt Hon Oliver Letwin MP, Minister of State at the Cabinet Office commented:¹⁷⁸

It is not possible for the machinery of government to set expenditure decisions across a longer range than the spending review range—that is the whole structure of our machinery of government. We set expenditures according to spending review patterns. So, SR10—spending review 2010—sets a pattern for four years. It does not

176 HC Deb, 19 October 2010, col 799

177 HC Deb, 4 November 2010, col 1069

178 Q 152

stretch to 2020, and I don't know of any Government in the world who could do that.

He added "It is inevitable, isn't it, if there is an election, that whoever emerges as the Government after that election will take a view on expenditure beyond that election?"¹⁷⁹

177. Several of our witnesses expressed concern about what would happen if a real terms increase in funding was not possible. Vice Admiral Jeremy Blackham commented that, if real terms increases from 2015 were not forthcoming, "in brief, the risk seems to me, in a word, to be incoherence".¹⁸⁰ Air Chief Marshal Lord Stirrup noted "the reality is that Future Force 2020 would be completely unaffordable and the Armed Forces would have to be substantially smaller than is currently planned."¹⁸¹

178. Witnesses also remarked that there was a lack of clarity on the level of real terms increase required to deliver Future Force 2020. Professor Malcolm Chalmers stated:¹⁸²

The first point that I would make in relation to that commitment, which was made in the SDSR debate by the Prime Minister, is that it is very close to the wording the Government used for the national health service. The Government are committed to real-terms, year-on-year increases for the NHS which, in practice, in the spending review, is translated into real growth of about 0.2% per annum. So I think that we can take from the Prime Minister's commitment a clear statement that there will not be a real-terms reduction after 2014, but I don't think we can read anything from it about how big the real-terms growth that he is committing to is. For the MoD to be able to afford its current plans up to 2020 would, as far as I understand it, require real-terms growth after 2014 of the order of 2% per annum. I think it will be pretty difficult to reach that level of real-terms growth, but it depends on the broader geopolitical climate and on the country's economic prospects.

179. James Blitz from the Financial Times agreed:¹⁸³

I don't see the Prime Minister's commitment with the statement on the SDSR as a bankable commitment in any way. [...] It is, first of all, completely dependent on the Prime Minister being there in 2015, which may or may not be the case. It is also completely dependent on the economic environment. We may well be in a more benign economic environment, but we may well not be. [...] The question that I think arises, given this uncertainty, is how will Defence be able to press ahead with programming in the next year or two? That is the concern of the chiefs, because what they are saying is, "We have to know where we're going to be in 2016–17". My own view is that they are just going to have to muddle through, because I cannot imagine a situation in which the Treasury will turn around and say to Defence, "We will guarantee you a number and not do that for any other Government Department".

179 Q 155

180 Q 482

181 Q 284

182 Q 43 [Professor Malcolm Chalmers]

183 Q 43 [James Blitz]

180. Air Chief Marshal Sir Stephen Dalton, Chief of the Air Staff, was asked what would happen if the Prime Minister's wish for an increase in the Defence budget from 2015 were not to be achieved. He responded:¹⁸⁴

The most important thing is the question of whether that is decided now and something is put against that statement. In other words, are we going to see a figure put against that and an allowance made so that we can plan against that figure? If not and the question will be decided only once we have had the next election, the implications are that we will have to plan on the assumption that there won't be any increase because the Treasury, naturally enough, will not allow us to plan on something that does not exist in policy terms. So that will have an effect on what programmes we need to have in the future, in terms of both people and equipment, because that planning is critical if we are to get through the initial stages of understanding capabilities for the future without actually buying equipment. You have to have some sort of research and development in relation to what is going on and some evaluation of the options that are there. If that is not given some meat in the foreseeable future, the most important consequence is that we will have to plan on the assumption that there won't be an increase, even if there subsequently is to be one.

181. Air Chief Marshal Lord Stirrup commented that:¹⁸⁵

"all this depends on meaningful real-terms growth in the second half of the decade, and I cannot give you a figure for that. Well, I could give you a figure, but I do not mean 0.2% a year in real terms; I mean something substantially more than that. [...] It would be enormously welcome if there were a degree of cross-party support for that particular proposition. I do not think that there necessarily is such support at the moment, not least because the Ministry of Defence has to plan now for certain aspects of the force structure beyond 2015. It can only plan on what it knows, so at the moment it is planning on the basis of a flat real budget from 2015 onwards. At the moment, the Ministry of Defence is planning not to achieve Future Force 2020.

Three month review of the SDSR

182. In a speech at Chatham House on 19 May 2011, the Secretary of State for Defence announced that he had initiated a three month review of the SDSR:¹⁸⁶

Having completed the current planning round, we have started the next Planning Round to take forward the work needed to balance defence priorities and the budget over the long-term. The Department has recently initiated a three month exercise as part of that work to ensure we match our assumptions with our spending settlement. This allows us to draw all this work together to inform the next planning round and to avoid the mistakes of the previous government in building up to an unsustainable

184 Q 252 [Air Chief Marshal Sir Stephen Dalton]

185 Q 287

186 "Strong economy, Strong Defence, Strategic Reach: Protecting National Security in the 21st Century", Speech by Rt Hon Liam Fox MP, Secretary of State for Defence, on 19 May at Chatham House. Available at: www.mod.uk/DefenceInternet/AboutDefence/People/Speeches/Speeches.htm.

Defence programme We have made it clear that while the SDSR had made substantial inroads into the £38bn funding deficit, there is still more to be done. Given the mess we inherited putting Defence on a sure footing, with a predictable budget, was always going to take time, but we believe it is better to be thorough than quick.

183. During our final evidence session it became clear that part of the three month review was to establish the level of funding required to reach Future Force 2020. The Vice Chief of the Defence Staff stated:¹⁸⁷

You have referred back to the point of the three-month exercise. In the absence of any other financial direction from the Treasury, we could only plan on an increase—of flat real—from 2015 onwards. Patently, SDSR force structure 2020 is not affordable on a flat real profile. [...]

In the process of the three-month exercise, we are trying to absolutely understand what that delta is to inform the debate. Hopefully, we can then get the planning authority from the Treasury to plan with confidence against those out-years.

184. We asked Bernard Gray, Chief of Defence Materiel, whether he had calculated the real terms increases required to achieve Future Force 2020:¹⁸⁸

No, because we are working through all the exercises, not only on the underlying funding assumptions, but on the equipment structure possibilities and the real cost of equipment. I have been conducting an exercise to re-test the costing proposals for each of the individual programmes from the bottom up, for example. I have been looking at what we might do through efficiency savings, what the Reserves review might generate and so on. A bunch of moving parts within this are being brought together as part of the three-month exercise to determine what it would be. As the Secretary of State and the Prime Minister have said, it will require significant real-terms increases.

185. On 18 July 2011, despite the earlier assertion to us by Ministers that it was not possible for the Government to commit to spending outside the current CSR period, the Secretary of State for Defence in announcing the outcome of the three months review to the House of Commons stated:¹⁸⁹

Commitments must match resources in order to achieve a balanced budget. As part of preparation for this year's planning round, we have identified a number of adjustments to the Defence programme. This includes rationalising vehicle acquisition to make best use of those we have procured to support operations in Afghanistan and continuing to bear down on non-front line costs, where we will aim to deliver further substantial efficiencies in support, estate spending and IT provision. Against this background, and as part of the overall approach to balancing the programme, I have agreed with the Treasury that the MoD can plan on the

187 Qq 543–544

188 Q 553

189 HC Deb, 18 July 2011, cols 643–644 and Ev 158 ff

Defence equipment and the equipment support budget increasing by 1 per cent a year in real terms from 2015–16 and 2020–21. [...] Such a long-term planning horizon will give greater stability and predictability, and stop the old practice of simply pushing programmes into future years. These and other changes will enable us to proceed with a range of high priority programmes set out in the SDSR. I can now give the go ahead for the procurement of 14 additional Chinook Helicopters, the upgrade of the Army Warrior's vehicles, spending on the Joint Strike Fighter, the procurement of the Rivet Joint Intelligence and surveillance aircraft, the cats and traps for the Queen Elizabeth aircraft carriers and the development of the Global Combat Ship. The equipment can now be bought with confidence ending a decade of uncertainty for our Armed Forces, and for industry.

186. We note the outcome of the Government's three month review of the SDSR. We acknowledge the planned 1% real terms increase in the defence equipment and equipment support budget between 2015–16 and 2020–21. However we note that this is based on a number of adjustments to the Defence programme, including rationalising vehicle acquisition and continuing efficiency savings from non-front-line costs. Although we welcome the additional certainty that this will bring in respect of the defence equipment and equipment support budget, we are concerned that this increase is simply a reallocation of resources and does not represent the real terms increase in funding required to deliver Future Force 2020. In its response to this Report, the Government should also set out in much greater detail the baseline for the calculation of the 1% real terms increase in the defence equipment and defence support budget and the savings that will be made to realise it.

187. We are concerned at the lack of information in the SDSR on the levels of funding required to deliver Future Force 2020 and the increase in defence spending that this would represent. The Government should provide an estimate of these in its response to this Report and the figures should be updated in the annual updates on implementation of the SDSR. We regard defence planning and procurement as being of a unique nature, particularly given the long timescales associated with it, and recommend that the Government should initiate ways of allowing the MoD to proceed with implementing Future Force 2020 with budgetary certainty outside the normal CSR timetable.

188. We share witnesses' concerns that there are serious risks if Future Force 2020 is not achieved. A failure to achieve Future Force 2020 would represent a fall below "critical mass" and a reduction in the influence that the NSS and SDSR set out as desirable. We fully support the Prime Minister and the Secretary of State for Defence in their personal aspirations for real terms increases in defence funding from 2015 that will enable the commitments made in the SDSR for Future Force 2020 to be realised. However this is meaningless without a concrete commitment that these increases will be delivered. Decisions for post 2015 funding will have to be made in the very near future to ensure progress towards Future Force 2020. If the ambition of a real term funding increase is not realised, we will have failed our Armed Forces.

189. We questioned Ministers about how the public would perceive a real terms increase in defence spending in 2015 at the same time as UK Armed Forces ended their combat role in Afghanistan. The Secretary of State for Defence responded:¹⁹⁰

We have set out what we believe to be the correct posture and force balance for the United Kingdom going ahead. In the SDSR, we had three options: first, to salami-slice everything and try to keep our heads above water year by year; secondly, to freeze capabilities where they were and not to sign future contracts or invest in future capabilities; and thirdly, to say, “We’re in a hole. Let’s find a strategic aiming point,” which was 2020, “Let’s set out what we think is the appropriate force balance for the UK in that year and then work our way towards it.” That was always going to be a difficult course to take, but I still believe it was the right one.

190. We note that a real terms increase in defence funding from 2015 will coincide with the withdrawal from a combat role in Afghanistan and anticipate that the UK public, whilst being passionate in their support for the Armed Forces, will question this decision. The Government must ensure that the reasons for the increase are effectively communicated to the public. This should begin now.

5 Ministry of Defence Budget

Comprehensive Spending Review 2010

191. The 2010 Comprehensive Spending Review (CSR) ran alongside the development of the SDSR. As part of the SDSR, the MoD undertook some 40 individual studies which were tailored to three scenarios—zero real growth and cuts of 10% and 20%.¹⁹¹ The MoD's settlement was that defence spending in 2014–15 would be 1.8% higher in cash terms than in 2010–11, but 7.8% lower in real terms.¹⁹² The total defence budget over the four years of the CSR was set at:

Ministry of Defence

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL ¹	24.3	24.9	25.2	24.9	24.7
Capital DEL	8.6	8.9	9.1	9.2	8.7
Total DEL	32.9	33.8	34.4	34.1	33.5
Departmental AME	2.8	2.8	3.1	3.3	3.4

¹ In this table, Resource DEL excludes depreciation and AME excludes non cash items

Data Source: HM Treasury, Spending Review 2010, Cm 7942

192. The CSR stated that “by focusing on maintaining key operational capabilities and by cutting out waste and inefficiency in the defence budget, the MoD will make at least £4.3 billion of non frontline savings over the Spending Review period”.¹⁹³

193. During our inquiry, Ministers commented that it was not possible to agree to funding levels outside the current CSR period and that this caused problems in planning for Future Force 2020, which to be achieved would require real terms funding increases from 2015 onwards (see paragraphs 174–190 above). Therefore planning in the MoD was being based on a flat rate level of funding from 2015. The MoD recognised that this created a difficulty in planning. In his report on Defence Acquisition, Bernard Gray, now the MoD's Chief of Defence Materiel, recommended that the MoD should move to a 10 year rolling budget which should be enshrined in law, in line with the French model, and it should encompass manpower, estates, equipment and support funding.¹⁹⁴ The previous Government did not accept this proposal but committed that the equipment programme would be planned to a longer time frame “with a ten year indicative planning horizon for equipment spending with the Treasury”.¹⁹⁵

191 Defence Committee, First Report of Session 2010–11, *The Strategic Defence and Security Review*, HC 345, para 16, Q 11 and Q 16

192 Adjusted using the OBR November 2010 forecast GDP deflator. House of Commons Library Research Paper 11/10, *UK Defence and Security Policy: A New Approach*, January 2011, p 28

193 HM Treasury, *Spending Review 2010*, Cm 7942, October 2010, para 2.84

194 Bernard Gray, *Review of Acquisition for the Secretary of State for Defence*, October 2009, p 10

195 HC Deb, 15 October 2009, col 35WS

194. Our predecessor Committee welcomed the commitment to a ten year planning timeframe for defence expenditure but doubted that the proposed ten year planning horizon would provide sufficient certainty to stabilise the equipment programme.¹⁹⁶

195. During our earlier inquiry into the processes followed in the SDSR process, the Secretary of State for Defence commented that:¹⁹⁷

Moving to a ten-year current spending horizon [...] makes a good deal more sense for defence. This is different from most departments; our acquisition programmes tend to be much longer lines and a ten-year budget would help us.

196. Bernard Gray, giving evidence to this inquiry in his new role as Chief of Defence Materiel, reaffirmed his view regarding ten year budgets for the MoD:¹⁹⁸

Personally, my view is that Defence is significantly different from many other Departments, most of which exist with their cash flowing within a year or thereabouts. If they have capital programmes, they are relatively small compared with ours—notwithstanding Transport, which is still significantly smaller than the MoD for these purposes.

My personal view is that it would give greater stability to the planning of defence if we were able to give the long-term certainty that we are—kind of—discussing here. We could then say, “Okay, what is the financial planning horizon and how do we map against it?” That would allow us to plan, and indeed order, with greater certainty than the current Whitehall structure gives us. You must ask the Treasury for their opinion, but clearly they tend to be reluctant to have their hands tied in such matters.

He noted that the Treasury might respond:¹⁹⁹

I suppose, to argue their case for them, they might say, “Well, economic conditions could be significantly different in 2015 and we should respond to those circumstances at the time. It might create unfortunate precedents, with everyone else arguing that we should be setting 10-year budgets.” There are arguments on their side, but my personal view is that it would be an advantage and a useful discipline on all sides. But I am one individual.

197. We agree with our predecessor Committee that the scale and nature of MoD contracts is quantitatively and qualitatively different from other Government procurement and its assertion that greater financial stability could help to control and reduce the hundreds of millions of pounds of unproductive costs which are incurred annually to keep the equipment programme spend within each year’s budget. We recommend that the MoD and the Treasury should establish mechanisms for a ten year budget for the MoD. It is vital that the MoD has greater certainty of resources as it

196 Defence Committee, Sixth Report of Session 2009–10, *Defence Equipment 2010*, HC 99, paras 84–86

197 Defence Committee, First Report of Session 2010–11, *The Strategic Defence and Security Review*, HC 345, Q 62

198 Q 548

199 Q 550

plans to implement Future Force 2020 which is essential to the nation's security in an ever-changing world.

Over-commitment in the MoD Budget

198. The National Audit Office's Major Projects Report 2009, published in December 2009, made the following observations:²⁰⁰

The Defence programme is unaffordable

2.3 The Equipment Examination and subsequent Planning Round were successful in reducing the Defence budget's forecast overspend by £15 billion. The Department estimate, however, that the Defence budget remains over committed by £6 billion over the next ten years; this assumes an annual increase of 2.7 per cent in their budget after the end of the current Comprehensive Spending Review settlement in 2010–11. If the Defence budget remains flat in cash terms after this time, then the extent of the over commitment widens to £36 billion. In either case the budget remains consistently unaffordable over the next ten years.

2.4 Until there is a comprehensive review of defence policy, it will be difficult for the Department to think radically and rationalise the programme whilst limiting the impact on military capability. The Equipment Examination has also enabled the Department to shift some spending from future military requirements to support current.

199. In the SDSR, the Government stated:²⁰¹

2.D.3 The legacy of over-commitment in the Defence programme amounted to around £38 billion. Some £20 billion of this is related to unaffordable plans for new equipment and support. Cancelling or changing major contracts to tackle this problem itself creates further liabilities. Negotiation with industry will reduce these as much as possible, but they will still make the short-term financial challenge greater.

2.D.4 In addition, there are systemic pressures in the two key blocks of Defence expenditure—equipment and personnel. [...]

2.D.5 This legacy of unaffordability, and these systemic pressures, mean that a major focus of work in the Strategic Defence and Security Review has been to eliminate over-commitment, to the greatest extent possible by reducing running costs to allow resources to be focussed on the front line. one of the stated main objectives of the SDSR was to bring defence policy, plans, commitments and resources back into balance and establish an affordable defence programme going forward.

200 National Audit Office, *Ministry of Defence: Major Projects Report 2009*, December 2009, HC 85-I, paras 2.3–2.4

201 HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, paras 2.D.3–2.D.5

200. We asked the MoD to set out how it had calculated its estimate of a £38 billion over-commitment in the defence programme and the effect of the SDSR in resolving it. In response, the MoD stated:²⁰²

The gap in the Defence Budget is the estimated difference between the cost of the Defence programme and the MoD budget under the assumption that the budget would rise in line with inflation over the ten years 2011–12 to 2020–21. The figures are based on a number of assumptions including changes in fuel prices, foreign exchange rates, and Armed Forces pay awards. It will, therefore, change over time. A figure of £38bn was calculated before the SDSR. The SDSR announced substantial reductions to the planned force structure. The measures announced go a long way to eliminating this excess but it will take time to work through the consequences of the SDSR decisions and bring the Defence Budget back into balance.

[...]

The SDSR established the policy framework for our Armed Forces and the capabilities that they will need to meet future challenges and achieve success on future operations while safeguarding Afghanistan. The spending review set out the resources allocated to Defence for the implementation of the SDSR. This will enable us to bring Defence policy, plans, commitments and resources into better balance through our annual planning process.

The outcomes of the SDSR and the Spending Review form the basis of the Department's annual Planning Round (PR11), which is still ongoing. The Planning Round looks out over 10 years. This process involves updating the estimated costs of the Department's current activities and adjusting for the estimated costs and savings arising from the changes announced in the SDSR. Until this process is complete it is not possible to reliably estimate the size of any residual shortfall. The Planning Round process routinely re-prioritises the Defence programme to ensure that the Department lives within its budget. PR11 is expected to conclude in spring 2011.

201. During our inquiry we explored the Government's assertion of a £38 billion gap in the defence budget and how this figure was arrived at and the degree to which it was based on actual commitments and how much was aspirational. Professor Malcolm Chalmers from RUSI stated:²⁰³

I think the key thing here is that it really does depend on the assumptions you are making [...] Even in a space of a few months, if the oil price goes up by \$30 or \$40 a barrel and everything else is left unchanged in your assumptions then you will probably have several billion pounds extra in your gap over the next 10 years. My plea would be that we need a lot more transparency on the assumptions being made in these numbers if we are to understand what they mean. The Government, when they came in last year, ordered a fresh look at our forward commitments and introduced what they felt to be more realistic assumptions in that forum. They came

202 Ev 126

203 Q 42 [Professor Malcolm Chalmers]. Also see Ev 121.

up with this £38 billion figure. It will be interesting to see what the figure is today, after a defence review, on the same assumptions.

Clearly, the assumptions will change, as we have more information, so my assessment—I have published this—is that if you take the same assumptions that underlay the £38 billion then we probably reduce that overhang over the next decade to something of the order of £15 billion. But, of course, some of those assumptions might change—service pay or equipment costs might rise less rapidly than we anticipated—so it does depend on that.

202. In March 2011, we explored this further with the Secretary of State for Defence.²⁰⁴ In response, he promised us a note which would set out various pieces of information concerning the MoD budget over-commitment. We were disappointed with the response we received particularly as the Secretary of State had made a public commitment to provide the information.²⁰⁵ We wrote again to the Secretary of State on 8 June requesting the following information on the MoD's budget:

- A breakdown of expenditure approved at 'initial' and 'main' gate, including contract costs and running costs;
- A breakdown of running costs such as Service Pay;
- Details of the remaining budget gap; and
- Details of the PR 11 settlement.

203. A response was received on 7 July which did provide some additional information but was still not as comprehensive as we would have expected.²⁰⁶ As part of the response the MoD told us that the "gap was substantially in excess of £38 billion".²⁰⁷

However, this figure merely provides a snapshot based on the Department's understanding of the programme at a particular time. There are things that are now better understood, which had we known them at the time, would have affected the analysis of the position, and which indicate that in fact the genuine size of the gap was substantially in excess of £38 billion. For example, Bernard Gray's report in October 2009 had identified that a range of equipment programmes had not been accurately costed. Since coming into post as the Chief of Defence Materiel, and reviewing the equipment programme, Bernard has judged that a further £5.5 billion should be added to the overall cost of the equipment programme. In addition, the £38 billion figure did not take into account the fact that the MoD will now be meeting the full cost of paying for the successor deterrent, which is estimated at £8 billion over the next ten years, and for which at that time no part of Government had assumed they would pay.

204 Qq 128–149

205 Ev 136

206 Ev 156–158

207 Ev 157

204. We were disappointed by the MoD's response to our requests for a breakdown of the MoD's financial commitments, including details of the components of its estimate of a £38 billion gap in the defence programme and the size of any remaining budget gap after the SDSR. We note that the MoD now state the genuine size of the gap is substantially in excess of £38 billion. However, we also note the Secretary of State's assertion that the "for the first time in a generation, the MoD will have brought its plans and budget broadly into balance, allowing it to plan with confidence for the delivery of the future equipment programme". Without proper detailed figures neither statement can be verified. Given the difficulties the MoD has had in responding to our requests for a breakdown of the over-commitment in the MoD budget, we expect the Government in its response to this Report to set out in detail the basis for these statements.

205. We note the Secretary of State for Defence's commitment to carry out an assessment of the affordability of the equipment programme alongside an independent audit by the NAO. We are surprised that this assessment has not yet begun and expect to receive a timetable for this exercise in response to this Report.

Major Projects Review Board

206. On 22 February 2011, during a speech on value for money in the MoD, the Secretary of State for Defence announced the establishment of a Major Projects Review Board. The Board would be chaired by the Defence Secretary and would receive quarterly updates on the MoD's major programmes to ensure that they are on time and within budget. This would begin with the 20 biggest projects by value and will expand to the 50 biggest projects. The Board met for the first time on 13 June 2011. Following the meeting, the MoD asserted that:²⁰⁸

Any project that the Board decided was failing would be publicly 'named and shamed'. This could include a project that is running over budget or behind expected timelines. This will allow the public and the market to judge how well the MoD and industry are doing in supporting the Armed Forces and offering taxpayers value for money."

207. We welcome the establishment of the Major Projects Review Board. The Board faces a major challenge and we will monitor its effectiveness in ensuring the MoD's programmes are on time and within budget. We recommend that the MoD consider the appointment of suitably experienced independent members to the Board.

Defence Reform

208. In parallel with the SDSR process, the Government also announced in summer 2010 that it would conduct a full organisational review of the Ministry of Defence. The Review had two strands: structural reform to reorganise the MoD into three pillars: Strategy and Policy, Armed Forces, and Procurement and Estates; and a "cultural shift" towards a leaner and less centralised organisation combined with devolved processes which carry greater

208 "MoD's Major Projects Review Board stands up", Ministry of Defence press notice, 13 June 2011

accountability and transparency. The scope of the Defence Reform review was wide ranging and examined in detail all major areas of defence.

209. To oversee implementation, a Defence Reform Unit was established within the MoD to help plan and execute any structural/organisational changes. The Defence Reform Unit's report was published on 27 June 2011.²⁰⁹ The Report made 53 wide-ranging recommendations. According to Lord Levene of Portsoken who chaired the review, the key recommendations were:

- create a new and smaller Defence Board chaired by the Defence Secretary to strengthen top level decision making;
- clarify the responsibilities of senior leaders, including the Permanent Secretary and the Chief of the Defence Staff, to strengthen individual accountability;
- make the Head Office smaller and more strategic, to make high level balance of investment decisions, set strategic direction and a strong corporate framework, and hold to account;
- focus the Service Chiefs on running their Service and empower them to perform their role effectively, with greater freedom to manage, as part of a much clearer framework of financial accountability and control;
- strengthen financial and performance management throughout the Department to ensure that future plans are affordable and that everyone owns their share of responsibility for this;
- create a 4 star-led Joint Forces Command, to strengthen the focus on joint enablers and on joint warfare development;
- create single, coherent Defence Infrastructure and Defence Business Services organisations, to ensure enabling services are delivered efficiently, effectively and professionally;
- manage and use senior military and civilian personnel more effectively, with people staying in post for longer, and more transparent and joint career management.

210. An implementation plan setting out how the Defence Reform Unit's review would be delivered is expected to be published in September 2011, with a view to overall implementation being completed by April 2015.²¹⁰

211. We welcome the empowering of the single Service Chiefs, but are concerned that removing them from the Defence Board may result in an increase in the tensions between the three Services and encourage individual Service Chiefs to fight for their particular Service without consideration of overall defence requirements. It means that the Chief of Defence Staff will be the only Service representative on the Board, and could in turn leave them open to accusations of favouritism of their "home" Service

²⁰⁹ Defence Reform Steering Group, *Defence Reform: An independent report into the structure and management of the Ministry of Defence*, June 2011

²¹⁰ Ministry of Defence, *Business Plan 2011–15*, May 2011, p 13

over the others, whether justified or not. We intend to return to the command, control and accountability processes between the Chiefs of Staff in future inquiries. We will monitor the impact of this and the other reforms recommended by the DRU over the coming months as they are implemented. In addition we look forward to seeing in the near future greater detail from the MoD as to the budgetary implications of the changes being made.

212. We recognise the pace and quantity of change occurring within the MoD is considerable and understand how disconcerting this has been for the Armed Forces and MoD civil servants, particularly at a time when UK Armed Forces are conducting two major campaigns in Afghanistan and Libya. While we recognise that reform of the MoD is long overdue, change on this scale requires exceptionally careful management. In response to this Report we require that the MoD inform us of how it will ensure that reform is not derailed by the speed of its implementation. We note the recent publication of the Defence Reform Unit Report and will monitor the implementation of its recommendations. The MoD should provide updates on work to implement the recommendations in its Annual Report.

6 Conclusions

213. During our inquiry we sought to establish whether the new national security thinking and structures, under the leadership of the National Security Council, had led to a more coherent and well defined security policy in terms of the ends of the National Security Strategy and the ways and means set out in the Strategic Defence and Security Review. We agree with the Government that the operation in Afghanistan was the top priority during the development of the NSS and SDSR. Operations in Libya must also be prioritised.

214. We welcome the establishment of the National Security Council and the commitment to an updated NSS and SDSR every five years. The changing character of the threats facing the nation required a more collective response from Government. The previous culture of departmental-silos and turf wars needed reform. However more reform is still required, such as the development of the role of the National Security Adviser, the capacity of the National Security Council Secretariat and greater use of interdepartmental budgeting arrangements. The National Security Council must also ensure that the UK's Armed Forces and the general public are seized of the aims and objectives of its security policy and increased engagement by the Government is essential to achieve this. The National Security Council should develop a uniform vocabulary for strategic thinking across Government. Strategy is understood in many different ways across Government and the military and too often the message and intent becomes blurred.

215. The latest National Security Strategy is an improvement on earlier versions but we have major concerns regarding the realism of its statement of the UK's position in the world and its influence. There is a clear contradiction in the short to medium term between the NSC's statement "that Britain's national interest requires the rejection of any notion of the shrinkage of UK influence in the world" and the Government's overriding strategic aim of reducing the UK's budget deficit. Despite the stated intention of rejecting any notion of the shrinkage of influence, our witnesses have forcefully told us that the UK's global influence is shrinking. Future National Security Strategies must have as their starting point a policy baseline that is a realistic understanding of the world and the UK's role and status in it. That said, the UK has demonstrated, and continues to do so across the world, that it has a major role to play in global affairs.

216. The UK's national ambition must be matched and constrained by a realistic assessment of the resources available to achieve it. The adaptable posture advocated in the current National Security Strategy is a good starting point, but must not become a hostage to fortune requiring the UK to participate in the resolution of every global security challenge. This policy baseline must be available at an early stage to ensure that the correct decisions are made in the subsequent Strategic Defence and Security Review in terms of force structures and capability and platform decisions.

217. We acknowledge that it was necessary to undertake the SDSR alongside the CSR. This resulted in a better financial settlement for the MoD than might have been realised

if the two processes had been separated. However, given the speed of the review we are not convinced that the best use was made of experts from outside the Department.

218. Our Report outlines some major concerns regarding the capability decisions made in the current Strategic Defence and Security Review. The starting point for capability decisions in future SDSRs should continue to be a consideration of what “sovereign” capabilities are required. The SDSR identified seven military tasks and the Defence Planning Assumptions that underpin them. However it does not set out how capability decisions such as those on Carrier strike and Nimrod MRA4 ensure that the Armed Forces are able to undertake the military tasks. In addition, the measures to be taken to cover the risks that capability gaps engender need to be developed—it is not sufficient to rely on old and new alliances, although these are valuable. When capability gaps occur, concrete plans should be developed to regenerate the capability, including the necessary skills amongst Service personnel. We hope that the plans to redevelop the carrier and carrier strike capability might serve as a model for the future.

219. The biggest challenge arising from the SDSR and the next SDSR is the realisation of Future Force 2020. We have serious concerns about whether it will be achieved, particularly as the provision of necessary resources is only a Government aspiration, not Government policy. Given the uniqueness of MoD procurement we regard it as essential that the MoD has more certainty in its long-term planning and recommend that ten-year budgeting be introduced. This would also give the MoD greater confidence in the decisions it takes in future SDSRs. However, as part of this, the MoD must reform, and ensure substantially improved transparency and control over its finance and budgetary practices. Without this it is extremely difficult for the MoD to argue for additional resources. While we welcome the Government’s new initiatives on value for money such as the Major Projects Review Board, we are not confident that given the reductions in the MoD budget and the continual reassessment and uncertainty in forward financial planning the UK Armed Forces will be able to reach Future Force 2020.

220. The SDSR was unfinished business. It has been supplemented by a three month review and by further reports on the structure and senior management of the MoD, on the balance of Regular and Reserve Forces, on equipment, support, and technology for UK defence and security and the basing review. In the light of these changes it appears to us that despite statements to the contrary the SDSR has to all intent and purpose been re-opened and it has been done without the re-opening of the Comprehensive Spending Review. We will monitor events to ensure a coherent plan providing UK national security.

221. Finally, we repeat our admiration for the Armed Forces and the civilians who support them. We must ensure that the implementation of the current SDSR and future SDSRs does not fail them.

Formal Minutes

Wednesday 20 July 2011

Members present:

Mr James Arbuthnot, in the Chair

Mr Julian Brazier
Thomas Docherty
Mr Jeffrey M. Donaldson
Mr Dai Havard

John Glen
Penny Mordaunt
Mrs Madeleine Moon
Gisela Stuart

Draft Report (*The Strategic Defence and Security Review and the National Security Strategy*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 221 read and agreed to.

Resolved, That the Report be the Sixth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Written evidence was ordered to be reported to the House for printing with the Report with written evidence reported and ordered to be published on 16 February and 22 June 2011.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 7 September at 2.00 p.m.]

Witnesses

Wednesday 16 February 2011

Page

James Blitz, Defence and Diplomatic Editor, *Financial Times*, **Professor Malcolm Chalmers**, Professorial Fellow in British Security Policy, Royal United Services Institute, **Professor Michael Clarke**, Director, Royal United Services Institute, and **Professor Hew Strachan**, Professor of the History of War, Oxford University.

Ev 1

Wednesday 9 March 2011

Rt Hon Dr Liam Fox MP, Secretary of State for Defence, **Rt Hon William Hague MP**, Secretary of State for Foreign and Commonwealth Affairs, **Rt Hon Andrew Mitchell MP**, Secretary of State for International Development, and **Rt Hon Oliver Letwin MP**, Minister of State, Cabinet Office.

Ev 15

Wednesday 11 May 2011

Admiral Sir Mark Stanhope GCB OBE ADC, First Sea Lord and Chief of Naval Staff, **General Sir Peter Wall KCB CBE ADC Gen**, Chief of the General Staff, and **Air Chief Marshal Sir Stephen Dalton KCB ADC**, Chief of the Air Staff.

Ev 36

Wednesday 18 May 2011

Air Chief Marshal (rtd) Lord Stirrup GCB AFC, former Chief of the Defence Staff.

Ev 54

General (rtd) Sir Rupert Smith KCB DSO OBE QGM.

Ev 61

Tuesday 24 May 2011

Air Chief Marshall (rtd) Sir Brian Burridge KCB CBE, Vice President, Strategic Marketing, Finmeccanica, **Ian Godden**, Chairman, ADS, **David Hansell**, Managing Director, MSI Defence Systems and Chair, ADS Small Companies Committee, and **Peter Rogers**, Chief Executive Officer, Babcock, and President, ADS.

Ev 67

Admiral Sir Jonathon Band GCB, former First Sea Lord and Chief of Naval Staff.

Ev 75

Wednesday 8 June 2011

Vice Admiral Sir Jeremy Blackham KCB, **Wing Commander (rtd) Andrew Brookes**, Director, Air League, and **Professor Julian Lindley-French**, Defence Academy of the Netherlands.

Ev 85

Wednesday 22 June 2011

Nick Harvey MP, Minister for the Armed Forces, **General Sir Nicholas Houghton KCB CBE ADC Gen**, Vice Chief of the Defence Staff, **Bernard Gray**, Chief of Defence Materiel, and **Lieutenant General Sir William Rollo KCB CBE**, Deputy Chief of the Defence Staff (Personnel and Training), Ministry of Defence.

Ev 101

List of printed written evidence

1	Vice Admiral Sir Jeremy Blackham KCB and Professor Gwyn Prins	Ev 118
2	Professor Malcolm Chalmers	Ev 119
3	Professor Julian Lindley-French and Commander Simon Atkinson, Royal Navy	Ev 122
4	Ministry of Defence	Ev 123

List of additional written evidence

(published in Volume II on the Committee's website www.parliament.uk/defcom)

1	Roger Bunbury	Ev w1
2	John Farley	Ev w2
3	Unite the Union	Ev w2
4	Public and Commercial Services Union and Prospect	Ev w3
5	Andrew Dow	Ev w5
6	Edward Featherstone	Ev w6
7	Nigel Hall	Ev w9
8	David Hobbs MBE	Ev w12
9	DefenceSynergia	Ev w13
10	David Faddy	Ev w22
11	Church of England	Ev w23
12	Raytheon UK	Ev w25
13	Derek M Long	Ev w27
14	Dr Sue Robertson	Ev w28
15	Chamber of Shipping	Ev w35
16	Campaign for Nuclear Disarmament	Ev w37
17	Royal Aeronautical Society	Ev w40
18	Dr Robert Crowcroft, University of Leeds	Ev w42
19	Prospect	Ev w48
20	Project Management Institute	Ev w51
21	Dr Duncan Redford, Centre for Maritime Historical Studies, University of Exeter	Ev w56
22	James H. Longworth	Ev w69

23	Angus Robertson MP, Westminster Scottish National Party Leader and Defence Spokesman	Ev w71
24	Fleet Air Arm Officers' Association	Ev w77
25	McAfee	Ev w80
26	Campaign Against Arms Trade	Ev w83
27	Greenpeace	Ev w87
28	The Trades Union Corporate Steering Group at BAE Systems	Ev w90
29	Saferworld	Ev w99
30	World Vision UK	Ev w102
31	Oxford Research Group	Ev w104
32	Defence Police Federation	Ev w107
33	Medact	Ev w110
34	Bernard Jenkin MP	Ev w112
35	William RH Orchard	Ev w114
36	C F Roberts	Ev w115
37	Brian K Sargeant and Frank James	Ev w115
38	Admiral Sir John Woodward GBE KCB and colleagues	Ev w120

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2010–11

First Special Report	The Comprehensive Approach: the point of war is not just to win but to make a better peace: Government response to the Committee's Seventh Report of Session 2009–10	HC 347
Second Special Report	The contribution of ISTAR to operations: Government response to the Committee's Eighth Report of Session 2009–10	HC 346
Third Special Report	Ministry of Defence Annual Report and Accounts 2008–09: Government response to the Committee's Fifth Report of Session 2009–10	HC 353
First Report	The Strategic Defence and Security Review	HC 345 (HC 638)
Fifth Special Report	Defence Equipment 2010: Further Government Response to the Committee's Sixth Report of Session 2009–10	HC 898
Second Report and First Joint Report	Scrutiny of Arms Export Controls (2011): UK Strategic Export Controls Annual Report 2009, Quarterly Report for 2010, licensing policy and review of export control legislation	HC 686
Third Report	The Performance of the Ministry of Defence 2009–10	HC 760
Fourth Report	Operations in Afghanistan	HC 554
Fifth Report	Ministry of Defence Main Estimates 2011–12	HC 1373

Oral evidence

Taken before the Defence Committee

on Wednesday 16 February 2011

Members present:

Mr James Arbuthnot (Chair)

Mr Julian Brazier
Mr Jeffrey M. Donaldson
John Glen
Mr Mike Hancock
Mr Dai Havard

Mrs Madeleine Moon
Sandra Osborne
Bob Stewart
Ms Gisela Stuart

Examination of Witnesses

Witnesses: **James Blitz**, Defence and Diplomatic Editor, *Financial Times*, **Professor Malcolm Chalmers**, Professorial Fellow in British Security Policy, Royal United Services Institute, **Professor Michael Clarke**, Director, Royal United Services Institute, and **Professor Hew Strachan**, Professor of the History of War, Oxford University, gave evidence.

Q1 Chair: Sorry to have kept you waiting, but welcome to our first session on the National Security Strategy and the Strategic Defence and Security Review. Unusually, today we are taking evidence from Professor Michael Clarke, who is one of our specialist advisers, but I have checked beforehand that you have not been involved, Professor Clarke, in drafting questions to yourself.

Professor Clarke: I have not.

Q2 Chair: Welcome to this inquiry. Please would you be kind enough to introduce yourselves for the record?

Professor Chalmers: I am Professor Malcolm Chalmers from the Royal United Services Institute.

Professor Clarke: I am Professor Michael Clarke, director of the Royal United Services Institute.

Professor Strachan: I am Hew Strachan, Professor of the History of War at Oxford.

James Blitz: I am James Blitz, *Financial Times* defence and diplomatic editor.

Q3 Chair: Thank you, and thank you all very much for coming to give evidence. We are expecting a vote at 4 pm. After that, there will be a debate in the Chamber on the military covenant, and several members of this Committee would like to take part in it. That means that we will finish by 4 o'clock, so we have a lot of material to get through. Please do not feel that you each have to answer every question; you do not. Please make your answers as pithy and snappy as you possibly can. To the Committee, please make your questions as pithy as you can.

Can we start with the National Security Council? Its creation has been pretty much welcomed. What impact, though, do you think it had on the National Security Strategy, and on the Strategic Defence and Security Review? Who would like to begin?

Professor Clarke: I will happily start on that, very briefly. Remember that the NSC came about, in a sense, because of the NSS. The NSS goes back to 2008, and it was the attempt to think more holistically about security that popularised an idea, which had

been around for a long time, that we should also have a National Security Council. So one predicts the other. If you are talking directly about the NSC, I would say that that encapsulated quite a lot of good thinking in the NSS. It certainly was relevant to the SDSR, but the SDSR itself had to be handled in such a truncated way because of the time problem that I am not convinced that the NSC had the sort of input to the SDSR that it would have wanted, or that certainly the Ministry of Defence would have wanted it to have. The NSC and the NSS are very closely connected, but the NSC and the Defence Review are less connected than they should have been.

James Blitz: My view of the NSC, having covered it as a journalist since its inception in June last year, is that in a number of areas it has had a very important impact. It has, first, given the Government a far more holistic and co-ordinated approach in Afghanistan, moving away from a lot of the divisions you saw between the Service Chiefs and the Executive under the Brown Government. I think it has also had a very important impact in resolving some difficult cross-departmental issues. Most notably, one of its big successes is getting the package of compensation for Guantanamo detainees last year and the setting up of the Gibson inquiry.

On the NSS, I think it played an important role last June and July in agreeing the adaptability concept and moving away from the possibility, in some people's minds, of moving towards vigilant Britain—the more defensive crouch. I agree with Professor Clarke on the SDSR that it was basically a body that gave an imprimatur to decisions that were taken, given the circumstances that we were in last October and November, by a smaller coterie of senior Ministers—the Prime Minister, Chancellor, Foreign Secretary and Defence Secretary.

Professor Strachan: I would agree with everything that the previous two witnesses said. All I would add is that, because the Defence Review process began so much more in advance of the creation of the NSC and the NSS, at one level what was extraordinary was the convergence between the two, which was better than

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you might possibly have hoped for in the circumstances. On another level, I am, in a way, struck by the amount of misplaced effort that occurred because the NSC was not able to produce a National Security Strategy in enough time to co-ordinate what was happening in the defence review process. As the defence review process had begun so much earlier, it was driven from the bottom up by a series of independent studies.

Professor Chalmers: One thing I would add to what the previous witnesses have said is that I think the jury is still out as to whether what we have seen here is more a structural change than a political change. Clearly, there have been NSC meetings on a very regular basis and the relevant Ministers have been very engaged in discussion of security issues collectively in a way that did not occur under the previous Government. I am not entirely convinced that that is because this particular committee was set up; it is more the way in which it has been organised, and I think that has been very helpful.

It will be interesting, now that we are past the honeymoon period of the Government and people are getting really stuck into their ministerial briefs, to see whether there continues to be that engagement across departmental boundaries. I hope that will be the case. The footnote to that is that it is an interesting question as to whether that greater ministerial engagement across the piece is in part a result of coalition government and whether having two parties in a Government—unusually in our country—has forced them to engage in wider discussion than the rather smaller groups that decided these things in the past.

Q4 Chair: The Ministry of Defence said that “the new NSC provides high-level strategic guidance to Departments, co-ordinates responses to the dangers we face, and identifies priorities.” Does it? Do the outcomes of the NSS and the SDSR support that? Would you say that it was a more strategic and coherent outcome than we have seen in previous defence reviews?

Professor Clarke: I think the framework of thinking was more coherent than in previous defence reviews, but I don’t think the outcome was necessarily more coherent, because there was this mismatch between the security strategy and the SDSR, the defence part of it. Undoubtedly, the NSC and the NSS provided a coherent framework, but it is not yet clear whether that has enough traction within Whitehall, because it’s quite radical. What the NSS says is a pretty radical re-thinking of the way we should discuss security for a country like Britain in the 21st century. That is easy to say for a group of clever people writing a good essay on it, but it’s much harder to push through Whitehall, which is stovepiped for a different sort of security environment. In the next few years, I think we in the analytical community will be looking at how far the NSC and the NSS are able to gain real traction within Whitehall.

The NSC has provided a customer for a lot of inputs—it is the customer for the Joint Intelligence Committee’s material and a lot of what Whitehall does—which is good. That’s a benefit, but it is

undecided whether the conception of national security that the NSC has helped to create through the NSS is really our strategic framework for the future.

Professor Strachan: I would not stray from anything that’s been said, but I would go further and say that the NSS very clearly sets out the need for priorities in the way a national security strategy might be put together, but it doesn’t move on to what that strategy might be and how it might be shaped. It seems stronger on the processes, which in itself is a massive step forward, and rather less secure about what that strategy might be and how it might be shaped. In the end, it lacks the willingness to make choices and prioritise, despite the determination to use that sort of phraseology throughout its content.

Q5 Mr Hancock: On that point, it is not a very pretty picture that you paint, it is? We get halfway there, but not one of you suggested a way forward. What needs to be done to combine the coherence of putting the thing together with the coherence within Government to implement it properly, effectively and to cost?

Professor Strachan: If I may answer that, you need to realise that this is work in progress. We are almost going from a standing start, given where we were. As successive Chiefs of the Defence Staff have said, there isn’t—and hasn’t been—much strategic thinking in this country, so there hasn’t been a bottom to support the top.

You can think about the composition of the NSC, but I think the crucial question is the composition of the Secretariat and how you wish to put it together. Professor Clarke has just spoken about the inputs and the way the Secretariat can draw things together, but we should think about how it can generate its own inputs if there are areas it feels it should look at, rather than be reactive to things that have been put into it. How far can it create a demand? How far can it generate its own demands? We’ve got to wait and see. You’re getting an optimistic mood from the group here because, as the Chairman says, we see it as a step forward, but that doesn’t mean we’ve got there.

Professor Chalmers: It is very important to make the point that there wasn’t a direct read-on from the NSS to the force structure decisions we’re taking for defence and the SDSR. You cannot trace the particular decisions taken within that, or even the budgeting priorities, back to the NSS, except in the critical respect that the Government committed itself to an adaptable approach, which was essentially a compromise between the polar extremes of focusing on stabilisation or on intervention. That was a critical discussion at the NSC, but even that was pre-packaged—it would have been very surprising had the Government made a decision to focus on one particular sort of capability or another.

In the general terms in which we are looking at an uncertain world with many threats and the difficulties of balancing the long and short terms—and therefore you need adaptable forces—the NSS clearly had a critical role. In cyber, there is a case to be made that the NSS changed priorities across Government, but in relation to defence I am less clear.

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Q6 Chair: I think we will go into this in the course of the afternoon. Do any of you have any concerns about the transparency of the National Security Council? There is a Joint Committee of the Lords and Commons that can hold it to account, but do you have concerns about that?

James Blitz: I have two things to say on that point. First, I have one concern about transparency in the whole process. The key meeting that set out the adaptability approach took place in June or July of last year, and the NSS was being forged around that time. It wasn't actually until the very eve of the SDSR that the "Age of Uncertainty" document was finally published. From the Government's point of view, that was very unfortunate. They had some kind of strategic approach, but because they published it right on the eve of the SDSR, they lost the opportunity, so they were unable to fend off constant criticism in that whole period that this was a cuts and Treasury-driven approach. I also think that there was a lost opportunity for Parliament and the wider public to have a debate about the NSS.

At the same time, however, I don't basically have concerns about the transparency of the NSC as a body. I think it is an ad hoc enabling body that brings together the main pillars of Government. It is the individual Cabinet Ministers who are responsible for what they do. In that sense, it is a little bit like, although it is obviously different, the United Nations Security Council, as that is a body that brings together the major countries and the P5. You look at those. To understand how that body works, you have to understand the individual representation. It meets on an ad hoc basis and therefore has a smaller Secretariat, so I don't think there is a transparency issue about the way it operates.

Q7 Chair: But do you think that the document was published so late because of last-minute horse-trading, rather than the strategic overview?

James Blitz: I don't know why the NSS document was published so late. I certainly think it would have benefited Government and the wider process if it had been published a few weeks or months before it was.

Professor Clarke: The story of the two documents, as I understand it, is that it was intended that there would be only one document, and that the SDSR would encompass the framework of the NSS. However, quite late on, for reasons that we can speculate about, it was decided to separate one document into two and publish them a day apart, so I think what James said is very interesting. If they had decided to publish the strategy some time before, that would have given some time for reflection before the defence part of it, but it was one document split into two at quite a late stage.

Q8 John Glen: Is it not reasonable to infer that, given the lack of the clear relationship between the two documents, bigger pressures—Treasury pressures on the SDSR, as we have discussed—made that relationship far less clear, and that it was not desirable to have scrutiny? Professor Chalmers, I think you just said that the correlation between what the NSS

document says and the SDSR is difficult to surmise. I mean—

Chair: That's the question.

Professor Chalmers: To be fair, it would be hard to write an NSS document that then produced a clear read-across to specific defence capabilities, because all sorts of other things come into the picture. That is important in a sense. We will no doubt come later to defence planning assumptions, but even there it is often difficult to see the relationship in relation to force structures.

Where I think more work needs to be done on the NSS is thinking through what it has already said on prioritisation and how this relates to the link between short, medium and long-term concerns. That, I think, would provide more clarity for force structure decisions later on. One example is that, in the discussion of the aircraft carrier decision, there was an explicit difference drawn out between the threat environment that we face in the next 10 years, which doesn't require carrier-based aircraft, and what we anticipate after that, which does. But that isn't related back to the analysis in the NSS.

Q9 Mr Havard: On the NSC as a body, the Foreign Office declaimed that they are demonstrating "FCO leadership in the NSC through strong FCO representation and input into all its decisions". They have written over half the documents, they "advised" the Departments before they submitted their documents and they had a Foreign Office *Pravda* brief before they had written them. Is this a Foreign Office-dominated body and what does that say about the position of the Ministry of Defence in any discussions?

Professor Strachan: Before answering that question, can I raise an issue the Chairman raised in relation to your question—that of transparency? I realise it is our job as witnesses to try to give answers rather than raise questions, but one of the issues in my mind in relation to transparency is the constitutional status of the NSC.

James Blitz described the NSC as ad hoc, and there are elements of it that seem to be very ad hoc. Is it a Cabinet Committee? I assume it is, in which case, does the Cabinet have a controlling function in relation to the NSC? Is it an executive Committee of the Cabinet, which would explain why the professional heads of the intelligence services and the CDS are there as advisers, rather than as full members?

If the NSC is all those things, that probably helps to answer some of my concerns about transparency. It also clarifies how it is working and how it should work, which still assumes that, in the event of a major national crisis, although the NSC might function as "a war cabinet", it would normally act in a subordinate fashion to the Cabinet. In reality, however, the processes we have just been talking about in the NSS and SDSR eventually came straight out from the NSC itself, and I am not sure they were referred to the Cabinet at all. I may be corrected on that point.

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Q10 Chair: You should read the transcript of the interview of the Prime Minister in December, or maybe late November, by the Liaison Committee. The answer is it is a work in progress.

Professor Strachan: Right, so it is part of the same agenda. Forgive me for that preamble when you asked me to be precise, but the reason I raise all those issues is that we are unclear as to the relative weights of the inputting Ministries. It is also interesting that we flag up the Foreign Office when one of the great strengths of the NSC was meant to be the incorporation of domestic security and international security. In other words, you would expect the domestic agencies to be as important in this relationship as the Foreign Office itself.

Personally, I would have no objection to the Foreign Office being the lead, but the issue is one of clarification. I know one of the issues you want to raise later is whether there is a role for a Cabinet Minister responsible for national security. Is the Foreign Secretary that figure and, if so, does that help explain why the Foreign Office should have a predominant role? Is that going to be difficult for the Foreign Office if it is not accustomed to thinking strategically, to go back to the phrase of fashion at the moment, in the way that the Ministry of Defence perhaps feels it ought to be?

Mr Havard: You have anticipated a couple of my supplementary questions, but I will come to that in a minute.

James Blitz: In answer to Mr. Havard's question on the weight of the Foreign Office, I do not think that thus far in the workings of the NSC, the Foreign Office has had significant extra weight. Two things have been important in shifting balances. First, the Department for International Development is now much more incorporated into the wider thinking about security. That is seen in a lot of the policies coming out of DFID. Secondly, the intelligence services have had far greater weight in thinking than was the case in the past.

The heads of MI5, MI6 and GCHQ attend in an advisory role but you can see areas where their additional weight is coming through, such as the decision on the extra £650 million for cyber and also the current urgency on Afghanistan policy. That reflects to some degree the sense that there are new agencies but the external threats facing the United Kingdom are shifting away to a certain extent away from the Af-Pak region towards other areas—Somalia, Yemen, the Maghreb—and there needs to be a greater emphasis in policy to look at that. That is where interdepartmental shifts have been important over the last six months.

Professor Clarke: The Foreign Office always has a big influence in these sorts of Committees, but if anything, the Home Office has a lot of influence. The Home Secretary sits on the Committee, as does the Minister of Security, who is in the Home Office, and as do the intelligence agencies. The Secretary of State for Defence sits on that Committee, along with the CDS. So there are two representatives from the MoD, and three or four representatives from the Home Office. Only the Foreign Secretary directly represents

the Foreign Office, and there is now a group of Permanent Secretaries who have started to meet regularly. The Permanent Secretaries of all the ministries involved have started weekly meetings, but that is at a lower level. In terms of membership, it is hard to believe that the Foreign Office could somehow dominate this body, even if it feeds in quite a lot of policy papers.

Q11 Mr Havard: One of the criticisms made about the SD and SR is that there should have been a clearer Foreign Office declaration as to what you want everyone to do in the first place, and what is in Britain's interest, from which the document is written. Is that the NSS? Is that the security strategy? It has the word "security" in it, and that is what I want to get to. Where is the security bit? If it is the defence and security review, clearly the security bit is missing from the current description of defence and security. That seems to have been an MoD-led defence reform document, rather than incorporating security. In all the different initials and declarations, where is the overarching policy process that leads to a framework for a proper SD and SR that delivers your strategic view?

Professor Chalmers: If you compare it with the 1997–98 defence review—

Q12 Mr Havard: It might be better than it was, but is it good enough and where are we going?

Professor Chalmers: That had a foreign policy baseline, which then fed into the defence review. This time there is a security policy baseline in the NSS that covers issues that cross the domestic foreign boundary, such as terrorism, cybercrime and national disasters. Those are the priority risks in the NSS. The SDSR is not only a defence review but also talks about what is happening in wider security, development and diplomacy with counter-terrorism and natural disasters and so on. There is a congruence between the coverage of issue areas in the NSS on the one hand, and the SDSR on the other. Those are the issues covered in the NSC.

Q13 Mr Havard: So, is the NSC the body that should be incorporating all of these things. Effectively, the SD and SR should be coming out of that. Are they able to co-ordinate that process?

Professor Chalmers: That indeed is what happened.

Chair: Professor Clarke and Professor Strachan, you have nodded, which is a perfect answer and it is now recorded.

Q14 Mr Hancock: Following on from that, the NSS has said that as far as it is concerned, the National Security Council has reached a clear conclusion that the national interest requires us to reject any notion of shrinking our persona around the world. Isn't that overambitious? Where will that lead us and who is going to take responsibility for the direction? Do you agree with the assumption that the NSS has made, that this now gives us a clear image of what we can't and can do?

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Professor Clarke: A very quick answer. The thrust of your question is one I entirely agree with. That is why there is a mismatch between the defence review that talks about cuts and the NSS that continues to sustain a global aspiration. There is no congruence there. I entirely agree.

Q15 Mr Hancock: But why is it that nobody is getting to grips with that? How can you have an agreed, supposedly clear policy that takes no account of what you are doing with your other hand in reducing your capabilities?

Professor Clarke: Because the NSS and, if I may say so, the Foreign Secretary in his speeches last summer when he was taking over the job, gave a useful series of shopping lists saying that we should do lots of things, and do everything better in a more co-ordinated, efficient way. Those things are easy to say, but the bottom line is about where the resources are to make those things happen. What we have at the moment is an NSS of no strategic shrinkage which, I have to say, is fairly aspirational. Some part of those aspirations can be met, but probably not all of them. What we are engaged in, I guess, between now and 2014–15, is having to make some pretty hard choices as to which of those aspirations we are prepared to fund. At the moment, the NSS would have us do a little bit more of everything with rather less resource.

Professor Strachan: Crucial to this is the SDSR's point, which is essentially that any decision that potentially affects that global aspiration has been postponed as far into the future as possible. I have overstated the argument to make the point, which is that, of course, there had to be some hard decisions in relation to the SDSR, but not as many as one would have anticipated. There is essentially a reasonable range of core capabilities seen to be left intact, thus encouraging the aspiration—to pick up Mike Clarke's word—that at some point they might be restored. There is a never-never world there fed by the hope that it might all come back into shape again.

Q16 Mr Hancock: You have stated, professor, on more than one occasion that there is a hole in the heart of this organisation. How do we deal with that? What needs to happen?

Professor Strachan: Are you asking that question of me? Hole in the heart? I am not a medical man.

Q17 Mr Hancock: You did actually use that word.

Professor Strachan: Did I? It is obviously essential, and I come back to the point that the function of the Secretariat at the NSC seems to be to bring together the inputs in relation to the potential output. How the different Government Departments create inputs—we have already touched on this, and you raised the issue of Foreign Office input—and how those things are put together seems to be an essential part of how this is done. There is also a recognition that if you are developing a strategy it is not simply a top-down process that says, "This is what we aspire to do." It is also something that reflects what your means are, so that your means are adapted to your ends. We don't seem to be very good at it.

Q18 Mr Hancock: But it also leads you to believe that you need to know when and how you are going to use your armed forces. It does not tell us that, does it?

Professor Strachan: No, it doesn't. That is also part of it. You can defend the silence on grounds of national security—on the grounds that if you are too specific about your scenarios, you offend those you do not wish to offend immediately, or you tie up resources in a conflict or crisis that may never occur. In that case, I think you have quoted back at me a phrase that I used. What I meant to convey by that goes to the heart of your point about global commitment—global aspiration—as opposed to thinking, maybe, regionally.

The structure of the alliances we are now pursuing is very interesting: the relationships with France and with the Scandinavian countries make entirely coherent regional sense, but we haven't articulated that as policy in quite those words. It seems in that respect that we are thinking about the "where" a bit more. We are thinking about which patch of the world we are in and which patch we are interested in. The "how" is in part the strategy question, which we have just been talking about. How do we have a concept in relation to the use of armed force that matches our capabilities and our realistic aspirations, as opposed to our unrealistic aspirations, in a credible way? I don't think we have got our heads round that one.

Chair: I want to move on.

Professor Strachan: Can I finish the last point? You asked about how, where and when. The other issue—timing—is also very ambiguous, for entirely understandable reasons, because we don't know whether this process is predicated above all on the immediate assumption of Afghanistan and current commitments, or beyond.

Q19 Mr Hancock: The classic example is what has happened recently. The documents talk about our commitment to fighting drugs and terrorism around the world, yet at the same time we are saying that we are taking the drug-busting ship out of the Caribbean, which has been one of the most effective vehicles that this nation has had to demonstrate its commitment to that. How do you square the circle on that?

Professor Clarke: The strategic answer to that is that you find other ways of fighting drugs and narcotics.

Q20 Mr Hancock: Once they have come here?

Professor Clarke: Maybe you could fight them through border policing or financial mechanisms and so on. There are usually alternatives to doing things the military way. I am not arguing that that is right or wrong. When you say as a matter of national strategy, "We want to fight narcotics and international crime around the world," that does not automatically mean that we have to do it through military means.

Q21 John Glen: I would like to ask Professor Clarke about something you said about the NSS, which was published. You said, "It is an honest attempt to think afresh about British security... The problem with it, as it presently exists, is that it is not really a strategy as such, but a methodology for a strategy. It does not

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make hard choices between real things—which is what strategists have to do”. Would you care to clarify what you meant by that? In particular, what hard choices do you think the NSC will have to make now and going forward?

Professor Clarke: One thing that was assumed in the NSS and not really tested was that because we are a globalised player, we have to play a global role in a fairly tangible way. But Japan is a globalised player, yet doesn’t play in the globalised way that we do. It answered the question differently.

Our relationship with the US is taken as a given, which may be a perfectly sensible thing to do. But our relationship with the US in the world has been predicated on our ability to project force as much as anything else. The SDSR seems to run the risk of having us fall below what I would call the threshold of strategic significance, whereby our forces can be perfectly global and well respected for what they do, but not large enough to make a strategically significant difference to the operations in which they become involved. We haven’t taken on those questions or questions of transformative forces.

If we want to keep as much alive as possible in our force structure, it must be able to transform itself. That probably means far fewer platforms and much greater investment in C4ISTAR and in personnel issues, training and exercising. You need the command and control at the top end and the skills of people at the bottom end to be able to adapt quickly—within a three or four-year time scale—to do something perhaps completely different. Those are the sort of questions that we probably face. A lot of answers were implicit in the NSS and the SDSR, but no one yet wants to spell them out, because they are very difficult questions.

Q22 John Glen: Given how central they are to the country’s security interest, and given that they are not things that should be put off—they are real decisions that are relevant today, given what is happening in US foreign policy—are you not surprised that they weren’t grasped more fully within the NSS this time round?

Professor Clarke: I have been hanging around the bazaars of Whitehall long enough not to be surprised that they haven’t been grasped fully. I think it is reasonable to assume that in the next few years, those questions will recur, and they’ll be coded in different ways; they will arise around different issues and there will be code words for them. I suspect that we will be discussing those sorts of questions continuously between now and probably 2020, as we react to the sort of changes in the world that we’re seeing. So no, I am not surprised, and we will have to face them and lots of others.

Q23 John Glen: Thank you. Could I turn to Professor Chalmers? What is your assessment of the creation of the first-ever National Security Risk Assessment? In the written evidence, you call for a 2012 update to that assessment, for it to apply methodologies to take account of longer-term risks. How would you recommend this to happen? It seems

to be one of the things where lots of variables happen. What would be your practical assessment of how that process would be implemented in a way that would be useful?

Professor Chalmers: At present, the risk assessment looks at a whole range of risks. People throw lots of things into the pot, have a discussion about it within government and assess the likelihood and the possible impact of those risks coming to fruition and the time scale in which they might come to fruition. What the Government has done quite bravely in the document is to identify four of those risks as being tier 1 or higher priority, and they say explicitly that that informs resource allocation in the SDSR.

My concern in the current strategic environment is that we are in an era where the level of risk is relatively low, but we have considerable uncertainty about where the world is going to be in years to come—uncertainty about what is going to happen in Libya tomorrow. Therefore, the Government are quite right to emphasise adaptability. There is a danger that if you don’t think in a clear way about the long-term risks, you end up prioritising the shorter-term risks, which is indeed what the NSS says it is doing. It is prioritising those tier 1 risks because, although they may not be the most serious risks, they are the ones we are facing right now. A methodology for doing that would think through and put on paper how we deal with risks that may not arise for a long time. It may mean dividing them into those that may not arise for a long time but then might arise very quickly; and those that are more likely to emerge over time. Some of the more serious long-term risks are ones that we will see coming, and we need to think about being able to keep up with those threats, rather than prepare for them right now. That is the sort of issue.

Q24 Ms Stuart: Which serious risks in the past 10 years have we seen coming and been prepared for? It occurred to me that this sounds very good, but which serious risks have we seen coming in the recent past?

Professor Clarke: Kosovo in 1999. The circumstances in which Kosovo occurred in 1999 were impossible to predict, but that Kosovo would be a crisis was predicted eight years before.

Professor Chalmers: Iraq. We had been dealing with Iraq since 1990.

Chair: We will come back to that in a second.

Q25 Ms Stuart: Professor Strachan, you have already in a sense started to answer the question. I wonder what the others have to contribute. The CDS told the Committee: “The National Security Strategy document is not a bad objective in terms of our ends, but I would say that the ways and means are an area of weakness.” If I understood you rightly, Professor Strachan, you agree with that, but you said certain kinds of actions, such as strategic co-operation with some countries, start to hint at how we could implement that. What would the other witnesses say to that, about matching ends with means? We are bad at the means.

Professor Chalmers: This was emphasised in the Green Paper before the SDSR, and in the SDSR.

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There was a very strong emphasis on partnership. The Anglo-French treaty is a significant political signal that partnership with others is going to be very important—and not only the partnership with the US. The statement in the Anglo-French treaty about the congruence of our strategic interests was important. One of the implications, which perhaps was not made explicit, is that in a world in which UK relative weight and European relative weight are declining, compared with emerging economies, partnership will be more important, if we want to be able to achieve our objectives.

James Blitz: I agree. In terms of strategic shrinkage and all that, if you look at this from the perspective of the US, the view is that we have done enough not to go down below the top tier of the UK and France. In other words, we have retained commitments to 2% of GDP on spending; to the deterrent; to special forces; and we have not reduced the lay-down in Afghanistan. At the same time, there is deep concern in the US. I think the US see the UK increasingly within the wider European perspective. As they look towards strategic challenges from China and pressures on their own defence spending in the US, their increasing concern is that Europe as a whole does not play its part.

The speech made at the Munich security conference by the NATO Secretary-General was important in that regard. He was not looking at the UK and what happened here; he was looking more widely at the fact that we have reduced as a whole in Europe to such a degree in terms of defence spending, that we have lost the equivalent of the size of the German defence budget in recent years. It is in that sense that I would answer your question.

Q26 Ms Stuart: I heard the speech. It is interesting that we are the only ones—other than the US—still sticking to the 2% target. All the others are falling below. If the only indication of direction of travel is greater partnership to provide the means to our ends, given that all our other partners, rather than stepping up to the plate are actually doing less, that is not a very credible long-term strategy, is it?

James Blitz: No. I think it is an increasingly important issue. If you look at the speech that was made by the NATO Secretary-General, one of the big questions after the Franco-British agreement in November last year is where we now go in terms of deepening those bilateral relations with other countries.

One of the key issues that is coming up now is what can be done with Germany. There is some speculation that the UK might try to develop bilateral relations with Germany in defence. We had at the Munich security conference the most high-level representation that we have had from the UK ever, I think. We had the Prime Minister, the Defence Secretary and the Foreign Secretary there, although the Prime Minister made a speech on multiculturalism; we didn't actually approach the bilateral relationship. One of the key questions to look for is where the UK-German relationship can go now. Some thinking is happening about that, and I think there is some interest in this country about what can be done between our two

countries on cyber, for instance. That is something worth looking for in terms of increasing ways and means to improve a strategic overview.

Ms Stuart: I think one of my colleagues will come back to that.

Q27 Sandra Osborne: Professor Clarke, the Chief of the Defence Staff also told the Committee that he had agreed with the Prime Minister and others "to start constructing a mechanism to deliver a grand strategy" looking at the world as it will be in 2030 or 2040, and that "this will take two or three years...and then we need to get on and do the actual planning." Do you think that is adequate? Do you agree with that, and do you think it will happen?

Professor Clarke: I very much agree with the fact that the Chief of the Defence Staff is taking that line, because I think he is living up to the promises of his predecessor, who said that we have got to be better at strategic thinking in this country. That is a matter not of trying to predict the future but of drawing sensible assumptions about the future. It goes back to what we were saying in the last answer in relation to, say, Kosovo or Iraq, that we should not be strategically surprised by many things that happen. We may be surprised by the contingencies which happen, and we are always surprised by the circumstances that may bring about a problem, but it should be no surprise to us, for instance, that societies with youth populations who are into social networking sites will create problems for autocratic Governments in the world, as they are doing at the moment. That doesn't lead us to be able to predict where these Twitter revolutions, if that's what they become, will arise next, but the strategic nature of the problem shouldn't be a surprise to us.

I think what the CDS is speaking about is a process whereby we co-ordinate much more clearly in the way we arrive at our assumptions, and then we create much greater clarity about what we are talking about. The problem is that the word "strategy" is used at all levels, and we use it as a common word. There is grand strategy, if you like, in the Churchillian sense of what sort of nation we want to be. Do we want to be a globalised nation? Do we want to be close to the United States? Do we want to be a big trading nation? Those are grand strategic questions. Below that, however, there is the question of policy, which is what the politicians and political leaders should present, and below that is the strategy that the machinery has got to devise to deliver policy. Below that is the operational level and the tactical level. Getting clarity even on those things is easier said than done, and that's something that would have to go on throughout Whitehall.

When the CDS said that this might take two to three years, I take it that he is referring to the issue of vocabulary and understanding what we are trying to do within Whitehall. I take it that he means we should then throw out this intellectual net 20 or 30 years ahead, not to predict what the world would look like but to make sensible assumptions about the trends that will allow us not to be strategically surprised, and therefore create a better framework in which we can

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react to the contingent things that will surprise us—the Kosovos and the Iraqs—in the way that they actually happen.

Chair: Madeleine, does that pretty much answer your question?

Q28 Mrs Moon: It does. I would just like to make the point that as the Select Committee on Defence we are taking particular delight, having got three academics and a journalist, at throwing your own words back at you, given that that happens to us all the time. We appreciate the way it's going.

Professor Clarke: I only wish we could remember saying those things.

Professor Strachan: Can I say this on grand strategy, and on the 2030 or 2040 issue, that not becoming a prisoner of your own prediction is a very important part of this process? There is a danger of reverse engineering, because of what you do. In CDS's defence—I am in danger of putting words in his mouth, which I have no intention of doing—we are surely talking about the process by which strategy is done and the way in which contingency is thought about, rather than about an attempt to pluck a number of highly questionable futuristic scenarios and to try to think through what our possible solutions would be. Grand strategy is essentially pragmatic. It responds to what is happening, as much as predicting in advance what is about to happen. It seems that in many ways we have assumed that the capacity to predict is necessarily the same as having a lot of what we have already spent this afternoon talking about—the mechanisms for dealing with current and imminent crises, being sensible about how we do those, and mechanisms within Government that enable us to do that. I'm not saying you don't try to predict or think through the future, but we need to realise that producing something that says what the world might look like in 2030 or 2040 is not quite the same as doing grand strategy.

Q29 Mr Donaldson: In forward planning, one of the key elements in both the security strategy and the SDSR has been conflict prevention. To what extent do you think that is translated into what is contained in the SDSR? I see very little of it. I know that DFID has had its budget ring-fenced, but where is the strategic approach to conflict prevention in either document?

Professor Strachan: There is greater emphasis in both documents on deterrence than there has been in perhaps the previous four or five years. I entirely accept that that is not the same thing as conflict prevention as understood by DFID or within the security community. Of course, one of the points about thinking through to 2030 and 2040 is imagining scenarios that might generate conflict that we might want to prevent. That is precisely where the shift comes from what you might see as MoD business to the wider areas of Government responsibility.

Part of the problem is that conflict prevention has the word "conflict" in front of it. That is something that the MoD has been trying to get its head round. For the MoD, that means deterrence. It can be anticipatory intervention, pre-emptive or preventive action—all the

things that have got us into rather a muddle over the past 10 years—but that doesn't seem to be quite where we want to be going.

I also think that there is an illusion that this sort of preventive thinking is in itself cost-effective. If it is done through military agency, the argument that deterrence, as it was carried out during the Cold War, was cost-effective—it may well have been cost-effective, and if we averted the third world war, it certainly was—is not quite the same as saying that it was cheap. We need to recognise that, if we are thinking about prevention in a more military sense than I suspect you are expecting me to address, we may be chasing a false target.

Professor Chalmers: Perhaps I could add to that. One good example of conflict prevention that has not involved large-scale forcible intervention, or indeed deterrence in the way that Professor Strachan is talking about, is what we have been doing in Darfur and Southern Sudan. One can be cautiously optimistic that we have moved the process forward in recent months. That has taken a significant investment of resources—some of them military, some UN peacekeeping and some economic assistance. A lot of work was done by the UK in building capacity of security forces in Southern Sudan, which also plays a role. Of course, there has been a conflict there. There are not many examples of conflict prevention in places that have never had a conflict, but it is certainly a lot cheaper than the alternative of large-scale armed intervention.

The heading of what I would call capacity building is absolutely critical in preventing internal conflicts. The reason why most civil wars happen in low-income countries is that they typically have much less Government capacity, or any sort of capacity, to prevent conflict. That doesn't happen in the same way in middle-income or high-income countries. So, building that capacity—which is partly about security capacity, but also about general governmental capacity—is important. The fact that more money is being spent on conflict prevention, a lot of which goes into security sector reform, is a welcome step in that direction. I hope that, as we transition out of Afghanistan, some of the things that our forces have learnt about developing effective and accountable security forces in Iraq and Afghanistan can be used elsewhere.

Professor Clarke: There aren't many examples of acknowledged successful conflict preventions in the world, but there are more than people think. Macedonia would be a good example of a militarily-led conflict prevention operation, which avoided a civil war in Macedonia. The Baltic states at the end of the Cold War would be an example of a potential series of inter-ethnic conflicts that was avoided by political means, so there are recent accepted examples. There ought to be more, but there are some—it is not a complete pipe dream.

On the other hand, the commitment to conflict prevention in the SDSR is potentially a huge change and a huge commitment. If we argued that through, it would suggest that we might use the armed forces much more in terms of the soft power that they can

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deliver; the armed forces are not only concerned with hard power. It suggests that we might use them in different ways and it also implies that we should think of conflict prevention in places that matter to us strategically—not necessarily where conflicts are at their nastiest, but in places that make a strategic difference to the United Kingdom, such as the Gulf or the Indian subcontinent.

Q30 Mr Hancock: Can I turn to where we go with shared capabilities, bilateral relations and how that is going to work? How do you see it working and were you rather surprised by the comment in the *FT* that suggested that we were reluctant to do a deal with Germany until we assessed what was happening about a deal with France?

Chair: Did you write that, Mr Blitz?

James Blitz: I can't remember.

Mr Hancock: So what's your view?

Professor Chalmers: For a country of the size of Britain or France, it is hard to go down a route where we will become significantly more dependent on others for front-line capability. We may have to in some instances, but it will be difficult. There is a lot of discussion about pooling capabilities and pools from which countries can draw. There is some potential there, but I am at the sceptical end of the spectrum for the UK getting a lot of extra military value out of pooling capabilities in a way that means we cannot use them nationally.

What we can do a lot more of—perhaps particularly in relation to France, but maybe, in time, to others as well—is get much more into the mindset of Europeans normally working together when there are threats that we face together and helping each other when one of us perhaps has a particular concern and the other helps them out on a reciprocal basis. That is where we can have a force multiplier for national efforts in those scenarios where the United States is less likely to be involved.

Q31 Mr Hancock: The last Secretary of State is a great believer in bilateral arrangements—he is a convert to the idea that this can best be done by bilateral arrangements—but if you look at the high north, for example, the Nordic countries are very concerned about the implications of energy extraction and of conflict arising there. It would be better if we were locked into a relationship with a group of countries—Norway, Sweden and Finland, for example. The Secretary of State seemed not to want to engage there and that cannot be right.

Professor Clarke: It may not be wrong in the sense that we are moving into an era of intensive bilateralism and trilateralism, so the alliance structures and organisational structures will still exist, but the dynamism within those institutional relationships will come from cross-cutting bilateral and trilateral initiatives. In that respect, he may be chiming in with the times, but that also allows any Secretary of State quite a lot of elbow room.

James Blitz: I agree with that. It is not just that the Secretary of State is committed to bilateralism as a way of bypassing a kind of federal European approach

to military co-operation. What is also happening is that multilateralism, especially on the procurement side, has got itself a bad name in the last few years. This is one of the reasons why you are seeing much more attention to this sort of bilateral process.

One of the big questions ahead is about the Germans, who are going through a defence reform, which is very much appreciated in the MoD. They are doing a lot on conscription and so on, and there is a good relationship between the Defence Secretary and his German counterpart, Karl Guttenberg. The question is whether Germany can now be moved towards thinking in those terms as well, because the Germans, as the third biggest defence player in Europe, are just not as keen on this kind of co-operation as the French and British have been. I think the Germans are still very much looking inwards. For example, they have been a bit stung, not only by some of the multilateral problems they've had on procurement, but they also haven't seen the Franco-German battle group being deployed in an effective way and that has put them off the idea. So there are a lot of hurdles to overcome on that if we are to have another big step towards bilateralism in the next few years.

Q32 Mr Brazier: Nevertheless, on Thursday we saw a very striking example of a small-scale collaboration. The Germans have a submarine more or less permanently lent to Plymouth, which plays a critical role in the training of our warships, for which we train theirs for free in exchange.

Chair: You nod, Professor Chalmers and Mr Blitz, so we will move on.

Q33 Mrs Moon: As well as being a member of the Defence Committee, I am a Member of the NATO Parliamentary Assembly, so I pick up concerns about our loss of capabilities and strategic influence. The SDSR has brought numerous losses of capability, and what particularly concerned me—on a permanent basis—was the loss of the Nimrod. For 10 years we will lose carrier strike capability. What is your assessment of the capability gaps, the methodologies used to make those decisions, and the risks associated with the decisions that have been made? Starter for 10.

Professor Clarke: For what it's worth, I don't think very much of the methodology used to arrive at some of those decisions, because we know that when it came to it, the process had to reach for those amounts of money that they could realistically control. A lot of the budget was simply beyond control. They had to find money to save, so the first requirement was to ask where you could save money, and the second was to ask what sort of capability gap this would open and whether we could live with it. That was driven by the financial situation we're in and the political timetable—that's the way it was. Is that disastrous? That depends on one's view, but for what it's worth my own take is that the national security risk is not particularly great between now and 2020. That's in a national security sense.

However, in a foreign policy sense the risk is quite great. We have interests that we will not be able to

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defend so well by military means, but I don't think our national security will be threatened in a significant way, to the extent that we will not be able to cope, in the next 10 years. It's a question of the sort of risks you are prepared to run in pursuit of balancing the books, prosperity, and maintaining our triple A rating as a country.

Professor Chalmers: I agree with that, and I'd add that this relates to what I said earlier about short-term and long-term risks. The decision was taken to prioritise Afghanistan—the short-term—and essentially ring-fence those capabilities associated with it. Given that on the one hand, and on the other the difficulty of cancelling things at short notice and the 8% reduction in the budget, the discussion of where capabilities could be cut inevitably focused on a subset of what the MoD is doing. There were choices to make within that subset, but it was relatively narrow to start with. Risks have been taken in relation to the long-term, but the view is that those are manageable over the next 10 years—we'll worry about where we go after that in 2015.

Q34 Bob Stewart: I am concerned about the Fleet Air Arm. I can't see how, with the gap, the Royal Navy will be able to maintain their expertise in flying off carriers until 2020 minimum. I know the answer is that we'll use the Americans or the French, but it seems to me that for that level of expertise it's not good enough, and frankly our pilots will go down. They used to be the best in the world in the first Gulf war—you could identify our aircraft because of the dust trails as they flew across the desert. In the second Gulf war they couldn't do that because they didn't have any training. Now where have we got to? What chances do you think we have of maintaining sufficient competence in the Fleet Air Arm?

James Blitz: It will depend a lot on having some kind of agreement between the Navy and the RAF on how you are going to maintain the training capability of your pilots in the Fleet Air Arm using RAF facilities. That is one of the issues that needs to be looked at very closely. As you say, you cannot just rely on the Americans and the French, although there will be some arrangements with the French—

Q35 Bob Stewart: That really worries me, when you talk about an agreement between the RAF and the Navy.

James Blitz: But that is what is involved.

Q36 Sandra Osborne: The Chief of the Defence Staff used the term "acceptable risk" as the criteria for the Nimrod decision. What is your understanding of "acceptable risk"?

Professor Clarke: As I mentioned before, my understanding is that the risk to our national security of the Nimrod decision is manageable because we are not likely to have to defend the Trident submarines as vigorously in the next 10 years as we used to in the Cold War and as we may have to in the next 40 years.

Q37 Chair: How do you know?

Professor Clarke: I said we are not likely to. It is an acceptable risk, looking forward from now to 2020, that the Trident submarines could be covered by other means—not as good, but they are an alternative. That risk is acceptable, but our inability to use the MRA4 capability for counter-piracy, deep-sea air sea rescue and some of the other things it might have done will undoubtedly have a profound policy cost.

Professor Strachan: Malcolm Chalmers has already made the point about the decision to prioritise Afghanistan. In all these issues we are looking at the consequence of that and the presumption that after Afghanistan there will be a recovery of these capabilities. I realise that is in itself a questionable assumption in relation to the economic position. Coming back to the question about the Fleet Air Arm, there is also the question of whether you will retain the capacity to regenerate the capabilities because of the loss of expertise, which is a personnel question.

What has struck me through this whole process, and particularly through the SDSR, is that the capability question has been addressed almost solely in terms of equipment, rather than of the motivation and retention of personnel. Shortly, you are going to a debate on the military covenant, which is related in part to these questions: 30% and rising of the defence budget is devoted to personnel issues. That is a core part of the capability, yet in the SDSR process—to go back to an issue we have already covered—that was not dealt with at the same time. It was seen as a follow-on issue and the implications are still being worked out.

So the real risk lies in the issues of not just whether this is an acceptable national security risk, and I would agree that it probably is, in the circumstances; whether there is a foreign policy cost, which there is; or whether there is a recoverable capability, which is an internal domestic question for the services; but whether they can hold on to the people, even if they get the money for the kit at some point in the future.

Q38 Sandra Osborne: On personnel, are the decisions that are being taken in relation to large numbers of redundancies and closure of bases, for example, being taken in a coherent fashion or is it just ad hoc?

Professor Strachan: It has not been ad hoc because the process has been going on for some time in the Ministry of Defence. It has not been wonderfully managed, given what has happened in the last couple of days. The unfortunate thing, going back to the SDSR process, is that the coherence of the relationship between what was happening in what we have defined as military capabilities and what that meant for personnel has not been thought through.

In part, this relates to the fact that the Government are running several lines of defence development, defence reform and defence change simultaneously, each with overlapping consequences, so the sequencing has not been sensible. "You wouldn't start from here," may be a classic answer to any problem in Government. You would not have the Defence Reform Unit proceeding after many of the cuts had been done. You would presumably have finished the DRU's work and then thought about how you would implement cuts in the

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light of the recommendations that followed. There are many examples of that. If you had had that degree of coherence, rather than doing everything simultaneously, we might have seen a more coherent personnel policy.

Part of the issue here is that, if you look at the structure of the Defence Board, which, of course, is one of the issues that the Defence Reform Unit is looking at, you see that what in many companies would be deemed to be a high priority—human resources and personnel-related issues—is not treated as a high priority in terms of representation.

Chair: That's very helpful, thank you. I have been told that we may have a slight reprieve until about 10 past 4 due to voting, but that doesn't mean that we can let up the pressure.

Q39 John Glen: Can I ask you all about the timing of the next iteration of the SDSR and the NSS? When should it be? Should it be away from the next—as far as we can tell—general election? In terms of the process, how should it work? It seems to me that one of the issues we have covered today is the interaction between the SDSR and the NSS, and how they come together. As we become aware of missing capabilities, what processes need to be implemented to make the dialogue and outcome of one affecting the other work optimally?

Professor Chalmers: I think that the next SDSR should be after the next general election, and should coincide with another NSS and another spending review. Politically, it would make no sense to have a major review before an election because it could be the subject of dispute between the parties in that election.

Q40 John Glen: Hasn't one of the assessments been that that is the problem this time? The proximity to the spending review has meant that the spending review has driven the SDSR, rather than everything being done dispassionately away from it.

Professor Chalmers: The nature of strategy is deciding on your objectives and what you want within the resources available. There has to be an iterative process between them. My view on this process is that if we had delayed the SDSR until after the spending review was complete, the budgetary settlement for defence in particular would probably have been significantly worse. What happened—this is particularly true with a new Government coming in—was the fact that the two processes were in parallel meant that senior Ministers had to grapple with all the issues of what more severe cuts would have meant for the armed forces. That resulted in a budgetary settlement for defence that was more generous compared with other Departments than many of us would have anticipated. Therefore, no, I think that they should coincide. You will remember that the first NSS back in 2008 was not related to a spending review cycle, and it was a very worthy piece of paper, but how far it really had purchase on Government priorities, because it wasn't linked to spending reviews, is open to question.

The other issue I would raise is the importance of the annual process that we are going through now—the planning round. Some of the most difficult decisions in defence will be taken over the next couple of months, filling in details from the SDSR. One thing that we have learnt, very painfully, is the cost of delaying decisions on defence until the very last minute—scrapping weapons we have just acquired, such as Nimrod and so on. It is really quite criminal in many respects. If we want to avoid that in future, I think we must have an annual process, so that when we get to 2015, we're not faced with another £30 billion overhang because we have kept it under control each year. That means an annual review of budgetary discipline—ensuring that it is maintained every year—but it also means that if things change in the geopolitical or technological environment, we do not wait until 2015 to make appropriate adjustments, but make them as we go along. Revolutionary changes are happening right now in the Middle East, and if they lead to changes that affect our strategic interests, then, of course, we should change in 2012 or 2013, not wait until 2015.

Professor Clarke: I also think that we are almost committed to a rolling process of review, as a result of the SDSR, which left so many things unspecified and unsettled. There are processes that are ongoing in the Defence Reform Unit, reviewing stabilisation operations in the defence industrial strategy, and all that creates an imperative to keep on going. As Professor Chalmers says, in effect, we're in the middle of a continuing process. Perhaps there will be a natural tidying up in 2013 or 2014, which will look like a review. That would be rather like the 1990s, when nobody dared to talk about a defence review, but there were actually three or four rolling reviews as people got used to the implications of the end of the Cold War. In effect, we are out of the cycle now where we have a review only when we absolutely can't avoid it, and this is a process of continued rethinking.

Professor Strachan: Can I make two quick observations? First, there is a presumption that the NSS and the SDSR should be virtually coincident, if you were to do it in 2015. We've just been hearing about the pitfalls of making them virtually coincident, and about the argument for space between the two so that there is time for debate and reflection. I would have thought that was a "lesson learned"—that, ideally, they shouldn't be coincident; they should be separated.

Secondly, 2015 may be an election year, five years on from this defence review. Therefore, when, putatively, we are due for another defence review—but recognising that it is already in process, because of what we have already heard—the other issue to throw in will be the withdrawal from Afghanistan. That will be a moment for review and reflection and it will raise fundamental questions, which we have hedged so far, to do with the balance of capabilities. There is the very vexed and much debated question: is Afghanistan in any sense a model for application elsewhere, or is it something that needs to be avoided at all costs next time round? Or, is it a model for a balanced capability

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because of the need to retain flexibility and to think long-term, as we don't know where the threat is coming from? In 2015, such issues will be clearer and starker, perhaps—or perhaps not—than they are now, so, I think that there are external pressures that make it important.

James Blitz: The general election in the UK is a movable feast, at the end of the day. It could come at any time. I don't think that we can afford to go back to a situation such as the one where there was no review between 1998 and 2010. It is essential to fix the review in 2015. I also think that 2015, as Professor Strachan was indicating, will be a good time to have one. You will have had the 2014 CSR, so you will have a financial perspective, which can inform strategic decisions. It will come before the 2016 Main Gate decision on Trident, so you will be able to lock it into that process, too. It is also at the end of the Afghanistan engagement, so, in that sense, it seems a good moment for a review. I don't see why we would want to move away from that idea.

Chair: We have lots of questions still to ask.

Q41 Mrs Moon: There seem to be lots of figures thrown around about what the deficit is in the Ministry of Defence. There was £35 billion from the National Audit Office and £38 billion from Dr Fox. The Committee took evidence from a group of experts who said that the deficit was £1 billion or £2 billion, and the difference was between money that had been committed to be spent and aspirational spend. One of the witnesses said, "Well, aspirationally, I am several hundred thousand pounds overspent because I would love a Maserati. I haven't actually ordered one, and that's the big difference." What actually is the overspend? What is your assessment of the black hole? How big is it in terms of concrete commitments, as opposed to aspirational commitments—not just, "These are the toys the boys would like to have."? What's your estimate of the level of the gap and the reasons for it?

Professor Chalmers: That's a straightforward question, isn't it?

Mrs Moon: I always like to be.

Q42 Chair: What's the gap and why?

Professor Chalmers: Right, that's where we are. I think the key thing here is that it really does depend on the assumptions you are making which, indeed, your question makes very clear. Even in a space of a few months, if the oil price goes up by \$30 or \$40 a barrel and everything else is left unchanged in your assumptions then you will probably have several billion pounds extra in your gap over the next 10 years.

My plea would be that we need a lot more transparency on the assumptions being made in these numbers if we are to understand what they mean. The Government, when they came in last year, ordered a fresh look at our forward commitments and introduced what they felt to be more realistic assumptions in that forum. They came up with this £38 billion figure. It will be interesting to see what the figure is today, after a defence review, on the same assumptions.

Clearly, the assumptions will change, as we have more information, so my assessment—I have published this—is that if you take the same assumptions that underlay the £38 billion then we probably reduce that overhang over the next decade to something of the order of £15 billion. But, of course, some of those assumptions might change—service pay or equipment costs might rise less rapidly than we anticipated—so it does depend on that.

James Blitz: There is no question but there is a gap. There are two issues, in terms of financial pressures, that need to be looked at. I think you are aware of them, because you were asking the Permanent Under-Secretary about them last week.

First of all, there is a gap that exists in terms of the discrepancy between now and 2014–15, and there is an assumption that there is a further gap. As you know, the front-line decisions on SDSR accounted for around half of the money that needs to be taken out in 2014–15, and then there is an assumption that the next wave of announcements on personnel cuts and so on will help meet that gap. Even when all that is taken into account, there is a gap of about £1 billion to £2 billion in 2014–15. That is a very real issue, which is occupying the minds of people in the Department.

There is a second issue, which is that, as you know, defence will need a real-terms increase after 2015 if it is to meet the projections which are set out in SDSR for 2020—that is a separate issue which one could discuss. But the first issue clearly needs to be focused on at the moment. I think there are different voices within the Department saying different things about how this gap is going to be met.

On the one hand, there are people saying that the gap is sufficiently big—and growing—that it will require a revisiting of SDSR and front-line commitments. Some people talk about the need perhaps to come down in frigate numbers, while others say that is not true, or to revisit Army numbers and so on. Other people say, however, that they are hoping that the Defence Reform Unit process, which is now under way, will create enough head room to meet that gap, when it comes out in June or July.

My own view is that, although that is being said quite strongly and there is discussion about the possibility of reducing headquarters numbers in the Army, shall we say, I simply don't see how that will yield the kinds of hundreds of millions of pounds needed to fill that gap. That, if you like, is the area of debate at the moment. It is a question of whether you will end up having to revisit the front line, doing things on operations or, though I don't think it is a route we can go down, going back to the Treasury and asking for a lighter settlement. I don't think that that will happen because there is a perception that defence did reasonably well compared with other Departments. Then there is the question of whether the Defence Reform Unit process will yield enough to fill the headroom.

Chair: We have about six more minutes and about three more questions.

Bob Stewart: James Blitz has just answered my question.

Chair: Okay, then we have fewer questions.

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Q43 Mr Brazier: Could I ask, especially Professor Chalmers and Mr Blitz, about the Prime Minister's statement? This Committee clearly has a long history of defending defence spending against the Treasury and a variety of other forces, but do you think that it will be very challenging to deliver on the Prime Minister's aspiration of real-terms increases in the defence budget from 2015? After all, that is the point at which the engagement in Afghanistan—at least, the sharp-end engagement—will cease.

Professor Chalmers: The first point that I would make in relation to that commitment, which was made in the SDSR debate by the Prime Minister, is that it is very close to the wording the Government used for the national health service. The Government are committed to real-terms, year-on-year increases for the NHS which, in practice, in the spending review, is translated into real growth of about 0.2% per annum. So I think that we can take from the Prime Minister's commitment a clear statement that there will not be a real-terms reduction after 2014, but I don't think we can read anything from it about how big the real-terms growth that he is committing to is. For the MoD to be able to afford its current plans up to 2020 would, as far as I understand it, require real-terms growth after 2014 of the order of 2% per annum. I think it will be pretty difficult to reach that level of real-terms growth, but it depends on the broader geopolitical climate and on the country's economic prospects.

James Blitz: With respect, I don't see the Prime Minister's commitment with the statement on the SDSR as a bankable commitment in any way. With respect, it is, first of all, completely dependent on the Prime Minister being there in 2015, which may or may not be the case. It is also completely dependent on the economic environment. We may well be in a more benign economic environment, but we may well not be. As Professor Chalmers has said, a real-terms increase of 1% or 2% of GDP would, historically—going back to the early 1980s—be very considerable for Defence.

The question that I think arises, given this uncertainty, is how will Defence be able to press ahead with programming in the next year or two? That is the concern of the chiefs, because what they are saying is, "We have to know where we're going to be in 2016–17". My own view is that they are just going to have to muddle through, because I cannot imagine a situation in which the Treasury will turn around and say to Defence, "We will guarantee you a number and not do that for any other Government Department."

I also think that there is a feeling around Whitehall that, while they understand this issue, Defence has to now get on with proving, in the first instance, that it can manage the reform process and get a handle on the equipment programme. I think that a lot of that is happening, but it needs to be proved. Until that happens, I don't think anybody within the Whitehall framework is really going to debate or discuss this issue.

Professor Clarke: In the 10 years after the SDR in 1998, defence expenditure rose in real terms by an average of about 1% a year, which was inadequate to

deliver the programme. We are now talking about twice that amount after 2015.

Q44 Chair: A sobering thought. The supplementary, which Mr Blitz has already hinted at, is, which programmes do the panel think are most at risk?

James Blitz: I bow to Professor Chalmers on this, because he has done a lot more work on it than me, but if you do not see a real-terms increase from 2015, I think that the single operational carrier decision will have to be defended in the 2015 SDSR. I think that that is a possibility. It would be a huge sunk cost, but there would also be the significant cost of having JSF on board. That is the claim of issue that may still be live if absolutely nothing happens in terms of real-terms increases.

Q45 Chair: Professor Chalmers, is that right?

Professor Chalmers: I think that's right. If you look at what the Government have said on the carrier, you will see that it is very lukewarm support in terms of the strategic case for the next decade. There is an assumption that the case for the carrier will be stronger after 2020, but not much explanation of why they think that that is the case. Things may look rather different in 2015. So yes, I think that is very much open for discussion, so it will be on the table in 2015. The other issue is Army personnel numbers. Because of the focus on Afghanistan, the Army has got off relatively lightly in terms of resource allocation in this review. If, at some stage over the next few years, we get out of Afghanistan—and provided that we do not take on a similar sort of stabilisation operation—I think there will be a lot of pressure to reduce Army numbers quite considerably in order to make a contribution to balancing the books. If that doesn't occur, we will have a very land-centric force structure, which it would be hard to make compatible with the commitment to an adaptable force posture.

Professor Strachan: Can I add a rider to that? The thing that seems to me most undeliverable by 2020, if this uplift doesn't happen, is the commitment to bring the Army back from Germany, because the accommodation simply won't be there to enable it to return. That in itself has knock-on effects on some of the issues that I raised earlier in relation to personnel retention and so on, because many of the issues that surround the military covenant are above all issues of stability versus mobility. The notion that there is a target out there of 2020 as a date by which the forces will be predominantly back home, unless they're deployed on unaccompanied service overseas, is central to many of the other things that are happening or that might happen in relation to allowances and so on. So although this is not a big-ticket item in the way the carrier is, or as politically loaded in some ways as the carrier is, actually it has significant long-term effects.

Chair: What's your final question, Vice-Chairman?

Q46 Mr Havard: It's not the least question, but it is the last question. It's about the reformation of the civil part of the Ministry of Defence. Essentially, it's a question that ends up by asking you what the risks are

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in this. It has split it into three pillars; we've had that description. We've had a written statement today, in terms of the estates division there is a plan being announced to save 2,500 jobs by 2014 through rationalisation, saving £1.2 billion over the first four years. There is a question about whether this reform can provide for other things. An implementation plan was described in September after a report in July—all to end up, again, in 2014. Are we going to prepare the Ministry of Defence and reform it in response to where we are or have been in the past, or is it going to be for the future? What are the risks?

Professor Strachan: Sorry, but may I go first on this? It relates to the point I've just been making in relation to uniformed personnel in the armed forces. The presumption in much of the rhetoric is that the cut will take place in Main Building, when in reality most of the cuts will take place outside Main Building. The people who will be going will be the people who are doing the jobs that, say, 20 years ago were being done by people in uniform. How you're going to support your armed forces in bases round the UK—let alone outside the UK—seems to me very unclear if this is implemented.

James Blitz: That's the point I was going to make. That is one of the key questions that arise. You're getting rid of 25,000 civilian staff and roughly 17,000 service personnel, and the net effect of that is that you're going to end up having service personnel who are generally better paid than your civilian staff doing the jobs that were done by the civilians. So one of the key questions that arise is whether actually it is a cost-effective reform programme when viewed in the round.

Q47 Chair: You saw the Permanent Under-Secretary's answer to that question last week. She said she was in the business of saving money and wouldn't

do it if it resulted in more military staff doing these things more expensively. Did you believe her?

James Blitz: Difficult to know. I think Professor Chalmers probably has a view.

Professor Chalmers: The final bit of that jigsaw I would add is that, in so far as you reduce the number of civilians by contracting out, the saving is much less than if you take the task out altogether and therefore the contribution to resolving the budget problem is less.

Professor Clarke: The challenge that all this poses for the Ministry of Defence ultimately is that it has to be a Department of State and a strategic military headquarters. I think there is general agreement in the MoD that it has not been a particularly effective strategic military headquarters during Iraq and Afghanistan, so there is some opportunity here, but it will require much more radical rethinking than the SDSR has indicated to date.

Q48 Mr Havard: But in terms of the indications about looking at things from the point of view of acquisition and procurement, which has been the big debate so far, and the lack of an industrial strategy as yet—apparently, there will be one sometime this spring, whatever the spring is—is that not an important risk?

Professor Clarke: That is a very important part of a wholesale restructuring of the defence business. We'll have to see how it works out. It's a neat trick if you can do it.

Chair: Thank you very much indeed. We've packed an enormous amount into this evidence session. I would like to thank all of you for giving such comprehensive, interesting and helpful answers to our questions. I would also like to thank the Committee, particularly those members who refrained from asking questions that had already been answered so well.

Wednesday 9 March 2011

Members present:

Mr James Arbuthnot (Chair)

Mr Julian Brazier
Thomas Docherty
Mr Jeffrey M. Donaldson
John Glen
Mr Dai Havard

Mrs Madeleine Moon
Penny Mordaunt
Sandra Osborne
Bob Stewart
Ms Gisela Stuart

Examination of Witnesses

Witnesses: **Rt Hon Liam Fox MP**, Secretary of State for Defence, **Rt Hon William Hague MP**, Secretary of State for Foreign and Commonwealth Affairs, **Rt Hon Andrew Mitchell MP**, Secretary of State for International Development, and **Rt Hon Oliver Letwin MP**, Minister of State, Cabinet Office, gave evidence.

Q49 Chair: Welcome, Gentlemen, to this evidence session on the Strategic Defence and Security Review and the National Security Strategy. The first thing I need to do is to reduce expectations. This is intended to be a pretty high-level examination of the Defence Review and of the National Security Strategy, working out precisely how the processes were established and what the logic is behind prioritising different threats—things like that. How did this process feed through into the various capabilities that we have now or will have? What we do when stuff happens, as it seems to be happening now? How does the process feed back into that and if the Strategic Defence and Security Review was strategic, how do you keep that strategic oversight plugged into any reforms to the Defence Review that might come through as a result of stuff happening? That is the general idea. We won't be going into things like why the carriers were kept, why the Harriers were not kept.

Mr Hague: I am sorry. The Defence Secretary has all the wrong briefing.

Q50 Chair: We will at least have Dr Fox back. That brings me to something else. Because there are so many Secretaries of State here, we will refer to you as Mr Hague, Mr Mitchell, Dr Fox and Mr Letwin if we may, rather than Secretary of State because then we would get confused. I don't think you need to introduce yourselves because, as Ministers, you are well known.

The National Security Council, Mr Letwin, has been broadly welcomed. What is its status; what authority does it have; and how is it working? I will give you a few moments to think about that. We have a huge number of questions and a large number of witnesses. We will try to be as tight as we can in asking our questions. Each of you does not have to answer all of the questions. In fact, I would be most upset if you did. Please try to keep your answers as tight as possible.

Mr Letwin: Thank you, Chairman. I can certainly be brief about that question. The formal status of the National Security Council is straightforward: it is a Committee of the Cabinet and sits alongside other such Committees. Its authority derives, therefore, from the Cabinet, and, exactly as with any other Committee, its decisions are ultimately subject to being ratified by the Cabinet.

The reason for its existence is to bring together all of the Departments that have a part to play in forming decisions of great importance in the area of security. That means not only those that deal with things abroad, but also those that deal with things domestically, and not only those that are defence-related, but also those that are not directly defence-related. It enables that collection of Ministers to hear repeatedly from the experts—the agency heads, the relevant ambassador or head of the Foreign Office, the Chief of the Defence Staff and so forth—in a continuing conversation. If you are asking for an opinion, mine is that it has fulfilled that role, and continues to do so, really rather well. It has enabled us to have a discussion that is not limited by the traditional boundaries between domestic and overseas or between one Department and another. It has created a continuing conversation.

Q51 Chair: How were its structures and support mechanisms decided upon?

Mr Letwin: The fundamental idea dates back to Pauline Neville-Jones' report for the Conservative party in opposition, where we asked Pauline and Tom King to examine the question of how to bring national security together into a single whole. She and Tom did exactly that work, and one of their recommendations was a national security council, which was roughly structured as ours is, and inevitably, when we came to form the coalition, that had to be discussed. Danny Alexander and I had discussions about the structure of all of the Cabinet Committees in the day or two just after the Government came into existence. That was then discussed by the Prime Minister, the Deputy Prime Minister, the Foreign Secretary and the other Ministers here and decided on within two or three days of the formation of the Government.

Q52 Chair: Thank you. Dr Fox, what is the role of the Chief of Defence Staff? How does he contribute to the National Security Council? How do the other Chiefs of Staff contribute to it?

Dr Fox: First, Ministers, who are not members of the NSC, are invited to attend for discussions that directly impact on them. That is the ministerial side. Secondly, in terms of the senior officials, the CDS attends the Committee every week. When he is not there, he is

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represented by his Deputy the VCDS. Were there to be a specific reason to include one of the single-Service chiefs, they might also be invited to attend. It is needless to say, however, that discussions take place prior to the NSC in my office with whatever officials or military personnel are required. As well as the CDS, the chairman of the Joint Intelligence Committee and the agency heads also attend to ensure that full and up-to-date advice is available to the Ministers on the NSC.

Q53 Chair: And the other Chiefs of Staff? Do they feel cut out?

Dr Fox: As people say, you would have to ask them, but I doubt that very much, because we discuss, at regular NSC pre-briefs in my office, issues that are coming up. If I feel that I would be better informed by having them present, I would do so.

Q54 Chair: Right, okay. The Treasury sits on the NSC. What is its relative power?

Mr Letwin: Well, the Treasury is represented in two people; both the Chancellor and the Chief Secretary sit on the NSC. They contribute wide-rangingly as Ministers to the collective discussion. In addition, they evidently have Treasury concerns. One purpose of having them there is to ensure that the discussions that ensue are realistic in terms of what can be afforded. Clearly, since the spending review and the associated Defence Review, most of the decisions about what can be afforded and what money will be spent on are there for everybody to see. Nevertheless, from time to time issues arise and there have been discussions—which I think I probably should not go into in detail—about specific issues, where specific Secretaries of State, either those who are members or those that Liam mentioned who come for a specific purpose, have made a request to consider something that might need to be done, where spending money might be involved.

Q55 Chair: Yes, okay. Overseas and homeland issues: how do you balance those within the NSC? I don't mind who answers. Mr Hague, would you like to start?

Mr Hague: We discuss them all. They're balanced because they're all there. I would say that the majority of discussions in the NSC during the first 10 months of this Administration have been on overseas matters, if we added it up statistically. As you can imagine, issues surrounding Afghanistan are a major preoccupation for the NSC. In fact, we discuss Afghanistan on a very regular basis. We even had on one occasion an all-day meeting. That does tend to ensure that overseas issues predominate in a statistical sense. The agenda covers both areas; it is planned well ahead and is able to cover home and overseas issues. I would point out one thing that is connected to the role of the Treasury in the NSC, is that the NSC more than most Cabinet Committees in my experience works in a fairly non-departmental way from the point of view of Ministers and others giving their opinions, including the CDS and the heads of the intelligence agencies. Of course, we have our departmental briefs, but we have vigorous discussions that cross all those

boundaries in the NSC, which is exactly what it was intended to produce. That comes from Treasury Ministers as well, not necessarily just on strict Treasury matters. On all of these issues, the strict boundaries between them are not observed as strictly as may often be the case in Government.

Q56 Chair: Okay. Can you please give us one example of a non-overseas issue that has been discussed in the NSC?

Mr Hague: We discuss counter-terrorism strategy in the NSC. That would be top of the list. International terrorism is one of the top four, tier 1 threats identified in the National Security Strategy.

Dr Fox: The balance between whether we are looking primarily at domestic or international issues is driven, obviously, by external events, but also the intelligence that we get from the heads of agency. For example, we might look at—depending on the information we are given—whether military assets might be moved into counter-terrorist space or operational space or training, depending on the balance between the intelligence we get for the relative requirements of them. It's one of the areas where having everybody sitting round the table with the heads of agency able to give live feeds to all Ministers simultaneously enables us, and has enabled us, to make decisions about the prepositioning of assets—where we think they might be best required—rather than wait to react to events. That's a real example.

Mr Letwin: I wonder whether it might be possible to amplify one thing that William said. As he mentioned, we have, of course, spoken frequently about counter-terrorism, and Liam mentioned that that sometimes involved defence questions. It has also stretched to questions of inter-communal relations—the Prevent strategy—and the connections between those quite complex domestic issues and international issues about countries where understanding the relationship between parts of the British population and the population of those countries matters. It is the ability to span that whole range in one discussion that we find immensely useful as a characteristic of the NSC. It would be very difficult to imagine having those discussions in any other forum.

Mr Hague: Threats in cyberspace is another issue. It is international and domestic, and has been on the agenda of the NSC.

Q57 Chair: My final question is, are there any thoughts of a Cabinet Minister for national security? Would that add to or detract from this process, or is it all beyond your pay grades?

Mr Hague: Maybe it is beyond our pay grades, but it is something that we have discussed in the past. I discussed it with the Prime Minister, particularly before we came to power. We take the view that a Minister for Security in the Home Office is the right way to have a Security Minister, which is what we have, and that Minister is a member of the NSC. To operate satisfactorily, Ministers with responsibilities in these areas need the presence in a Department and the leverage and weight in Whitehall that comes from membership.

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Dr Fox: We are not in favour of a bigger Cabinet.

Q58 Mr Havard: So the NSC is a strategic body that discusses or informs the discussion elsewhere. It is not a war Cabinet in the sense that it takes executive decisions. I am interested in the decision-making process. Is it simply an advisory body or do you all sit there and say, "Yes, this is a good idea, and by the way the Treasury agree, so this is what we will now do"? That then becomes a set of actions that are put into train in all the other Departments. Where does that leave the rest of the Cabinet in the decision-making process and, more importantly, in actioning any activity that you decide upon and the money flows that go with it?

Mr Hague: Shall I have a go at that to begin? It is an executive body in practice, although, as Oliver explained, it is a Committee of the Cabinet, so its accountability is through Cabinet and its decisions are reported to Cabinet. However, it takes many more decisions and discusses many more issues than the Cabinet would then go over in detail. The Cabinet also discusses security issues and international issues of defence and diplomacy, but not in the same detail as the NSC, which meets at least once a week to go through a range of subjects. It is the effective decision-making body on a vast range of the Government's decisions surrounding these issues. That is why it works, so far.

We all know that having structures of government is one thing, but how you use them is another. You can set up as many structures as you like, but if you don't use them as the centre of decision-making, Whitehall does not respond to them and decisions start to be made elsewhere instead. The reason why the NSC is working in this Administration is that the majority of decisions appropriate to a national security council are made in it. Therefore, Departments have to prepare their papers and their Ministers to make those decisions. It is not just an advisory body. It is the centre of our national security discussions and decisions.

Q59 Mr Havard: And Ministers are, therefore, bound by those decisions. Decisions are actioned, and that is agreed by the Treasury. You sit there agreeing them.

Mr Hague: It is agreed by the Treasury?

Q60 Mr Havard: Presumably, if it is part of the process. If a decision might disturb some elaborate plans on finance, the Treasury will nevertheless agree, so you can do it?

Mr Hague: Well, no doubt it would need to be something that changed the financial plans of Government, so it would need to be discussed in the Cabinet as well. It would be of sufficient importance that it would need to be discussed there as well. Decisions do flow out from the NSC, including into the agencies.

You asked how other Ministers are then consulted, and you have to remember that, as has already been mentioned, when the Departments of other Ministers are relevant to the decisions, as Liam has said, they're

there in the NSC. The intelligence agencies are there and the Chief of the Defence Staff is there.

Another of its advantages, although we mustn't digress too much, is that people such as the heads of the intelligence agencies come into much more contact with members of the Government other than the Foreign, Defence and Home Secretaries than they would have done under any previous arrangement.

Mr Letwin: May I add one other important point, which we have not dwelt on yet, in answer to your question? Members of both sides of the coalition are present. The Deputy Prime Minister, very importantly, is there. So, too, are other senior Liberal Democrat Ministers. Therefore it is not just that it is formally a very important Cabinet Committee; it is also that, practically speaking, it constitutes a coalition discussion. That is a very important feature of it.

Mr Havard: I wouldn't want to advise you, but if you are going to have an incorporation process, I would incorporate them in it.

Q61 Chair: The Vice-Chairman has reminded me of the issue of a war Cabinet. What has happened to that?

Mr Hague: The NSC is the centre of decision making about, for instance, the conflict in Afghanistan. It takes those decisions on a regular basis.

Q62 Chair: Wasn't there a thought that the Opposition should be invited to take part in the war Cabinet?

Mr Hague: The Opposition have been invited to meetings of the NSC and have attended on at least one occasion.

Mr Mitchell: Harriet Harman, when she was leader of the Labour party, attended one in the early summer.

Q63 Chair: Is that formalised in any invitation structure, or is it just as and when the Prime Minister thinks it appropriate?

Mr Letwin: It is as the Prime Minister decides from time to time, but he made it clear on that occasion that he would continue to invite the then acting, now actual, Leader of the Opposition if there was a particular issue on which he thought there was likely to be a huge national advantage in doing so.

Chair: Right. Well, I'm sure we'll come on to other opportunities for invitations to the Opposition.

Q64 Thomas Docherty: One question from me on the creation of the national security adviser, the new role that Sir Peter Ricketts has. What effect has that had on the articulation of a National Security Strategy?

Mr Letwin: I am happy to begin, but William and Liam may want to say more.

Sir Peter Ricketts is a crucial component of the whole NSC apparatus. He and his team draw together material from a wide range of Whitehall sources and try to ensure that the agenda, the papers and so on are in good order and that the Council is considering the things it needs to consider. He is very closely linked—others may wish to speak about this—to senior Ministers present here and to the Prime Minister and Deputy Prime Minister. So it becomes possible to

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have a committee served not simply by one Department or another, but effectively by its own secretariat, which is what Sir Peter Ricketts is in charge of.

Mr Hague: To add to that, we appointed the national security adviser on the first day of the new Government. We thought that was essential to start building this up and we thought a good deal about it before the election and, indeed, about who could do it. One of the ways, in addition to what Oliver has explained, in which the existence of this post improves the articulation, as you say, of the National Security Strategy is that for other countries the national security adviser is an excellent point of reference and contact. For systems such as the US system of government, which has a national security adviser to the President, and the French system of government, which has a specific adviser to the President on foreign and security policy, it provides a ready counterpart at a very senior official level.

Q65 Bob Stewart: Dr Fox, how has the NSC improved security thinking and crisis management?

Dr Fox: It gives us an opportunity to have wider contact to get information from across the intelligence services in real time. As we have gone through what has been happening in North Africa and the Middle East, it has enabled us to get a constant feed of information, to cross-reference pretty widely and to have a breadth that perhaps would not be available in any one Department.

Going back to the point about Peter Ricketts and a single point of contact, it is extremely useful for us all to have a point of reference—somebody we can talk to and commission work from if we require it. If we know, for example, that a specific issue is arising, we can say, “Can you go out to the range of agencies and get us reports and work brought in?” That has been very helpful. It also avoids duplication or triplication in Government, which can be expensive and time-wasting.

Q66 Bob Stewart: This is my second and last question, Mr Letwin. Are you looking at how crisis management is done within the NSC or within Whitehall and thinking of ways to improve or change it?

Mr Letwin: The NSC was originally conceived as what its name implies—a security council. Its first and overriding task is strategic, not operational. It is not COBR, and it is important to hold that distinction between the large-scale decisions that fall to be made, which need constantly to bear in mind the widest possible set of considerations and the enormously important but separate issue of how to manage a particular situation.

Q67 Bob Stewart: So NSC is strategic and COBR is tactical in those terms?

Mr Letwin: That is roughly how I would describe it. I don’t know whether colleagues agree.

Q68 Chair: I am conscious of the fact that a large number of people in the room are standing. There is

one seat over there. If someone would like to remove the seat from next to Mr Mitchell, who won’t be needing it, to the back, please feel free to sit down on it. If anyone wants that seat, feel free.

Dr Fox: On the last question, it is also worth pointing out that, as well as the NSC itself, there are also the NSC officials, who meet on a weekly basis at Permanent Secretary level, and they will often take forward work that the NSC has asked for, or may indeed prepare work for the next NSC, so they complement the work of Ministers.

Q69 Bob Stewart: COBR officials slot into that too, do they not? Do they come in on those meetings occasionally?

Dr Fox: I couldn’t—

Mr Hague: They will overlap. Some of them will be the same officials.

Q70 John Glen: I would like to turn to some comments from the Chief of the Defence Staff, which he made to the Committee in November around the construction of strategy. He said that it had been agreed “to start constructing a mechanism to deliver a grand strategy”, looking at the world as it might be in 2030 and 2040. I would like to know the Ministers’ reaction as to how realistic that is. Perhaps we can start with Mr Letwin. How do you describe a grand strategy? What do you think that is meant to achieve and how is it being taken forward?

Mr Letwin: I think I would refer you in the first place to the National Security Strategy. That sounds like a good place to be starting if you are talking about our strategy. The overwhelming point is that we made a decision, after a lot of discussion, to adopt what we called an adaptable position. We came to the view that we were not likely to be omniscient; things would happen that we had not expected. The events of the past few weeks rather bear out that line of reasoning. Therefore, the whole structure of what was decided, which other colleagues may want to go into in more detail, started from the proposition, “We don’t know what will happen, so let’s try to be able to respond to a whole series of different possibilities.” The thinking about how things might look five, 10, 20, 30 or 40 years out is a useful exercise to engage in continuously, but we are not doing it in the spirit of imagining—we will arrive at answers that enable us to plump definitely for one thing rather than another. We will constantly try to maintain an adaptable position that allows us to respond to events as they unfold. That is quite an important position.

Q71 John Glen: To be clear, it doesn’t have a practical value in the short term at all? It just provides a platform for an evolving narrative that might assist in decisions some time in the future?

Mr Letwin: Let me mention some respects in which it might. We don’t have the Energy Secretary here, although he is of course a member of the National Security Council and you might want to interview him about this. I think if he were here he would say that some of the decisions we make about our energy security—certainly a considerable thing not only in its

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economic impact, but in its general security impact, which is something Liam has spoken about a great deal and we have discussed quite frequently in the National Security Council, and which clearly is highly relevant at the moment—relate, for example, to the building of nuclear power stations. Clearly, that is a decision that is not very adaptable once you have made it, because you have the thing around for a long time to come.

It helps to understand whether it's likely that we are going to face energy shortages 20, 30 or 40 years from now, or whether we might be prey to people we might not want to be prey to if we do not have enough of our own home-made energy. It might help you to make specific decisions in that sort of field. What we are not trying to do is lock ourselves into designing the whole of everything in such a way that it is based exclusively on the assumption that we know the future will be thus and so, because we know that we don't know exactly how the future will be.

Mr Hague: I think we all want to add to that, if the Chair will allow us.

Mr Mitchell: A grand strategy and an adaptable approach to it recognises of course that Britain's security is determined not only by ships and aircraft but by the extent to which we can train the police in Afghanistan; by the extent to which we can build up governance and accountability structures in the Yemen; and indeed by the extent to which we can ensure that we get girls into school in the Horn of Africa. That wider approach to security, tackling the problems of insecurity and the causes of poverty upstream, is of course far cheaper than having to send in the troops.

Mr Hague: To add to this point from a Foreign Office point of view and what is decided here, looking ahead to 2030 or 2040, the NSS set out some of the changes going on that can be anticipated now in broad terms in the world, in terms of international institutions, the importance of climate change, demographic trends and so on, from which we decided that it was very important to maintain a strong global diplomatic network for the United Kingdom. This is one of the reasons why we are not shrinking the diplomatic network despite all the pressures on Government expenditure, because in a more multi-polar world, with a more complex network of alliances, we are going to need that diplomatic presence in so many different places. Across Departments, these long-term trends have informed the decisions that we have been taking.

Dr Fox: There is an essential analysis that underpins all of this. We live in a genuinely globalised economy, where our risks are more widespread in more places and subject to more actors elsewhere than ever before. Although globalisation brings the upside of trade and prosperity, it also brings the unavoidable importation of strategic risk. We must, therefore, look very widely at where the risks lie; how best to mitigate the risks; what assets we might bring militarily to do that; and what alliances and what other structures we might involve to reduce those risks to the wider UK interest at home and abroad. That is what the CDS was talking about in terms of that wider strategy. We already have

some documents. For example, the MoD's Global Strategic Trends document looks out further, makes some provisional judgments on potential scenarios and is informed by and informs other thinking—for example, the future character of conflict work done by the VCDS. If the Committee would like sight of those documents, I am sure we could make them available.

Chair: We had the document that was produced in, I think, February of last year, which was very helpful.

Q72 Mrs Moon: I would like to ask Mr Mitchell a question. You have tied the Department for International Development in with defence and security. Do you see a risk increasing for DFID staff and staff from non-governmental organisations in being seen as so closely allied with defence and security policy? That issue has been raised a number of times in relation to Afghanistan and the risk to DFID and NGO staff. Are we, in fact, risking DFID's independence and neutrality? Is it not interested in need and good causes, rather than being an arm of Government? In fact, I think DFID was recently described by the Prime Minister as a modern equivalent of a battleship. Is there a risk to staff?

Mr Mitchell: We never compromise on our duty of care, and the duty of care for DFID staff is precisely the same as the duty of care for Foreign Office staff. This is part of a debate which confuses securitisation with working in some of the most difficult and conflict-ridden parts of the world. We give very strong support—we have announced some today for the International Committee of the Red Cross—on humanitarian relief and that sort of work is circumstance-blind. It focuses in all circumstances on those who are caught up in combat and difficulty.

The work of doing development, a lot of which is often very long term, is carried out from my budget. All of that budget is spent in Britain's national interest, but it is also very much in the interests of the people we are seeking to help. The confusion in the debate is that, when working in conflict states, you are addressing people in the world who are doubly wretched because not only are they extremely poor, but they are caught up in conflict and dysfunctionality. The debate sometimes gets a bit confused. Nevertheless, working in conflicted states, you're working in places where maternal mortality is highest, where children have the least chance to get in school, and where there is food insecurity and a lack of choice for women over whether and when they have children. I don't believe that there is any real confusion about the priority of Britain's development work taking place in some of the most insecure and vulnerable places in the world. When the last combat soldier has left Afghanistan, the work of development will still continue there, because it is one of the poorest countries in the world.

Q73 John Glen: I have another comment from when the CDS came before us in November. He said: "The National Security Strategy document is not a bad objective in terms of our ends, but I would say that the ways and means are an area of weakness." Do the

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Ministers agree with that analysis, and how is it being addressed if you believe that there is a weakness?

Mr Hague: The National Security Strategy is an assessment, largely, of the risks, the impact and likelihood of the risks, and then in broad terms, what we need to do about it. The means were more set out in the following day's publication of the Strategic Defence and Security Review, so, whether people think that is an area of weakness depends on what they think about that review. Clearly, these are things that are being properly tied together for the first time in government. In your terms, looking today at the processes here, that assessment of risks, the overall sense of strategy, and then ensuring that the SDSR supported that is what this process is.

Q74 Chair: You said "whether people think that is an area of weakness". If the CDS thinks it's an area of weakness, does that cause you concern?

Mr Hague: The CDS is fully participating in it and is fully committed to it. The Defence Secretary better talk about that one.

Dr Fox: He takes part fully in the NSC itself in the formation of the Security Strategy and, of course, he was central to the SDSR itself. If you are interpreting the comment to mean that the military think that it would be nice to have an unlimited budget I am sure you are correct.

Q75 John Glen: It is clear that the national security document came out one day and the SDSR report came out the next day. The implication of what he is saying is that one did not meet the other's statement of need. Either it is agreed with or not.

Dr Fox: He might be referring to the fact that for a very long time there has not been a tight correlation between the two and one of the changes we envisage is that we refresh the NSS and the SDSR once every Parliament so that we are constantly trying to ensure that we are matching the assets we would require to deal with any of the problems with the identification of the problems themselves. That is a constantly changing picture, as recent events have shown.

Chair: We will come on to that.

Q76 Sandra Osborne: Can you briefly describe how the National Security Strategy is developed and how it will be delivered?

Mr Letwin: The starting point was the consideration of the risks that the country faces. A great deal of work has been done—this was not invented under the present Government; it had already been going on under the previous Government, but it has been developed and accentuated under the present Government—in assessing the impact of different risks and the likelihood of different risks. A matrix with an X-axis and a Y-axis has therefore been developed where the Y-axis is impact and the X-axis is likelihood. The attempt in developing the strategy was to identify particularly those risks which either had very high impact or very high likelihood or, most of all, those that had both high impact and high likelihood. That was the starting point for thinking through how to develop a Security Strategy because it

was intended to be a Security Strategy, the ultimate purpose of which was to provide the greatest possible security for the population of our country.

Once you start with that and you have identified a particular array of risks that matter most to you, in some cases you can move quite rapidly to specific judgments about sorts of things you would want to do. For example, we have identified cyber attack, as William mentioned a moment ago, as a particular risk. As we made plain in the spending review, we have allocated a very considerable additional sum to protecting us against cyber attack. So that is the sort of case where you can move quite rapidly from the identification of a risk to a need and to a decision. In other cases, however, identifying a risk as important—of high likelihood and high impact—may lead you to a very considerable chain of consequences. In the Security Strategy we have tried to go through that chain of consequences, leading in some cases, for example, to the decision not to engage in strategic shrinkage, which William has referred to.

Chair: We will come back to that.

Mr Letwin: We will come back to that, but I hope I am giving an impression of the order of our logic—start with risk, try to work out what the consequences of trying to address the most important risks are and, where that is a long chain, trace right through; where it is a short train, make appropriate decisions quickly.

Q77 Sandra Osborne: As John says, the National Security Strategy came out on 18 October, the SDSR White Paper on the 19th and the CSR on the 20th. What was the thinking behind that? Would it not have been better to have published the National Security Strategy in advance so that it could have been better taken into account in the SDSR?

Mr Letwin: Our thinking was to develop these things in parallel so that we could understand interactions as we moved forward, but the thing that we started with was the National Security Strategy. So before we did anything else, the risk register and the analysis of the risks and what flowed from them was our thinking. We then began the work of trying to work through both the SDSR, which Liam may want to say more about, and the spending review which interacted with it. Producing all three contemporaneously was done precisely in order that people could look at the three and see how they tied together, which we believe they do.

Q78 Sandra Osborne: So the Security Strategy and the Defence Review were not at any stage one document?

Mr Letwin: No, there was not a stage at which they were one document because we originally conceived the Security Strategy as something that we would lay out, as something separate from the SDSR, and of course the Chancellor had it in mind to produce a comprehensive spending review separately from that from the start.

Dr Fox: On the question of the National Security Strategy and the risk assessment, there are three discrete elements in that. There is the need to reflect the changing nature of threats and any emerging

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threats. That is one area. The second is for us to track how successful we are in our mitigation measures in tackling threats and risks. The third is how effective our resilience and planning measures have been in reducing the potential impact. So there are a number of different elements within that. They are set out discretely, but they are, of course, overlapping in practice.

Chair: I will come back to you in just a moment, Sandra.

Q79 Thomas Docherty: Professor Clarke of RUSI described the National Security Strategy as a methodology towards a strategy, rather than a strategy itself. How do you respond to that suggestion and observation?

Mr Hague: It is the outline of a strategy. It certainly is the methodology and it is very important to have the methodology. It is the clear methodology that Oliver Letwin has just been talking about. It then summarises the strategic need and the strategy. Clearly then, as we said earlier, the delivery of that is for the SDSR and how we conduct ourselves over the coming years. It is inherent in our assumption that we need an adaptable posture in military affairs that the threats will change over time and need re-evaluating. Certainly the methodology stands out particularly in it but it also contains the outline of the strategy and then the follow-on document.

Dr Fox: The assessment that we made that, because of the nature of globalisation our risks are more widespread and therefore we have to have a range of ways of tackling things, has given rise to the development of what the Foreign Secretary and I referred to as a multi-layered approach. In other words, when we identify the range of risks, we have to have a range of ways of dealing with them, not a one-size-fits-all tool. For example, there are some things where we have to be able to act unilaterally and some areas where we might want to act bilaterally and some within smaller groups of similar nations, as we have with the Northern Group, for example. Sometimes we might want to do it through NATO. So we have a range of tools.

One of the things that we felt at the outset of the process was that we were dealing with a very complex, interdependent and multi-polar world, but we were trying to deal with it largely with international tools designed for the post-world war two environment. So we needed to develop a wider range of potential options and tools for the UK, which is why we have been spending a lot of time developing elevated bilateral relations and getting ourselves into more groupings. One example is the FPDA, the Five Powers Defence Arrangement in South Asia—long neglected. The Foreign Secretary and I went to South Asia because clearly we have a range of interests in that part of the world and it makes sense for us to have a discrete and bespoke element of our security apparatus to deal with that. So it is building up a picture of a range of responses to a range of potential threats.

Q80 Sandra Osborne: The strategy says that the highest priority risks will not automatically have the most resources allocated to them. Does that run the risk of having the sort of league tables of risks where the highest priority might not be properly funded, which the Prime Minister states in the forward to the strategy is al-Qaeda? Who, therefore, is responsible for deciding the resourcing and co-ordinating the delivery priorities of the National Security Strategy?

Mr Letwin: The phrase to which you are referring means something rather different from what you glean from it. Identifying a particular risk as having a particular place in the hierarchy of likelihoods and impacts tells you how much attention you ought to pay to it. However, some risks that may be very important both in impact and likelihood may nevertheless be cheaper to deal with—even if you are putting a lot of emphasis on dealing with them—than some other risks which are either less likely or would have less impact, but which are intrinsically more expensive to deal with.

Therefore, the decision about where to place your resources is not something that you can simply read off a table of the impact and likelihoods of particular risks. Returning to the table that I am talking about for an example about cyber, we analysed cyber attack as one of enormous importance to the country. It will probably increase in importance over the near and possibly long term, but there are simply limits to the amount of money that you can spend on it, because it requires an enormous collection of incredibly clever people to do things to make an impact. You can't just go and buy things.

Chair: Luckily, we have those enormously clever people in front of us today.

Q81 Ms Stuart: I want, in some shape or other, to address all of you, and it is around the statement in the National Security Strategy that says: "The National Security Council has reached a clear conclusion that Britain's national interest requires us to reject any notion of the shrinkage of our influence". Of course, the question arises of whether that is over-ambitious. In particular, I would like to address Mr Hague and Mr Mitchell and ask you both to explain how that foreign policy baseline interacts with, and is reflected in, the NSS in relation to your two Departments.

Mr Hague: This is something that we feel very strongly about, and it is, of course, directly applicable to the Foreign Office to begin with. There are all the factors at work in the world that I was listing in answer to an earlier question. That means that we have to maintain or extend our influence not only in multilateral bodies—whether it be in climate change negotiations, the deliberations of the G20, at the UN Security Council or wherever—but also, given how the world is developing, in bilateral relationships.

Indeed, one of the reasons why we are able to accomplish our objectives in many of those multilateral forums is that we have strong and appropriate bilateral relations, and the importance of those is elevated by the development of new networks of alliances and friendships in the world.

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Turkey is an example. We have given a lot of diplomatic attention in the first 10 months of the Government to the relationship with Turkey, which is obviously a country within NATO, but not within the European Union. Turkey is trebling the size of its diplomatic corps and opening dozens of new embassies and consulates, so a strong bilateral British engagement with Turkey is necessary, as well as working with it strongly round every multilateral table. To do that effectively, you need that global diplomatic presence, which needs to be beefed up in some places, and you need the right combination of—to coin phrases—hard power and soft power around the world to be able to influence events.

That is the objective that I am sure it is right to start with. If you just left everything to itself, given the shrinking proportion of the world's economy accounted for by the United Kingdom or the European Union, our influence would naturally shrink, so we have to exert ourselves to ensure that it does not. In the case of the Foreign Office, that means changing budgetary arrangements. Under the previous Government, its protection from exchange rate movements was withdrawn with fairly disastrous effects. We have restored that protection. It is funded so that we can maintain our diplomatic network.

In the coming weeks or months, I will announce shifts in that network, so that our network of embassies and consulates is adapting to the shifting pattern of world influence and the world economy. It is not only a matter of Foreign Office presence; it is a matter of what we are doing across the entire range of these activities, which is no doubt why you wanted Mr Mitchell to answer as well.

Q82 Chair: But before he does, I should say that we are cutting the surface fleet to 19 serious ships and getting away from aircraft carriers for 10 years. Can you really say that our influence will not shrink as a result of those decisions?

Mr Hague: That depends on what we do in other areas.

Q83 Chair: So it is compensated for elsewhere.

Mr Hague: It is a mix of these things. The Defence Secretary will want to talk about the strength of defences that we will have in the future, notwithstanding the fact that we have to make some painful decisions along the way.

Q84 Chair: I recognise the painfulness of the decisions. This denial of a shrinkage of influence strikes me—I don't know about the rest of the Committee—as a little unrealistic.

Mr Hague: Colleagues will also want to speak about that. Influence does not just depend on the resources that you are devoting; it also depends on how you are using them. Clearly, one of the things we are trying to do more effectively than in the past, through the NSC structure, is to use our resources of whatever level in a more coherent and effective way.

I was talking about Turkey and the way in which the Defence Secretary and I have worked together on Turkey in recent months, with defence and foreign

policy engagement—as well as the Prime Minister visiting in a major effort to elevate commercial ties with Turkey. That is a good example. The defence treaty with France is also a good example, working together in many areas of our defences, so that we get more value from the money that we put in. That is very relevant to the Department for International Development.

Q85 Chair: I am sorry. I cut Mr Mitchell off in his prime.

Mr Mitchell: Thank you, Chair. The Foreign Secretary referred to the projection of soft power. It is important to make it clear that one of the reasons why we have stood by our commitments on international development, increasing substantially the amount we spend, is not just that we think it is morally right—it is about the values we have as a Government and as a country. It is also because it is in our national interest to do so.

I was recently in Somalia where I saw clear evidence on the ground of threats to Britain's interests and security: threats from piracy, migration and terrorism, as Somalia remains the number one source of terrorist threat to the UK from Africa. As I said in an earlier response, all the budget is spent in Britain's national interest—quite a lot of it is spent in Britain's national security interest, too.

We agreed early on in the National Security Council that by 2014 we would double the element spent in conflicted states, difficult parts of the world, and increase it from £1.8 billion a year to £3.6 billion a year. I want to emphasise the fact that this is often the projection of soft power—it is aid not just from Britain, but for Britain, and strongly for Britain's interest.

Q86 Ms Stuart: I was coming to Dr Fox. Could you tell us a bit more about how this foreign policy baseline is delivered on the ground? From your point of view, given that the Foreign Office and DFID are the soft power, should they not be just one Department again?

Dr Fox: I will not be beguiled, even by Ms Stuart, into such heresy. The whole question of influence is multifaceted, and we exercise our influence in many ways: bilaterally; through NATO, the UN and the EU; through our economic relationships in the G8 and G20; through our relationship with the Commonwealth; and through the influence that we have as a result of our intelligence relationships with other countries. There are ways of effecting influence. The one asset that has not been discussed sufficiently, in terms of influence, is time—the time that Ministers are willing to spend working on those relationships themselves. That is hugely underestimated. For example, when we set up the new Northern Group, about which I have spoken to the Committee before, there were a number of reasons. It was to improve our bilateral relationship with Norway, a key energy-security partner for the UK, but a country where no British Prime Minister has been for 26 years. It was to provide a better vehicle for Sweden and Finland to deal with the security apparatus of the region, to give

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reassurance to the Baltic states, and so on. That didn't cost us more than the price of the airline tickets to the meeting, but it did increase our influence in an area where we had been absent for too long.

I think that there is an undervaluing of the incredible influence you can get simply by having the right personal chemistry and investing the time in getting those relationships going. Other countries have been doing that better than we have; we have had long absences.

When the Foreign Secretary and I went to Australia, I visited one of the defence establishments and there were no records of a Defence Secretary and Foreign Secretary ever having been in Australia together. On the page of British visitors, below my latest signature, were George Younger, Prince Philip and Montgomery; that is the historical scale of the frequency of the visits. We need to understand better how frequency of contact and influence can be brought to bear in ways other than hard power. That is not to say that hard power projection is not an important adjunct, but it is not in itself the only way to have influence.

Q87 Ms Stuart: But surely it must be the starting point. If you put a ship along someone's coast, it is a projection of power; if you haven't now got the ship, you cannot do that. Just visiting them will not be enough.

Dr Fox: As I say, to repeat the well used phrase, soft power without hard power is music without instruments.

Q88 Mr Brazier: On that very point, Mr Mitchell, it is a laudable intention to double the amount of our aid that goes to areas of conflict, but how is that going to be squared with the very tight—almost uniquely tight—rules that we have on duty of care for our employees, which you mentioned earlier?

Mr Mitchell: You are quite right that the duty of care must always be paramount. It is the same for the employees of DFID as it is for those at the Foreign Office. It is always kept under review and it is, I hope, appropriate.

It is important to emphasise that in some of the most difficult parts of the world we work bilaterally and multilaterally. The point of these very detailed reviews of the multilateral aid and bilateral aid—the country-to-country programme—that Britain gives, about which I wrote to members of the Committee last week, is that it should be appropriate to the results that we wish to achieve. We are working out where we want to be, where we should be—those decisions are informed by cross-Government discussions—and what is the best way to achieve those results. As I said earlier, I believe those results are strongly in Britain's interests, as well as the interests of the countries that we are seeking to help.

Q89 Mr Brazier: We have already had considerable difficulties in protecting the DFID effort in Afghanistan. If we are thinking more widely and doubling our commitment to what would normally be called war zones—the word “conflicts” is a sort of happy cover for it—without strong partnership with

the Armed Forces, it is rather hard to see how it can be achieved.

The Americans have a view on that, which involves both more military partnership and a lower requirement on the duty of care for their civilian personnel. How do you see squaring that circle within a smaller defence budget and having twice as many people, effectively civilians, deployed in war zones?

Mr Mitchell: It might not be twice as many people deployed. As I said, there are different ways of doing it. But I should emphasise to Mr Brazier that in some of the most difficult and dangerous parts of the world, brilliant civilians and brilliant NGOs do quite extraordinary business very bravely and very effectively.

Q90 Mr Donaldson: Conflict prevention is a key element of the NSS, yet we have heard already that there are limitations to resolving conflicts if you reduce your capacity to provide hard power in areas of conflict. How does the NSS contribute to conflict prevention and the resolution of other crises? I would like to hear from any of you about that.

Mr Hague: Shall I start? It contributes a great deal. It is clearly identified in the NSS as something to which we want to devote more resources and attention. The upstream effort to prevent conflict, if successful, is cheaper than engaging in conflict. It is also dramatically less expensive in human life, so it is identified as an important priority for this country. The range of assets and resources that it needs differs from one situation to another.

One area where, I think, we have been working successfully over recent months on conflict prevention is Sudan, where DFID is highly active. Foreign Office and DFID Ministers and officials work very closely together, so not only has DFID been putting its resources and effort in, but, as Foreign Secretary, I called a special meeting of the UN Security Council in November when we had the chairmanship. Since we both know some of the leaders on both sides in Sudan, at crucial times during the referendum in January we made regular calls to the people on both sides to ask them to act with restraint. Whenever a violent incident occurred, we asked them not to respond to it. Many other countries have been doing the same, and Britain is part of that effort.

That is an area of conflict prevention that does not require—and we haven't deployed—hard power in the sense we have just talked about. Our effort is diplomatic and humanitarian. The incentives we provide to people in that situation to prevent conflict are economic and diplomatic. We assure both sides that, provided they can behave in a peaceful manner towards each other, they have a future relationship with Western nations.

Q91 Mr Donaldson: Secretary of State, are you saying that with the reduction in the capacity of the UK to, for example, send taskforces across the world—we heard from the Royal Navy that that capacity is reduced—you will rely more on diplomatic skills and prowess than we have in the past? I am

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thinking, for example, about the sending of a taskforce somewhere where there is a risk of conflict.

Mr Hague: There will still be instances where we have to rely on the Royal Navy's being able to deploy, but I am pointing out that some of the major risks of potential conflict in the world are dealt with most effectively by a combination of development and diplomatic, political and economic resources, particularly in partnership with other countries. It does not always follow, so I am not saying, that there will not be circumstances where we need a military presence as well, but our experience so far is that the majority of our conflict prevention work is in that soft power area.

Q92 Mr Donaldson: Mr Mitchell, in your comments could you reflect on the statement you made last week on aid priorities and how that fits in with the delivery of the NSS and the SDSR?

Mr Mitchell: The conflict prevention point you raised and the statement I made last week are about focusing much more on conflict prevention for the reasons that the Foreign Secretary set out. I want to emphasise that that is a humanitarian concern as well because some of the most wretched people in the world live in conflict zones, where they lose out twice over as I described earlier.

In my Department's work on conflict prevention, whether that is trying to build the capacity of revenue-raising authorities to raise their own taxes, addressing accountability in governance—how people hold their leaders to account—and addressing such civil society structures, or whether it is trying to build up work opportunities and jobs, particularly for women, or trying to build accountability structures, or training the police, we are very heavily engaged.

In the papers that we circulated last week, you can see precisely what results we will seek to buy over the next four years in the more conflicted areas of the world. Within a month, you will see the operationalised plans for each of those countries for the work that we are doing. We will be training 3,000 police in Somaliland—

Q93 Chair: I am sure that we will be doing some very good things.

Mr Mitchell: Thank you, Mr Chairman.

Q94 Mr Havard: Can I get to the question on North Africa and Libya? I will address it in this way: we asked the MoD, "How will the UK adapt to changing threats/unforeseen circumstances?" and we put in brackets "bearing in mind capability gaps." We got a lovely answer about how the NSC works and how Liam's Department works, with all sorts of stuff about bi-annual reviews, an annual mandate to do horizon scanning, and new threats and co-operating—we had all that. It didn't answer the question, essentially, about what is happening now. How do we respond? What does the NSC now do, given that it may well have a capability gap where there is not a ship of the appropriate type to send in future in similar circumstances?

Dr Fox: I can answer that by rolling back to the assumptions, first of all. The question is really whether we should be revising our assumptions in the light of the experience in North Africa.

Mr Havard: Yes. That is where I'm going.

Dr Fox: My answer to that would be broadly no, because we specifically set out in the SDSR—as Oliver said—to have an adaptable posture. There were two other postures quite strongly advocated by some. One was that we should invest in what you might call "Fortress Britain", withdrawing back closer to home and investing in the appropriate assets in that direction. There were others who said to go exactly the other way, and that we should have a highly committed posture. Assume that the conflicts of the future would be like the ones we face in Afghanistan now, and there would be no requirement for widespread maritime capabilities, for example.

We purposely chose an adaptable posture, recognising that there are always limitations on the amount of money we have available. What posture would give us the best capability to respond to the lack of predictability that exists out there?

When it comes to looking at some of the areas that we chose to prioritise in the SDSR, we had, for example, to upgrade our lift capability and we decided that that would be an area. We decided that C-130s would have to come out over the decade and we would have to invest in A400M and C-17 to give us the sort of lift capability that we have seen recently was all too necessary. Likewise with an investment in Special Forces.

I think that the broad decision to go for an adaptable posture was correct. Will we have to keep that constantly reviewed as the risk assessment is done every two years, and as the NSS and the SDSR are done every four years? Of course we will, but I don't see any reason, in light of experience, to change the assumptions on which the SDSR is undertaken.

Q95 Mr Havard: Can I go at it another way, then? In what you see currently, and in what you see going forward about the whole of the instability in North Africa and potentially elsewhere, what lessons are you now learning and taking into the NSC about how you respond? For example, are you going to defer the pace at which you make some changes in particular capabilities, because that is thought to be necessary for the immediate term of, say, the next two or three years, as opposed to making a fundamental revision of the policy for up to 2020 that you decided earlier? Would, for example, the NSC be able to agree that, and say, "Well, we have just put HMS Albion up against the dock in Plymouth. It might be a better idea not to do that, because it is an amphibious ship that might well be the very sort of asset that we require in the North Africa area over the immediate period." Can the NSC decide that? Will the money flow from that? Will you be cut slack to do it?

Dr Fox: It is entirely open to us to go to the NSC with any changes that we want, but at the moment we don't intend to do that. There is one element that above all we think needs to be put right. Tomorrow NATO Ministers are meeting in Brussels, and there

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has to be a proper balance between what we, in terms of international obligations, are willing to do and capable of doing unilaterally as the United Kingdom, and what we're doing in terms of our wider alliances. I think there are very key questions here, and more will be emerging in the coming weeks for NATO. As a defence organisation, is it operating successfully? In particular, where it has assets, does it have the political will to deploy them? That is a crucial question in terms of the wider capability that we are able to get through the alliances that we are trying to develop.

We do not run the world; we are not its policeman, but in partnership with other countries we should be able to have greater effect than we do. That is not because Britain is unwilling to deploy its assets.

Q96 Mr Havard: So we rely on bilateral arrangements with the French, or multilateral arrangements, then—is that it? One of your colleagues is saying that we should just run extra guns to them, that's another way of doing it. Those are hard assets that you can use, but they would be used by someone else. Who is actually controlling this decision making process? What I'm really trying to drive at is: is this the NSC—is this the war cabinet? Are you in charge of it, Secretary of State for Foreign Affairs, or if not who is? What is the joined-up policy? Should you decide that change and deferment of a particular capability was necessary, is the authority there to do it, and is that a Foreign Office or Ministry of Defence decision?

Mr Hague: That is what the National Security Council is for. Theoretically, the answer to your question as to whether the NSC could change those things if it wished is yes, with the agreement of the Cabinet in the way we described earlier. Of course, the existence of the NSC in a case like this allows all the relevant Ministers to consider all the ramifications of a situation together on a regular basis, chaired by the Prime Minister. For instance, NSC meetings we have had in recent weeks were able to look at the deployment of our military assets in the region, but were also able to hear the intelligence reports and think about the diplomatic response. In the next two days the Prime Minister and I will be going to European meetings where we are looking for a more bold and ambitious European approach to the region in the future, looking not only at Libya but at the future of Egypt and Tunisia. Through the NSC structure, it is possible to integrate our thinking on diplomatic and economic needs with what we are doing now militarily and intelligence-wise.

Mr Havard: But a personal chemistry and charm offensive have to be backed up with something at the end of the day. Otherwise, it is just music without instruments.

Q97 Chair: Dr Fox, may I just make a comment on what you have just said? To the extent that we are not able to deploy British assets, can I suggest that we reduce our rhetoric to those assets that we personally can deploy?

Dr Fox: Ambitions and deployments should always be very closely titrated.

Q98 Thomas Docherty: Following on from the comment you made a few moments ago, on the wider question of North Africa and the Gulf—I draw your attention, Mr Chairman, to my entry in the register of interests in the Gulf—do we now have a concrete strategy for that region, given where we are today? We were clearly not in this position six months ago, and no one could criticise you for not having one—none of us could have foreseen that, and if we could we'd be hugely rich—but do we now have a concrete strategy for that region, and if so could you articulate it for the benefit of the Committee?

Mr Hague: We have to do it with our international partners to be effective. This is therefore very much at the top of the agenda, for instance, at the European Foreign Ministers meeting tomorrow in Brussels and the European Council the next day. However, we do think that recent events in North Africa and the Middle East require a major change in how Europe works with that region, and we would ask other international partners to do the same—to act as a magnet for positive change in those countries, without being patronising towards other societies and nations and while respecting their different cultures and traditions.

Although it is not the same, we need to create the equivalent of what we did for Eastern and Central Europe after the end of the Cold War. Clearly they aspired to membership of the European Union, and that was a magnet that drew them in the direction of things that we regarded as very positive—greater economic openness, political freedom, and democracy. This is different, but it needs the equivalent European strategy, backed by other nations across the world, particularly when it comes to the work of international finance institutions like the World Bank, that helps to encourage reforms that will open those economies and political systems; by setting conditions for European funding—the EU already devotes vast resources to its neighbourhood, but not in a very coherent way; and by offering market access to and more formal relationships with the EU. For the region and its development, that is what we are looking for, believing as we do that we should be optimistic about the opening up of greater democracy and political freedom, as the Prime Minister set out in his speech to the Kuwaiti Parliament, but conscious as we are, too, that there are great risks and that this can still go wrong. If these countries turn into stable, moderate democracies, it will be a great advance in world affairs. If they don't, the adaptable posture we chose in the National Security Strategy will be even more essential.

Q99 Mrs Moon: Dr Fox, as a member of the NATO Parliamentary Assembly, I have to say I am incredibly impressed at the speed you think NATO is able to make decisions, especially at times of crisis—

Dr Fox: We will see tomorrow.

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Q100 Mrs Moon: Perhaps it is different in the committees that you sit on from those that I sit on. I can't say that I am impressed by the speed of decision making.

One of the things that I should like to talk about in terms of the NSS and the SDSR is how much time you spent reviewing previous documentation. I am intrigued because everybody has said that nobody saw what was going to happen in the Middle East and the use of social networking, yet I was looking at the Strategic Trends Programme report "Future Character of Conflict" that came out in 2009. It says: "Social networks will become an important feature of future conflict, and conflict in one area may more easily ignite conflict in another, in effect creating a 'Global Joint Operational Area'." We knew that social networking and that capacity to communicate was a risk, so why was it not built into the National Security Strategy? Why was that not a component part?

Dr Fox: I think it has been clear in "Future Character of Conflict". I looked at that and it made that, as you say, very correct assumption. The trouble is that that is, as you say, a global network. That it would appear first of all in Tunisia or Egypt was very difficult to predict. Even now, looking at it with the intelligence that we had in hindsight, it is still difficult to see what were the particular pointers. I think what we can do is look at the analysis that you mention and look in the areas where we have seen this become a real phenomenon, and ask: what are the demographics that might give us a pointer to where it might happen again? What do we know about the age of the population and their access to these networks? What do we know about their income and their levels of education that might give us a pattern and some pointers to where it might be likely to happen in the future? That is why it is being currently undertaken.

Q101 Mrs Moon: You told the Committee last year: "I say almost every single day in the Ministry of Defence...that we have a very poor record in predicting where conflict will occur and what that conflict will look like."

Dr Fox: And I think that is repeated in probably every capital in the world.

Q102 Mrs Moon: It has certainly been right here over Tunisia, Egypt and Libya.

Dr Fox: It was also true in Paris, Rome and Washington—virtually every other major country failed to spot that that was going to happen in exactly the places it did when it did. Were I able to predict conflict to the precise date, times and places, I would be doing the national lottery a lot more often than I do.

Q103 Mrs Moon: We also failed to predict it in the Falklands and in Bosnia—

Dr Fox: Afghanistan.

Q104 Mrs Moon: How can we be confident that the correct decisions have been made this time round? What gives you the confidence that the National Security Strategy, the defence and security review and the arms you have put in place and the capacity and

facility and platforms you have put in place will ensure that we are safe and secure?

Dr Fox: Because I think we chose the correct posture. Had we within the budgetary envelope available at any one time—that will change over the time periods that we look at—decided to go for a "Fortress Britain" policy and pretend that we would not be affected by events elsewhere and therefore we could retreat into our shell, we would not have had the appropriate responses to what we have seen. Had we decided that we no longer required a Navy of the size that we have but should be investing far more in land forces able to become increasingly involved in operations that we currently face in Afghanistan, that again would have been the wrong choice. To decide that we do need to have land, sea and air assets that are widely deployable, given whatever financial envelope we have the time, is the correct decision. I still think that the essential judgment of the SDSR was therefore correct.

Q105 John Glen: Given the financial constraints that led to the SDSR—we are where we are with that—to what extent do you think there is a greater inclination, given what is happening in North Africa and Libya, to go in a more painstaking way through the channels of NATO and the EU? Do you think Britain would have adopted a different position, a different posture, a different leadership role if the constraints of the SDSR had not been in place, or the financial constraints that Liam Fox described as a primary national security consideration? How do you think we would have behaved differently, if we weren't in the situation we are in now?

Dr Fox: The assets we required were available. We were actually well ahead of many other countries. I know that it is fashionable in the UK to say how far behind other countries we were, but we have been evacuating hundreds of foreign nationals—in many cases with each movement of our assets many more foreign nationals than British citizens. We have been doing a lot of the heavy lifting for other countries in this operation.

Q106 John Glen: That is about the evacuation, not about the situation from now on. Now our people are largely home, the concern is about future conflict in Libya.

Dr Fox: I understand that, but I wanted to make the point. When people say that the UK is not capable of doing things, not only were we capable of getting our citizens out, but we were getting many other foreign nationals out as well. The way in which the UK effort is viewed increasingly in the foreign press is rather different from the way it is viewed in the UK press. Our action was something we should be proud of as a country. When it comes to the events of the future, as I said, NATO Defence Ministers are meeting tomorrow. We will want to evaluate all the options. We have asked through SHAPE that all those contingency measures are looked at.

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Q107 John Glen: So our position would not have been any different, had we not had the decisions made in the SDSR in the way they were?

Dr Fox: We are acting within what we believe are the correct political constraints for us. To act alongside our allies is the way we would want to deal with any international security picture. That is why the Prime Minister insisted so early that NATO did the scoping for us. In fact, had the Prime Minister not pushed, I am not sure that NATO would have been at this position in terms of contingency planning. Tomorrow we will look as a grouping. The key for NATO is, if the scoping is done and it is clear what assets need to be used, what is the political appetite across the NATO members for the deployment of those assets? It is a serious question that I go back to about NATO. Having the assets is not sufficient; if the political will is not there to use them, it leaves NATO collectively disadvantaged.

Q108 Mr Brazier: May I take you back to process on the SDSR for a moment? Having made that very strong and accurate statement that we have a long history of being unable to predict in any meaningful way what conflicts are coming up, do you think, Dr Fox, that there is a case for reviewing the firmly entrenched system of working on defence planning assumptions, and perhaps looking at a more old-fashioned balanced capabilities model of the kind that I get the impression that the Americans are in the process of looking towards—clearly they are on a different scale—against trying to tie in very detailed DPAs as a basis for decision making against the background of persistent failure to see what the problem was.

Dr Fox: Defence planning assumptions are effectively the guidelines that we use for force generation and what we think we need in terms of broad shape and size of forces. Clearly, in taking on the adaptive posture, we have in fact said we need a balance of capabilities in the UK, because we decided not to go to one extreme or the other in terms of the shape of the Armed Forces that we have. The size and the equipping are largely budgetary issues within those parameters set by that posture.

Chair: We will now turn to alliances and such matters.

Q109 Sandra Osborne: The Chief of the Defence Staff told us that the National Security Strategy was the Commander's intent, and the Strategic Defence and Security Review provided the detailed orders. How do each of your Departments ensure that you co-ordinate your actions to be consistent with that—if you agree with it?

Mr Hague: The National Security Council is partly there so we co-ordinate such things effectively. Clearly, in the meetings that we have every week—and sometimes more than once a week—many of these subjects come round for discussion very regularly. So, co-ordination between Departments is focused, but it is also very strong outside the NSC on an interdepartmental basis.

One of my colleagues referred earlier to the weekly meeting of NSC officials. The fact that Ministers work productively together has certainly encouraged senior officials to do so, and it has encouraged Departments to do so on a bilateral basis, too. I think, for instance, that the International Development Secretary and I can fairly claim that relations and working between the Foreign Office and DFID—despite mischievous questions such as the one from the hon. Member for Birmingham, Edgbaston—have become better than they have ever been, in the history of the existence of the Department for International Development. I don't think it's too much of a hostage to fortune to say that the officials would say that as well.

That co-ordination across Departments and between Ministers has helped a lot, but it is also our responsibility within each Department to ensure that we are supporting this overall strategy. I think you can tell from the answers we have been giving to questions that that is what is happening in each of these Departments.

Dr Fox: It is a source of shock in Whitehall that we do speak to one another at Cabinet level.

Mr Letwin: May I add something as the outsider, observing the various Departments? What has really struck me is that we have gone through many discussions in the National Security Council on a wide range of issues and you cannot predict in advance “the Foreign Office view”, or “the Defence view”, or whatever. This is not operating as a series of departmental silos with their own views. We genuinely have a discussion about how we want to move forward on any given question and what resources we have available to us. At that stage, people talk in terms of what their Department can contribute. Without you being there, I can't adequately convey this to you, but I have been enormously impressed by the extent to which simply having this form of meeting, the fact that it is continuous—as well as having the meeting discuss many things, rather than just one set of things—makes it the case that people stop thinking of themselves simply as departmental Ministers. They don't come and read out briefs from their Department. They really engage together—we engage together—as a manifestation of the Government trying to solve a national problem.

Q110 Sandra Osborne: You have put that across very well, but what about at a lower level within each Department? Is that commitment still there, or is it just at the top? That's what we want to know.

Mr Mitchell: I think it is getting better all the time. At the top, it probably helps that the three of us worked together so closely in opposition for nearly five years, running up to the election. There is no doubt at all that in terms of DFID's role, the National Security Council has made it much clearer to my Department why they should be so well joined up in Whitehall and, on the humanitarian issues in Libya, for example, which my Department has been leading on over the past couple of weeks, how the work that we do and the way that we are joined together with the Ministry of Defence and the Foreign Office is

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extremely important for getting across Britain's aims in that respect.

Dr Fox: We should also point out that there is a huge amount of engagement around the NSC and around this process. For example, the CDS has a Chiefs meeting, which other Departments attend, and that informs the military's thinking ahead of the NSC. Other Departments attend what is called OPMIN, which is the meeting we have in the MoD on a Monday evening to look at current operations, threats and risks. That is also attended by all other Departments. There are a number of other bodies cross-referencing and feeding into the process on a real-time basis. It is not just the NSC meeting or the NSC officials; you also have the CDS meeting and OPMIN. There are a whole range of meetings feeding in, and they are all cross-departmental.

Q111 Chair: This is a process question, and it is addressed to you, Mr Letwin, as an outsider in relation to the Cabinet. The NSC meets for an hour after the Cabinet meeting on a Tuesday morning. Is that usually the case?

Mr Letwin: Usually.

Q112 Chair: Presumably the things that it is dealing with are important issues, which need good buy-in from the rest of the Cabinet. Why does it not meet for an hour before the Cabinet meeting?

Mr Letwin: The NSC does not only meet then. On occasions, it has also met, as I think William was saying earlier, more frequently than each week precisely to consider things that might then need to be referred to the Cabinet. There have been quite frequent occasions—I would not like to try to recall the exact number—on which a set of decisions arrived at in the NSC have been discussed by the Cabinet the following week, which, depending on the circumstances, is normally quite soon enough.

Q113 Chair: That is a week later. I just put that to you as a thought for further consideration.

Mr Letwin: I have actually given some thought to this, and, indeed, we thought about it quite a long while back. It is quite frequently useful for the results of one meeting to be aired around Whitehall before there is a further discussion of it. If you move directly from one to the other, you find that some Secretaries of State who attend our Cabinet meetings, but who are not present at the NSC, have not had the opportunity to take briefing from their Departments and so on. If you were to seek to persuade us to move it back, you would have to seek to persuade us to move it some way back. I am not sure that it would ultimately make very much difference from it being a week back.

Chair: A fair point.

Q114 Mrs Moon: Dr Fox, can you tell me what key capabilities are actually needed to deliver the NSS in relation to strategic deterrents, cyber-security, homeland defence and armed intervention overseas? I am not necessarily talking platforms.

Dr Fox: We need to have balanced forces, as Mr Brazier said, across all environments. We have to have

land forces capable of expeditionary capability. We must have sufficient maritime capability to deter in areas such as piracy, to evacuate where necessary and to take part in training and in wider maritime missions. We must have the ability to support those missions. We have to have sufficient air assets to give us lift capability when required and to support expeditionary and other missions. We must have a sufficient number and range of fast jets for either the defence of our own airspace or, should we require it, the protection of ground forces or, indeed, air-to-ground attack. We need a wide balance across them all.

Again, I will reiterate the point until it is tedious. That is why we went for an adaptive posture. That is why we did not lean too heavily towards land forces or towards any other type of asset: it was precisely because we believed that we may be required to do a range of things, including, against the ultimate threat, the maintenance of nuclear deterrents.

Q115 Mrs Moon: Did you lean at all towards sovereign capability and the Defence Industry Strategy? Did you look at that? Did you take it in as part of your considerations?

Dr Fox: Of course, the Green Paper that we have just published, which looks at—

Q116 Mrs Moon: But that is after. What about before?

Dr Fox: For example, we had decided that it was essential to maintain our nuclear deterrent. Therefore, in terms of industrial policy, we had to have the submarine technology to back it up. We need to have encryption, which is clearly a sovereign capability. But I think there is a growing global debate about how internationalised we are becoming, not least because of the expense of defence and the expense of new technology.

Mr Letwin: I should perhaps add that, as Liam's Department and my own have worked together on the question of the Green Paper and now the forthcoming White Paper, we have been enormously clear that it is defence requirements that should drive this process and not an industrial requirement. If there is a defence reason for a sovereign capability, we should invest, but we are not allowing ourselves to be driven by the concerns of shareholders, however valid in their own right, or national economic considerations. Those are considerations that BIS and the Chancellor may entertain in thinking about the growth review, for example, but in dealing with defence contracting and procurement we have been very clear minded that this is driven by defence requirements.

Q117 Mrs Moon: Do you have a set of criteria, a methodology and an overarching risk assumption on which capability decisions are being made?

Dr Fox: As I explained to the Committee before, we effectively had a single tool that we looked at when making decisions about assets in general during the SDSR. As I explained, we had a single sheet in front of us. The first column had the proposal itself and the second column had the cost of years nothing to five,

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five to 10 and 10 plus. The third column was the capability implications of the decision: what capabilities did we currently have that would have been diminished or lost as a result of the changes being proposed, and what other assets might we have to fill the gap?

We then looked at operational implications: what operations are we currently involved in that, again, we might not be able to do if we took that decision? We looked at the regeneration requirements: if we were going to delete or diminish any capability, how quickly and at what expense could we regenerate a capability? That remains a key element.

We also looked at real world risk—this is the direct answer to your question—because we cannot have a balance of forces on an abstract basis. There simply is not the budget to buy everything that you could possibly need; therefore we had to be informed on real world risk. That is one of the areas in which the NSC is a very useful tool, because it gives us changes in real time against which to measure and change anything that we might need to do in the future.

Q118 Chair: You are quite right. Now I remember it, you gave us that evidence in some detail in, I think, June of last year.

Dr Fox: I am so glad you remembered.

Chair: I am trying to pick up a bit of speed because I know that people have a lot of things to get through. So could both members of the Committee and witnesses pick up a bit of speed?

Q119 Mrs Moon: In that case I would just like some clarification. In November, the Chief of the Defence Staff told the Committee that capability decisions were based on acceptable risk. How is “acceptable risk” defined, and who defines it? Perhaps Mr Letwin, given his involvement in many of these decisions, and you, Dr Fox, could answer that question if we are going to focus it on two people.

Dr Fox: We looked at the evidence that exists about the capabilities possessed by those who might threaten the UK’s interests or the UK, what we need to counter them and where we need to deter potential action against ourselves or our interests. There are some countries with some capabilities that do not threaten us, and there are other countries with emerging capabilities that might. That is why, for example—I apologise, because I gave the example before—if we look at our mine countermeasure vessels in the Gulf, it would not have been possible to take them out because the real world risk was too great. That real world risk might change. Iran might become a benign paradise, but it might continue to threaten our vital interests, in which case we need those ships in the Gulf.

Q120 Penny Mordaunt: My questions are to Mr Hague and Dr Fox. Could you tell us what the main driving force is behind our alliances with other countries? Is it primarily diplomacy, or is it getting access to a military or training capability? Could you also clarify which one of your Departments takes the lead on establishing such alliances?

Mr Hague: The main factors—the driving factors—behind alliances are national prosperity and national security. They are, of course, both present in a different combination in different alliances. If we are talking about the NATO alliance, it is a national security alliance. The European Union is more directed at maintaining our national prosperity. Our relationship with the United States is a powerful mixture of the two. The elevation of our relations now with countries of Latin America and South East Asia is more directed at prosperity, but it can lead to defence co-operation and it already incorporates elements of defence co-operation. Of course, those factors vary from one case to another.

One thing to note on this in your examination of the work of the National Security Council is that one of its Sub-Committees—the National Security Council Emerging Powers Sub-Committee—is quite heavily prosperity-focused, even though it comes under the ambit of the National Security Council. A great deal of the council’s work is pure security—it is defensive in the sense that we have been discussing for most of this discussion—but it is important to be developing national and international relationships, which are, of course, improving our prosperity, but which may be key to our security 10, 20 or 30 years from now. So we oversee those relationships, including collaboration in higher education, culture and diplomacy, as well as in business department relationships, through the NSCEP Committee. All of those things are factors in creating alliances and international relationships.

Dr Fox: The whole approach to alliances has been to create a multilayered approach. As I described, we have bilateral relations with France and the United States that are political, military and economic. We have tried to develop new elevated bilateral relations with countries with which we feel we should have a stronger relationship, such as Turkey and India, for different reasons—Turkey because it has a very important strategic geographical position. It is important in energy security. We see it as being a key NATO partner that is a bit alienated by the current EU approach to its membership. There are a whole range of different reasons for wanting to elevate those.

We have sought to improve some of the areas, such as NATO, which we think—I agree with Mrs Moon, who has just left—moves too slowly on occasions. Effectively, we want to have as many levers that Government can pull as possible, including getting some life back into some of the very neglected relationships and alliances that we had—for example, in South East Asia. The effective mechanics are there, but no one has been maintaining them.

Q121 Penny Mordaunt: In terms of which Department takes the lead, how does that work?

Mr Hague: On these international alliances and relationships, day-to-day diplomacy is, of course, primarily a matter for the Foreign Office, but, again, one of the advantages of our National Security Council approach is that we are able to discuss these things together. We are, therefore, able to say that, with a given bilateral relationship, we are going to

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aim to work with them on development aid together, that we are going to extend our defence co-operation, that we are going to upgrade our diplomatic commitment and, indeed, with other colleagues who are not here today, that we are going to have a stronger collaboration between education institutions or whatever it may be. As I have always stated, our objective has been that, for foreign policy to run through the veins of the entire Government, that means those Departments all executing that themselves, not just the Foreign Office being in the lead.

Dr Fox: In fact, we are creating new structures to enable this to happen. The Foreign Secretary wants to say something about what's happening between FCO and MoD, but we are actually creating new ways and new structures to make sure that we are maximising for our foreign policy aims what can be provided through defence relationships.

Mr Hague: Yes. For instance, a more integrated and systematic use of our defence assets to support the Government's international security and prosperity agenda is very important. So we are working now in the Foreign Office and the Ministry of Defence to develop a defence engagement strategy, which recognises that our defence capabilities have influence far beyond their core military tasks. We have to ensure that we maximise the effect that they can have in support of the Government's international priorities. That is something that the MoD and the FCO will be doing from now on.

Mr Letwin: May I add one thing to enlarge the picture and illustrate how related these things are to one another? We mentioned earlier the relationship that has been developed with Norway, and it might seem that that relationship has nothing in particular to do with what is going on in the Middle East and North Africa. Of course it does, from our point of view, because deepening the relationships with Norway, and securing our energy better as a result, may have a direct bearing on the extent to which we are vulnerable to activities going on in the Middle East and North Africa. The ability of the NSC to look at that kind of question in the round is invaluable.

Q122 Penny Mordaunt: Turning to the bilateral alliance with France, how will the effectiveness of that alliance be assessed?

Dr Fox: That operates on a number of levels. Obviously, there is the nuclear co-operation, which was a real step change in our relationship with France. There is closer and closer military-to-military working. We have a number of joint exercises, such as Exercise Southern Mistral, which will begin later this month or next month. We are getting a gradual working through of some of the differences that we have in military approaches, not least in logistics, and there is a gradual build-up of this on both sides. We purposely wanted it to be incremental. We wanted it to be an organic change in the relationship, rather than some big bang that we announced, and I think that is operating well.

We have a range of discussions on procurement; on where we have duplication of research at the moment,

which we might, in tight financial times, be able to reduce; and on areas such as military planning, doctrine, training, exercising and future procurement. All those areas are being looked at.

Mr Hague: And in terms of assessment, the review in future years of the NSS that we have committed ourselves to is an ideal vehicle to review the effectiveness of the defence treaty with France, for instance.

Q123 Penny Mordaunt: You have mentioned Norway, but what progress has been made on further alliances, for example with Germany? There were some reports that those were on ice until the French alliance had been evaluated.

Dr Fox: I had discussions with the then German Defence Minister just a few weeks ago to see whether there were discrete areas where we could work more closely together. We didn't have a treaty with France just because we thought it would be good to have an Anglo-French treaty. There were strong reasons in terms of capabilities and complementarity that we thought made it a natural partnership. We wouldn't want to seek to have treaties of that bilateral nature with other countries just to have them, not least because that would undermine the value of the Anglo-French treaty at the present time. That doesn't mean that we can't scope co-operation on a bilateral basis with other countries.

We were accused, at one of the summits we attended, of bilateralising defence relationships, as though having stronger bilateral relationships inside a grouping were some sort of crime. Nobody ever thought that a strong Anglo-American relationship weakened NATO, so why should stronger bilateral relations with other countries weaken other organisations?

Q124 Penny Mordaunt: Finally, how do the more long-established alliances fit in with the NSS and the SDSR? What are the implications of new alliances for them, I guess particularly with respect to the United States?

Mr Hague: Long-established relations fit in very well to this adaptable posture and to meeting the range of threats that we have identified in the NSS. The Defence Secretary was talking earlier about the meetings that we had in Australia, for instance. We think that that relationship has not been given enough attention by Governments in recent times. We agreed to have, for the first time, the AUKMIN meeting—the meeting of the Defence and Foreign Ministers of the UK and Australia—in Australia. We did that in January, and it allowed us to discuss the entire global picture together and identify certain areas on which we can intensify co-operation. For instance, defending ourselves in cyberspace is an area of great importance to us and to Australia. These are two countries with the capabilities to do a great deal together. I think the refreshing of some old alliances fits very well into this strategy, just as the building up of new stronger alliances such as with Turkey—an existing NATO ally, but we are intensifying that—also fits the range

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of threats we face, for the reasons the Defence Secretary gave.

Dr Fox: Also, groupings within alliances have an ability to provide us with some synergy. For example, the Northern Group enables us to have the Baltic states, Norway, Sweden and Finland, Poland and Germany. That is another area where we will focus on particular areas of concern to us that might not be of concern to the wider grouping inside NATO, the EU or whatever. That allows us to have a focus recognising that we have a certain geographical position in the world that needs to be attended to. We sometimes forget to look after own back yard, and in some cases that has led to a diminution of influence when it shouldn't.

Chair: Our final batch of questions relates to money.

Q125 Bob Stewart: I shall be as brief as I can. Dr Fox, there is so much happening at the moment. We are trying to deliver on the SDSR. Is the reorganisation within the Ministry of Defence being hampered for delivery of SDSR?

Dr Fox: No, we have to have reorganisation if we are to get value for money. Within whatever budget is set, we have to get better structures, we have to have better management, we have to have better real-time control of defence budgets.

Q126 Bob Stewart: You are trying to do change at the same time as changing the organisation that will deliver change. Is there a paradox there?

Dr Fox: I am not a natural Maoist for permanent revolution, but a certain amount of change is required to be undertaken. In a country where you can't even find out if someone calls himself a socialist, to be a Maoist revolutionary is quite difficult.

We do require change to be undertaken. If I may give one example, the fact that there is no real accountability for our 20 major programmes, which are 80% of the programme budget, is incredible. We set out two weeks ago the programme to have quarterly reviews, where they have to be certified on time and on budget, or we bring in the programme team, and if we are not happy we will publish the programme, so the stock market and shareholders can see which programmes might be at risk in future. It was very interesting to see the stock market movements that day. It is essential that we get that real-time control of budget.

To talk about the other changes we are making, not to have real-time budgetary control would mean that the waters would close over us again quite quickly. If we are to keep the ground that we take in terms of getting increased efficiency in the Department, we must bring in the changes—they are not optional.

Q127 Bob Stewart: That leads nicely into the second question. As a revolutionary, you would of course want some motor for your revolution. Who in the Ministry of Defence is going to make sure of those programmes? Which particular part of the Ministry of Defence is going to drive it through hard?

Dr Fox: In terms of the major projects board, I am going to do that. That is going to be my responsibility.

There are some things in the Ministry of Defence that are devolved that should be controlled centrally, and there are some things controlled centrally that should be devolved. That is part of the reform process. The one thing that needs to be controlled is the real-time budget. That has to be gripped right at the centre. That is why that will become the Secretary of State's responsibility.

Bob Stewart: Seriously good luck.

Q128 Ms Stuart: Dr Fox, in the past the Government have asserted there was around a £38 billion over-commitment in the defence programme. Will you clarify whether that was real commitment or was that £38 billion an aspirational commitment of the MoD?

Dr Fox: The £38 billion was the difference between what the Department had planned to procure and what the Department would have in resources if you assumed flat real growth between 2010 and 2020.

Q129 Ms Stuart: So, this was planned procurement?

Dr Fox: Yes.

Q130 Ms Stuart: And how much of that would you have already entered on a contractual basis?

Dr Fox: The way that previous procurement worked meant that a greater and greater proportion of each year's budget was committed, and therefore there was a smaller and smaller proportion left for what we might choose to do. In this financial year, that stands at about 90%, so 90% of the budget is committed before we can look at the planning round. A number of the projects have begun. There is scoping for some projects, such as the deterrent. They will come and pass through that number and out the other side, because they are of such long scope. In the current planning round and in the SDSR, we've stripped out a large proportion of that, but, of course, we are still involved in Planning Round 11, and I would not wish to say anything to the Committee that might tie my hands in the next two weeks.

Q131 Ms Stuart: However, I will try to tempt you to do so in a moment. Let me try to understand this. You say that 90% of the £38 billion is committed.

Dr Fox: Of our programme budget. It is very heavily committed.

Q132 Ms Stuart: So that allowed you about 10%.

Dr Fox: There is a limit to what we have in terms of discretionary spend in the year.

Q133 Chair: I'm sorry, but was that really what you were saying? I don't think it was what you said. Were you saying that 90% of that £38 billion—

Dr Fox: Of this year's budget is already committed. I am sorry; that is not the same £38 billion. I'm talking about this year's MoD budget, so 90% is already committed.

Ms Stuart: All right.

Mr Letwin: They happen to be similar figures, but they're different items.

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Q134 Ms Stuart: It was the £38 billion that was over-committed in the defence programme I was after.

Dr Fox: It's £42 billion if you include the deterrent.

Q135 Chair: I am sorry, but how much of that £38 billion was contractually committed?

Dr Fox: Offhand, I couldn't give an actual figure, but I will get it for the Committee.

Q136 Ms Stuart: Is it a third, a quarter, two-thirds?

Dr Fox: There is a huge ability to reduce a very large proportion of that. My guess is that of that £38 billion we are talking of something like £8 billion to £9 billion, and that is a ballpark figure.

Q137 Ms Stuart: But you will do us a proper note on that?

Dr Fox: Yes, and we have taken a huge proportion of that £38 billion out as a result of the current spending round and SDSR. When we are through PR 11 and have it agreed, I'll make it available to the Committee because those numbers will become apparent quite quickly.¹

Q138 Ms Stuart: On the current spending round and a commitment by the MoD to agree to cuts, but not-yet-specified cuts, I gather that you have committed to something like £4.7 billion over the next four years in as yet unapportioned savings.

Dr Fox: Through the rest of the planning rounds, yes. It was always going to be extremely difficult to deal with the planned overspend very quickly, and we will have to work our way through that. As the Committee knows, there are areas on which we haven't finalised our decision-making—the reserves versus the regular forces, the basing review and what we do with Germany, which is a consequence of that. A lot of those things will follow through in the planning rounds.

Q139 Ms Stuart: Just to be clear, if it is £4.7 billion of unapportioned savings over the next four years, in the current spending round that means you still have about £1 billion in cuts to apportion, doesn't it?

Dr Fox: That is, of course, dependent on the resources that we're discussing at the moment with the Treasury. For example, about £500 million or so of that money would be the money that we might have expected from previous sales receipts of Typhoon, which are not available, but which we might have expected. As part of PR 11, we are, therefore, in those discussions.

Q140 Ms Stuart: But if I were to say that as part of PR 11 there is £1 billion around and you still have to look at it before the end of March, you wouldn't say, "Don't be so ridiculous, it's nothing like that"?

Dr Fox: That depends on the finance that is available on the other side. Are you saying that we would have to close a gap entirely? If you look at the variance in the missing receipts, plus increased costs caused by fuel and currency movements and so on, there has been quite a variance. That is something that we will

take through with the Treasury over the next two weeks.

Q141 Chair: Just to be clear, you haven't told Gisela Stuart that she's ridiculous?

Dr Fox: I would never dream of doing such a thing.

Q142 Mr Havard: Planning round 11 will come out at a particular time, and the Defence Industrial Strategy, which we are clearly interested in, runs alongside it. There is talk about the spring. I don't know whether spring in Treasury terms is something that does this so it's July rather than March. We are in March. Are there any projected dates for when these things will fall to us so that we can assess them?

Dr Fox: We think it is late June, early July.

Q143 Mr Havard: So that is spring.

Dr Fox: It is a long spring.

Mr Havard: I thought so.

Q144 Mrs Moon: Perhaps it is my simplicity over what is a planned procurement and what is a commitment, but I have a plan to procure a conservatory on my house. I have not talked to a builder yet, but I have a plan. It is in my head. I am a woman and I plan all the time. I have a plan to buy a new car at some point. How much of these planned procurements are actually signed contracts? Are you are coming back to tell us what you have signed up to and what are aspirational, as a lot of my planning procurements are? It would be really helpful to see the difference between those. Can we have a commitment to that?

Dr Fox: Yes, absolutely. That is one of the things that I have been very keen to ask Bernard Gray to do. It seems to me to be exactly in line with the implication of your question. There are projects begun, where money goes into a line without there being a proper full budgetary line. For example, are we starting lots of projects in the hope that money will become available? Is that what the Department means by it? What I want to ensure is that we do not begin to spend money on any programme unless we are quite sure that the budgetary line will be there for development, procurement and deployment because it seems—and the work we are doing now is really drilling into this—that is where the MoD begins to spend money in the hope that it will be able to continue the programme and that money will become available in later years. That inevitably leads to the sort of bow wave that we have been seeing and an over-commitment of the annual budget. That leads us to the point we are at now where the wave is starting to break.

Q145 Chair: But the problem, I think, is that you have been using this figure of £38 billion without there being any great degree of clarity as to what is this Ferrari that Madeleine Moon would like to buy and what is something that has been committed under a PFI. Do you feel that you should now be able to produce that clarity in public?

¹ Ev 136, Ev 156

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Dr Fox: What we intend to do is to be able to set out at the end of this process what it is we are actually committed to over this SDR period and right through to 2020. And it will be substantially less than that figure because we are looking to see where we can pull out of future planned expenditure areas that we do not believe will ultimately get to fruition.

Q146 Chair: Are you not able now to give any answers in relation to that £38 billion figure?

Dr Fox: In terms of how much we have stripped out of it, Chairman?

Q147 Chair: No, in terms of how much of it is committed and how much is aspirational.

Dr Fox: I think it is difficult in the current definitions that the Department uses to do that because there are programmes begun and there is no real money in future programmes to pay for them. That is what we have to ensure that we strip out. We have to make sure that where we have an aspiration, there is a real budgetary line or it is simply a wish list and we should take it out.

Q148 Chair: But if it is difficult to do that and this £38 billion figure has been the justification for some of the defence decisions that have been taken, how do you justify some of those defence decisions?

Dr Fox: Had we gone ahead with all the projects that were in the pipeline on complex weapons, on other areas of projects, then had we assumed flat real growth spending between now and 2020, we would have had a budget demand over that period of £38 billion more than the budgetary allowance from the Treasury. That was clearly going to lead us every year into an ever more overcommitted budget with ever less discretionary spending.

Q149 Chair: Are you in any different position from any previous incoming Government in that respect?

Dr Fox: We are in the same but worse. These practices have gone on for many years, pushing budgetary costs to the right. It has meant that every year, the budget is more overcommitted at the beginning of the year than the previous year. We have now got to the point where that has become unmanageable, which is why it has reached crisis point and why we had to do something about it.

Chair: I suspect that this is an issue that we will need to return to. We will eventually need to ask you to come before us again.

Dr Fox: It is always a pleasure, especially after PR 11, when it will be a real pleasure.

Q150 Chair: Good. Before we do, there is just one further set of questions that I would like to put to Mr Letwin. We know that Dr Fox has a strong personal view that he would like to see an increase in real terms in the defence budget as from 2015, because he said so. We know that the Prime Minister has said the same thing. Is it credible? Do you believe it? Is the NSC working on the basis that that will happen?

Mr Letwin: It will not surprise you if I tell you that the NSC is extremely heavily influenced by the views

of the Prime Minister. His views are on the record, and I happened to turn them up in anticipation that you might want to ask me that question, and he said, "My own strong view is that this structure will require year-on-year real-terms growth in the defence budget in the years beyond 2015."

Q151 Chair: And you find this credible?

Mr Letwin: I certainly do. It's not only credible, but is something that is powerfully put by nobody less than the Prime Minister.

Q152 Chair: Is it Government policy?

Mr Letwin: It is the view of the Prime Minister. He said, "My own strong view".

Chair: That sounds like a no.

Mr Letwin: Let me explain the difference.

It is not possible for the machinery of government to set expenditure decisions across a longer range than the spending review range—that is the whole structure of our machinery of government. We set expenditures according to spending review patterns. So, SR10—spending review 2010—sets a pattern for four years. It does not stretch to 2020, and I don't know of any Government in the world who could do that.

Q153 Chair: Is it Government policy to replace Trident?

Mr Letwin: We are engaged at the moment in replacing Trident, and that is of course our policy.

Q154 Chair: So why can it not be Government policy to increase spending on defence from 2015 onwards?

Mr Letwin: There is a difference between the decisions you take to spend money now—the spending on Trident in part. I defer to Liam—

Chair: The Main Gate happens after the next election.

Mr Letwin: Understood, but there is some spending on Trident now. There are decisions, I understand—Liam would know much more—to be of great importance in spending that money now in order to maintain the capabilities that we need to maintain and do the preparatory work that we need to do. So there is a Government policy to replace. There is expenditure going on now, and that is the policy of this coalition Government.

The Prime Minister was stating his personal view, as Prime Minister and also as leader of the Conservative party, about something that will fall to a subsequent period and the Government then in power to decide finally, and which we will begin, presumably, to have to make some decisions about at the tail-end of this Parliament.

Q155 Chair: So we have an election in 2015, say. Is it only in 2015 that we discover whether the increase in the defence budget is going to come into effect, whether it is Government policy?

Mr Letwin: It is inevitable, isn't it, if there is an election, that whoever emerges as the Government after that election will take a view on expenditure beyond that election?

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Q156 Chair: It will be a bit late for 2015, won't it?

Mr Letwin: I fear that beyond 2015, because of our democratic process in the country, people will have to wait to know who the Government are and what decisions they will take, but the Prime Minister has taken a view about what he would wish to see if he were Prime Minister at that time. That is a matter of great concern, because it is not just anyone speaking, but the Prime Minister.

Q157 Chair: Mr Hague, do you share this personal view?

Mr Hague: Yes.

Chair: Mr Mitchell, do you share this personal view?

Mr Mitchell: I do.

Mr Letwin: I think you may have gathered that the four of us share a view.

Q158 Chair: So let us try and tease out where the problem is with this. Is there anyone in the Cabinet of whom you are aware who does not share this personal view?

Mr Hague: I think, Chair, we had better bring the whole Cabinet before your Committee so that you can ask them one by one.

Dr Fox: One thing is clear—if we want to get to Future Force 2020 and, as was agreed during the SDSR, we require real-terms increases in the budget in what are called the out years—

Q159 Chair: Of how much?

Dr Fox: There are so many different assumptions and, to be fair, different figures. But if we saw the sort of economic growth that we want and, out of Afghanistan, if we were still carrying out our NATO 2% commitment on defence spending, we would get to that level.

The exact speed at which we would get to it is part of the debate, as the Committee knows. We are effectively looking at a J-shaped curve to get from where we are today to Future Force 2020. Some of the decisions that we will take in this year's planning round, next year's and—to an extent—in the year after that, are about the depth of the downswing and, therefore, the gradient that we require in increased spending.

To an extent, the exact figure that we will need to get from where we end up in planning year 14 to Future Force 2020 will be dependent on the decisions that we take in the first three years. Those are, as we say, live discussions.

Q160 Chair: I am sorry, but I am not entirely sure that I understood that. What would be the consequences of failing to increase the defence budget, in real terms, by some noticeable amount from 2015 onwards?

Dr Fox: The rate of real-terms increase will determine how quickly we can get to the benchmarks that we have set out in Future Force 2020. If it is a steep increase, we will reach that point earlier.

Q161 Chair: What do you mean by “steep”—let's say, a 3% real-terms increase per year?

Dr Fox: That would be very nice. Where we are on that curve and the gradient of the upswing also depend on the decisions that we take in the early years. If, for example, we were to take deeper savings in those years, a sharper upswing would be required in the later years to get to the same point. So the actual number in real-terms growth will depend on where we are at the beginning of the next CSR.

Q162 Chair: And you are still struggling around looking for £1 billion—you haven't told Gisela Stuart that she is ridiculous—during this current planning round?

Dr Fox: Chairman, to be able to make a contribution to the deficit reduction, which is in itself a national security liability, and to deal with a budget that is 90% committed, was never going to be an easy exercise—none of us pretended that it would be.

Q163 Chair: Nobody has suggested that this is easy. But you are suggesting a real-terms increase, as is the Prime Minister, just at the time when we are leaving Afghanistan. How will the public wear that?

Dr Fox: We have set out what we believe to be the correct posture and force balance for the United Kingdom going ahead. In the SDSR, we had three options: first, to salami-slice everything and try to keep our heads above water year by year; secondly, to freeze capabilities where they were and not to sign future contracts or invest in future capabilities; and thirdly, to say, “We're in a hole. Let's find a strategic aiming point,” which was 2020, “Let's set out what we think is the appropriate force balance for the UK in that year and then work our way towards it.” That was always going to be a difficult course to take, but I still believe it was the right one.

Q164 Thomas Docherty: Secretary of State Fox, your Permanent Secretary was in front of us a couple of weeks ago, and you have said today that, effectively, a decision on the future funding is being put off until 2015. An uncharitable observer or politician might suggest that if there were, for argument's sake, a change of Government in 2015, they would put it to you that you had left what is, I think, called a black hole in defence funding. You don't know that you are going to get a real-terms increase to meet the pledges that this Government have made for the period 2015 to 2020. Is that an unfair observation?

Dr Fox: And a cynic might say that a Prime Minister who has already committed to a real-terms increase in the budget might have a clear plan about what a future Conservative Government might look like in terms of defence policy.

Q165 Thomas Docherty: We cannot speculate whether there would be a Conservative Government.

Dr Fox: Nor do we know when the CSR period will be or, indeed, unless you are dealing with the Treasury and asking it, what the assumptions will be on the future budgetary out years, as we approach those years.

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Q166 Mr Havard: You were going to give us some more detailed figures later—which would be very useful—but you did say that you might be able to say something about how much you had whittled down this theoretical £38 billion—current activities. Can you say that now? Is it £21 billion now?

Dr Fox: By the time we are through our PR11 planning—incidentally, we intend to start the PR12 planning immediately after the PR11, to give the Department a bit more space to start to look at options—we will have a better idea of what those numbers are. Until we are through this planning round—I am sure the Committee understands—it is difficult for us to put exact numbers in.

Mr Havard: We understand that you don't want to put that number of £21 billion in.

Q167 Mrs Moon: May I clarify? Are you saying that, if that is your plan, you are going to confirm planning round 12 almost immediately after you have committed to planning round 11—you are going to start working on that. So we should be able to know, really, at the start of or early into planning round 14 what your plans are for planning round 15—if you are always planning well in advance.

Dr Fox: I think we do not plan far enough advance, and I don't think that the Department has sufficient flexibility. We have to try to get ourselves away from this level of pre-committed budget, because it means living from hand to mouth year after year.

Q168 Chair: So you would go for Bernard Gray's 10-year rolling budget?

Dr Fox: An indicative budget would be extremely helpful.

Chair: Indicative?

Dr Fox: Governments cannot set 10-year budgets.

Chair: Why not?

Dr Fox: Because they are not going to be in office for longer than five years.

Chair: Ah. So, Governments who might be in office over an election that is coming up cannot set budgets longer than the period of the election.

Dr Fox: They can set indicative budgets. We can work on indicative budgets, but we cannot set—as Oliver said—real budgets.

Q169 Mrs Moon: You must be aware of the high level of concern within the Armed Forces and among

the public in this country over the decisions that have come out through the SDSR. What are you doing to address those concerns? How are you reassuring people? We have seen the high turnout here today. It is possibly one of the major inputs into our mail boxes. How will you address those concerns, and reassure the Armed Forces and the public that the decisions you are making are the right ones for the country, and not the right ones for the Treasury?

Dr Fox: We are using all the usual elements, such as internal discussion with our staff, talking to the Armed Forces, to Armed Forces' families and to think tanks. We are undertaking editors' briefings to get a better understanding of some of the issues, but no one wants to see—I certainly don't want to see and I have never wanted to—reductions in our defence budget. But there is a reason why we have to reduce the defence and other budgets and that is, as I have often said, that next year we will pay more in debt interest than the MoD, the FCO and the DFID budgets combined. It is gradually becoming a strategic liability for the United Kingdom when more and more of our money is pre-committed to creditors rather than free for Governments to use on national security or anything else that the Government of the day choose to do.

Q170 Sandra Osborne: You said that you will make a yearly progress report on the Strategic Defence and Security Review. Do you think that that is sufficient? How will you involve Parliament in the process? Would you be prepared to commit to an annual progress report to the Defence Committee?

Dr Fox: I would go further. I would be quite happy to give an annual report to Parliament as a whole, to give Parliament as a whole a chance to comment on it. We are trying to become more transparent so that people can actually see what we are committing ourselves to, and what the future budget liabilities are. Believe me, the least of my problems and difficulties would be giving the report to Parliament.

Chair: I think that we have finished for this high-level bit. We will ask you, Dr Fox, to come back again. I would like to express the Committee's gratitude to all of you for giving some very helpful answers, and to Mr Letwin for missing another meeting. We appreciate that and the sense of priorities that that showed. Thank you very much indeed for starting us in this extremely helpful way.

Wednesday 11 May 2011

Members present:

Mr James Arbuthnot (Chair)

Mr Julian Brazier
Thomas Docherty
Mr Jeffrey M. Donaldson
John Glen
Mr Dai Havard

Mrs Madeleine Moon
Penny Mordaunt
Sandra Osborne
Bob Stewart
Ms Gisela Stuart

Examination of Witnesses

Witnesses: **Admiral Sir Mark Stanhope GCB OBE ADC**, First Sea Lord and Chief of Naval Staff, **General Sir Peter Wall KCB CBE ADC Gen**, Chief of the General Staff, and **Air Chief Marshal Sir Stephen Dalton KCB ADC**, Chief of the Air Staff, gave evidence.

Q171 Chair: Gentlemen, thank you very much for attending this session on the Strategic Defence And Security Review. Particular thanks go to the CGS, who spent the morning with us as well.

General Sir Peter Wall: It is a pleasure, Chairman.

Q172 Chair: You almost sound as though you meant it. This morning I asked you to introduce yourselves. First Sea Lord, would you like to begin?

Admiral Sir Mark Stanhope: Yes, I am Admiral Sir Mark Stanhope. I am the First Sea Lord and Chief of Naval Staff. I have been in the job for some 20 months now and was certainly there throughout the whole period of this Security and Defence Review.

General Sir Peter Wall: I am Peter Wall, as you know. I am the CGS—still, even after this morning—and I took office in the middle of September, about four weeks before the formal culmination of the SDSR.

Air Chief Marshal Sir Stephen Dalton: I am Air Chief Marshal Stephen Dalton. I have been Chief of the Air Staff for about 20 months—throughout the period of SDSR, certainly—and am still here, as well.

Q173 Chair: As a triumvirate, I do not think that you have appeared before us before—you are all welcome. The inquiry is about the SDSR. We want to lead from the existence of the National Security Council through to the National Security Strategy and into the SDSR itself. I will begin with questions on the National Security Council. We were told by the Secretary of State for Defence that one of the Single Service Chiefs might be invited to attend the National Security Council “Were there to be a specific reason” to do so. Will you describe your relationships with, and input into, the National Security Council, and say whether you have, on any occasion, been invited to meetings of the National Security Council, please?

Admiral Sir Mark Stanhope: Do you want me to start?

Chair: That would be fine.

Admiral Sir Mark Stanhope: In terms of the existence of the National Security Council, we, as a group—not Peter, of course; Peter’s predecessor—attended one National Security Council towards the latter part of the SDSR to discuss SDSR issues, not national strategy.¹ We are engaged with the National

Security Council through the Chief of the Defence Staff, who seeks our inputs on a weekly basis through the Chiefs of Staff Committee, which meets on a Monday.

Q174 Chair: So you have been all together, collectively, once? Have any of you been singly to the National Security Council?

General Sir Peter Wall: Not yet. I think that is largely because most of the issues have been sufficiently general for CDS not to want to take a subject-matter expert with him, or the Secretary of State, for that matter. Of course, on occasions the Vice-Chief represents the CDS, but so far, that has not happened.

Q175 Chair: Professor Mike Clarke told us that “The NSC and the NSS are very closely connected, but the NSC and the Defence Review are less connected than they should have been”. Was he right, CAS?

Air Chief Marshal Sir Stephen Dalton: Certainly the involvement of the Chiefs with the National Security Strategy was one of working within the Department, which then gave its input across the road in the Cabinet Office, as the Cabinet Office secured the strategy. To that extent, we were involved as a group of advisers, rather than individually, directly with the Cabinet Office development of the strategy. In terms of the review, we definitely were involved, again through a series of meetings both inside the Department and elsewhere. The point that my colleagues did not mention is that we certainly had at least two sessions with the Prime Minister and some of the NSC separately from the major NSC meeting that we had during the SDSR. We were involved quite a lot in that as it was developed and brought forward, but the majority of our work has certainly been inside the Department, fed in through CDS and the Secretary of State.

Q176 Chair: What do you think about the National Security Council and the Defence Review—the SDSR, I suppose he meant—being less connected than they should have been?

Admiral Sir Mark Stanhope: There is a sense of strategy being ends, ways and means, and the strategy that was produced required the SDSR to satisfy the ways and the means piece. I do not entirely agree that they are completely disconnected. The debate is as

¹ Note by the Chief of the General Staff on reviewing the transcript: he did attend this NSC.

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indicated. We did have discussions in the Defence Strategy Group—the group that the Secretary of State set up to discuss these issues within the Ministry of Defence—and in those, we discussed the vigilant, adaptable, committed Britain posture that was a major feature of the defence aspects of the Strategic Defence and Security Review. There was engagement, but it wasn't direct. I am not entirely in agreement that they are completely divorced from one another.

Q177 Chair: I don't think that is what he said. He didn't say that they were completely divorced. He said that "the NSC and the Defence Review are less connected than they should have been". The implication of what you just said is that you think the ends, the ways and the means were all sufficiently connected and were all sufficient, and that the SDSR was, therefore, a good outcome.

Admiral Sir Mark Stanhope: That is not what I said. I said that a connection strategy is an ends, ways and means product. The National Security Strategy itself, as a paper, gave us the ends. The ways and the means were connected through the publication, or the formulation, of the SDSR. I didn't necessarily say, as you indicate, that all the consequences are perfect.

Q178 Chair: We will come on to whether the means were sufficient in a few moments' time. Actually, it will be quite a number of moments' time. How has the National Security Council improved strategic thinking and decision making within your individual services?

General Sir Peter Wall: I would first point to the clarity that has come from having a very senior political lead—the Prime Minister, with Ministers present—on the Afghanistan campaign and its wider ramifications in the Pakistan context, and so on. Having worked as the DCDS (Operations) under the previous arrangements, it is clear how much it is being driven from the very top. The clarity that cascades down to the people who have to put it into operation is very welcome.

Admiral Sir Mark Stanhope: I would add the obvious connection between the National Security Strategy, as it drives through the guidance, and the direction that a National Security Council provides through into what is ultimately maritime strategy. From my point of view, there has to be a connector. The mechanisms that have been introduced through the NSC are constructive.

Air Chief Marshal Sir Stephen Dalton: I have two things to add to that. First, there is no question that we now get much better strategic direction on what is going on than we perhaps did before the formation of the NSC. That is mainly because there is a clear programme of work that looks out at not only the current issues, but the issues that are downstream, out to 2020 and so on. We have had much more clarity on what the strategic direction is. The balance, which still has to be worked out, is how much of it is about today's issues, and how much is about the issues of the next 10 years. One of the things that we feel—I certainly feel it in my service—is that we need slightly more clarity on the ways in which we are going to get to 2020, rather than on getting through the next year's

worth of operations, or the operations that we are doing today.

Chair: Thank you. I agree with that.

Q179 Mr Brazier: I have two questions. I will come back to the First Sea Lord's point about maritime interface, but first I want to ask a wily question of all three of you. What assessment has been made of the UK's ability to cope with a combination of the risks? At the moment, for example, we are involved in two major operations. All three services are involved in one, and two are involved in the other. Would we still be able to cope with a large-scale civil emergency at home?

General Sir Peter Wall: What sort of large-scale civil emergency? If we are talking about some of the things that we have been working on, such as something linked to disputes in the prison service, which isn't large scale, but is significant, there is a clear contingency plan that is not affected by operations in Afghanistan or as part of the NATO force in Libya.

Q180 Mr Brazier: Yes, but we have seen what has happened in Japan. We are not in an earthquake zone, so it is unlikely that we would have an exact repetition of that problem, but we have suddenly seen 100,000 people called out at very short notice to cope with a particular problem.

General Sir Peter Wall: If you wanted 100,000 people, that would have an impact on operations in Afghanistan.

Admiral Sir Mark Stanhope: I think it's also worth recognising that the SDSR itself laid the ground for indicating that a best-effort approach to that sort of emergency would be a feature of our business, and we would need to recognise it.

Q181 Mr Brazier: Absolutely. May I take you a little further, First Sea Lord, specifically on the issue of coastal security? Considering that we are an island and that 95% of our goods come into this country by sea, it struck me that it was astonishing how little the National Security document said about coastal security. Can I press you a little as to who is responsible for the security of our ports, our coastline and so on?

Admiral Sir Mark Stanhope: While the SDSR document itself did not draw great attention to it, there has been some significant activity as a consequence. The formation of the National Maritime Information Centre at Northwood at the moment is a good example of how we are trying to grip the numerous agencies. You asked me who was responsible; a vast plethora of different authorities are responsible for different aspects of the security around our coast. The NMIC is a good starting place to draw together all those organisations into one central position, to at least get the information hub sorted out, and out of that should grow more coherence. The responsibilities for the judicial piece and the wider security piece are under different departments.

Q182 Mr Brazier: If I read you correctly, although it is certainly a step forward—I am hoping to visit the

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NMIC at some point—it is only the very first step in what needs to be quite a long journey.

Admiral Sir Mark Stanhope: It started off as a national maritime co-ordination centre. It is now a national maritime information centre, because we can't quite go as far as we need to. I would hope progress would be shown.

Q183 Chair: How many ships have we got on station around our waters at the moment?

Admiral Sir Mark Stanhope: Two actually dedicated to tasking, which is the requirement placed upon me. One is the Fleet Ready Escort, available for tasking anywhere around the United Kingdom, and the other is a Towed Array Patrol ship which is tasked for specific support to the strategic deterrent. There are other ships, of course, in UK waters doing training or preparing for deployment.

Q184 John Glen: I would like to turn to the National Security Strategy document and refer to some comments that the CDS made to the Committee in November 2010: "The National Security Strategy document is not a bad objective in terms of our ends, but I would say that the ways and means are an area of weakness." Would each of you like to say whether you agree with that statement, and perhaps answer with respect to your individual force?

General Sir Peter Wall: I am not quite sure in what context CDS said that.

Q185 John Glen: In the context of a similar discussion around the parameters that we have with you today, sir.

General Sir Peter Wall: But was he talking essentially about whether the National Security Strategy document encompassed the full resolution of ends, ways and means? Mark has just pointed out that it doesn't, because it has to be read in conjunction with the SDSR, which is almost part two, if you like. The National Security Strategy sets the aspiration in very generic terms—not completely generic terms, but it sets the ambition and highlights the areas where additional emphasis will be placed, such as in the cyber-domain, for example—and you have to read it in conjunction with the SDSR to see how that security plan will be delivered in terms of the capabilities we will have, and in less detail how they might be provided for over the decade ahead. If you were to take that interpretation, I would agree with him, because you have to read both documents, which are complementary, to get the full ends, ways and means picture.

Air Chief Marshal Sir Stephen Dalton: Three things, from my point of view. First, I agree entirely, because the whole point of the security strategy was to give us a strategy. Too often in the past, we have had a policy—a very high-level statement of very few words, by definition; it is that sort of high-level policy—and what we need as military men is a strategy from which we can take out the tasks, understand the requirements and advise on what capabilities are needed to meet that strategy. The strategy did a good job in identifying what the risks

were and pointing out what the security targets were. The SDSR then went on to look at how that would necessarily mean we needed certain capabilities, against what planning assumptions we should base this on, and therefore what capabilities and resources we would have. Out of that then comes a series of things that you need to be able to do and to acquire to meet that capability bill. What we have had is a major review of what those capabilities are, and what we now need to do is to understand whether what that tells us is going to match the strategy exactly, and that will take a little while to work through, given the amount of changes we've been through. But the logical process that was set out was a good one. What we now need to do is to sort out in this current planning period what those ways and means are to achieve the overall ends.

Admiral Sir Mark Stanhope: I would just add that the NSS provided us with the priority risks and the national security task that would fall out of those, which was in all respects an ends-focused approach. The SDSR looked in terms of the means and recognised—I speak from a maritime context—some of the consequences of those security tasks with regard to where we as a nation wanted to remain within the world in terms of our ability to engage in a security and defence context. It made sure we could deal with threats at range that required deployability. In my Service, all those feed into ways.

Q186 John Glen: Perhaps the critical question is whether the conclusions of the SDSR meet the requirements of the National Security Strategy document. I understand the interpretation that essentially the NSC sets the agenda and the SDSR sets the capability. Could you comment on that relationship? There have been those who have suggested that there is a gap between what was set out in the National Security Strategy document and the implications of the SDSR in terms of the capabilities that would be generated for your three services to meet those objectives.

Admiral Sir Mark Stanhope: You refer to a gap. From a military context, what risks are out there associated with delivering the requirements for that National Security Strategy? That is our business.

Q187 John Glen: The point I am trying to get at is does the SDSR, from your service perspectives, fully meet the risks that are set out in the National Security document?

General Sir Peter Wall: Are you saying, Mr Glen, that the capabilities—

John Glen: I feel I'm getting all the questions today.

General Sir Peter Wall: Okay. I think the capabilities that the 2020 plan articulated in the SDSR document cover the aspiration in the National Security Strategy well. It is not a particularly well-kept secret—the Prime Minister spoke about it very clearly when he announced the SDSR in October last year—that there will need to be an uplift in funding in the latter part of the period at least, which is something that may or may not be expressed in terms of a percentage of GDP, in accordance with the NATO aspiration that we

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should be spending 2% of our GDP on defence. That is going to be necessary to deliver the capabilities as we would wish to see them, and that is now widely acknowledged. What we do not yet have is the assurance as to whether that is going to be possible.

Q188 Chair: I'm afraid I am now completely confused. CAS, you said that we started with an accurate description of what the risks were, and we are currently working through what the ways and means are through the planning rounds, whereas you, First Sea Lord, said that it was clear that the SDSR was an ends-based approach. We discovered what the means were, and now we are trying to close that gap. Either the risks have been identified and the ways and means, as CAS suggests, have not or it was just a cuts exercise that completely ignored the strategy set out in the security strategy.

Admiral Sir Mark Stanhope: I am not sure that I understand what you are saying, Chairman. The SDSR was focused on 2020 Force structure as the direction of travel, and we agreed that the SDSR delivering 2020 Force structure meets the requirements with reduced risk profile—in terms of the delivery of the effect—that was required. It was also done with the recognition of a strict financial envelope, which meant that we had to balance the risks in getting from 2011 to 2020 with a decrease, as the Prime Minister indicated, in defence expenditure to have growth thereafter to meet the 2020 target.

I am saying that there is embedded risk in the delivery of the effects necessary to satisfy the risk statements within the National Security Strategy, which are the areas that we are trying to combat. We deal with military effect and the ability for us to deliver that military effect does carry more risk in the early part of the time scale because we cannot get 2020 target until 2025. Does that help?

Chair: No. It might help if we had not, during the past six months, watched with horror the chaos in the defence budget following the SDSR, but all of us have been watching it. We will come back to the matter.

Q189 Mrs Moon: I wish to go back to strategy and risk. The NSS and the SDSR talk a tremendous amount about national ambition, and there is lots of analysis of words like “risk”. There is actually no definition of national ambition. I am still not clear what our national ambition is. How is that impacting on your roles in identifying capability and force structure decisions? Is it impacting on you at all or are we just ignoring it, and just looking at risk?

General Sir Peter Wall: I will answer first, if that is okay. For the Army, the overriding clarity that came out of matters was that, for the period up to 2014 or so, which happens to coincide with the period covered by the Comprehensive Spending Review, our primary preoccupation in policy, strategy and output terms was our contribution to success in Afghanistan. Neither the strategy nor the SDSR document pulls any punches on that point and, notwithstanding the budgetary issue, we are very well resourced to do that as was discussed this morning by the CDS, and we are getting on with it.

In the period after that, the SDSR gives us clarity about what our force structure is to be and it seems that the national ambition that one derives from reading the National Security Strategy is met by that ambition. There are, of course, some questions in the later years about just how affordable some of those capabilities might be and how much resilience will be afforded within them. A particular area that everyone is aware of and which the Secretary of State has asked us to pay particular attention to in the short term is the Army equipment programme over that period, which is subject to scrutiny and various key decisions in the next few months on how we might progress with it—none of which is news.

Admiral Sir Mark Stanhope: Following on from the obvious Afghanistan focus, national ambition seems to be set by a sense that we are quite clear that we want to remain a player on the world stage in international security and defence at a given level. That is defined by the defence planning assumptions, which are: a stabilisation operation at a slightly smaller scale than Afghanistan, a complex intervention for example Libya, and another non-complex operation of an evacuation scale. Those latter two are timed to be no longer than six months. There is a clear ambition that this is what we want to achieve, as well as recognising the day-to-day business. For the Navy these are the standing operational commitments—being involved in what happens in defence 24/7/365, which is the Falklands, Caribbean drug interdiction, engagement with NATO, the national security provided by the two ships I mentioned earlier, maritime security in the Gulf and counter-piracy in the Indian Ocean. That is just my area. All that nicely defines what its ambition is. From my point of view, I recognise what my tasking is against that ambition.

Air Chief Marshal Sir Stephen Dalton: I think the other thing, if I may add a couple of points on the end, is that the whole SDSR, not to say the NSS, looked at whether we could only do things to which the country was committed. In other words, only things like the defence of the UK air defence region and the Falklands. At that point, we would have to say that that was all we could afford and stop. The Government rejected that option. They then looked at another scenario, where the national ambition would be to only react to those things we had to react to, such as the extraction of our nationals from other countries. They rejected that as being an acceptable way forward. Their national ambition was to focus on this adaptive posture, where we would have enough to do those committed and reactive things, but where we also had the ability to do that bit more. That means that we have to have the ability to be expeditionary. The ambition was still to be able to have national forces that could be projected anywhere in the globe. Fortunately the Government were no longer saying, “Only in this area”, or “Never here”, or “Never that”, because it has proved to be particularly unsuccessful when politicians have tried to say that in the past. The national ambition in that way was also defined. I felt that it was reasonably well defined in that document.

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Q190 Mrs Moon: It's not exactly inspirational for up-and-coming people joining the Armed Forces, to say that our national ambition is to have the capability to take on one enduring mission. That doesn't ring, but I will leave it there. Can you describe your individual involvement in the SDSR and its decisions? How were you engaged with it?

Admiral Sir Mark Stanhope: It's quite a new way of doing business for the Ministry of Defence, recognising that this was a Security and Defence Review, rather than just a Defence Review. Where in the past the review was done in the Ministry of Defence, this was done with the information gleaned from the Ministry of Defence, but centrally co-ordinated within the Cabinet Office. The manner in which we did business in the Ministry of Defence was through the Defence Strategy Group, which was chaired by the Secretary of State for Defence. In a large number of meetings, we discussed the various aspects and issues associated with what was at that stage a maturing National Security Strategy and how we would deliver our particular part. There was robust discussion and debate around those tables. Issues were taken from that debate to feed the wider discussions in the National Security Council.

Air Chief Marshal Sir Stephen Dalton: And we also had quite a few discussions where groups would be got together on a much more regular basis, involving a broader set of people from across the services, so that the expertise could at least be put forward. As the First Sea Lord describes, that expertise was then brought together right at the very top of the organisation, to ensure that there was coherence across the piece. Then, I have to say, I set a lot of store by the fact that the Prime Minister, with one or two key Ministers and advisers, set aside two quite lengthy periods where he took the Chiefs, the Permanent Secretary and the Ministers and we spoke to him directly. We were involved in that way as well. There was a lot of involvement from the individual services and from us personally.

Q191 Mrs Moon: Given the new security structures that were being developed, where was the centre of gravity during this whole process?

Admiral Sir Mark Stanhope: The Cabinet Office.

Air Chief Marshal Sir Stephen Dalton: Yes.

Q192 Chair: Any particular individual?

Admiral Sir Mark Stanhope: Clearly, Sir Peter Ricketts was the Secretary of the National Security Council and was organising and co-ordinating, but the individual was the Prime Minister.

Q193 Mrs Moon: Were you asked for your specialist knowledge and expertise in the areas that you were responsible for? Was it something that people were eager to hear?

General Sir Peter Wall: Yes, they were, at a number of levels. There were quite a lot of specific studies being done that involved our staff. In our case, that was the General Staff and our people down in Andover in Headquarters Land Forces, and likewise for the other two services. At the apogee of the thing,

as Stephen said, we were discussing issues with the Prime Minister and other Ministers.

Admiral Sir Mark Stanhope: The machinery of business in the Ministry of Defence produced papers and issues for debate, covering all the angles that were appropriate to that particular subject, from subject matter experts across defence. The debates that we had at the Defence Strategy Group were well-informed discussions and were robust.

Q194 Mrs Moon: Would you agree with that?

Air Chief Marshal Sir Stephen Dalton: I do. I think we were all engaged, in many ways, remarkably strongly, and that was very valuable. Whether we necessarily were able to influence the debate in the way that we wanted it to go sometimes is another thing altogether, but we were all engaged.

Admiral Sir Mark Stanhope: That is the important point. We in the MoD debated those issues and produced at the meetings the collective views of the body of those meetings. They then went across to the centre of gravity, which, as we indicated before, is the Cabinet. We had no control once they got there.

Q195 Mrs Moon: So you were all putting your two pennies' worth in and giving your expertise, priorities and where you saw your knowledge base would see us going in terms of our national ambition. Did the SDSR's outcome reflect your collective and individual input? Was what came out of the sausage machine what you were expecting? Was it your input, or something quite different?

Admiral Sir Mark Stanhope: In the main, it reflected our inputs. The inputs were reflected not necessarily as a uniquely consensual position. All the issues were exposed, but no decisions were made at the Defence Strategy Group because it wasn't a decision-making body, but an information body, feeding the Cabinet Office with the level of information that they needed to make a decision under the NSC's guidance.

Air Chief Marshal Sir Stephen Dalton: I think that that is the important thing. We were putting our advice into discussions within the MoD and occasionally, as I have indicated, beyond that. The key thing for us was that we wanted to make sure that where issues were being talked about that we did not think were necessarily the optimum, people understood why we thought that, rather than us just always putting in advice about what we wanted to happen. There was a balance to be struck. When it came to the decision making, it went across to the NSC to make those decisions.

Q196 Mrs Moon: Interestingly, on 27 November, in his West Dorset constituency, the Cabinet Office Minister explained frankly that in his opinion, the only justification for building two large aircraft carriers was to maintain jobs and shipyards, and that the Chiefs of Staff had told the NSC that by choice, they wouldn't buy them either. Is that right? Was that part of your input?

Admiral Sir Mark Stanhope: Not entirely correct. The strategy for the retention of aircraft carriers was discussed on numerous occasions within the DSG and

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is underpinned by the outcome of the SDSR and the need for carriers in the future.

Chair: We will come on to that in a moment.

Q197 Mrs Moon: Finally, if there was one area for each of you in the SDSR that you could revisit, what would it be and why?

Air Chief Marshal Sir Stephen Dalton: Enablers. The bit that holds all the capabilities together was not, in my view, given as much priority as we should have given it, mainly because of the major work that went on to understand what the capabilities that we needed to meet the new strategy and new requirements were. However, we need to do some work on things such as having the right amount and quality of secure communications across the piece. We need to do some serious work. I am talking about making sure that ISTAR is all linked up across the piece, to make sure that we are making most value of everything we can collect and need to do. The value of information is there, but the surety of the information is something that doubles the work to do. If there is an area that I would want to improve, it is that area.

General Sir Peter Wall: For me, it would be a slightly more general thing, which I know has been discussed with previous witnesses—our ability to gauge affordability beyond the CSR period for those programmes that are relatively long-lead items and have a distinct bearing on capability in the 2020 time frame. I fully recognise why that has been difficult in such a period of economic stringency, but we need progressively to evolve a methodology where that can be possible and where the affordability of any new programme or project—or even continuing an existing capability—can be gauged against the affordability of that programme within the holistic affordability of the overall defence programme and budget. That would be a very serious step forward in terms of understanding where the residual risks lie in matching ends, ways and means in the time frame of, say, 2020.

Admiral Sir Mark Stanhope: The SDSR was done under financial constraints that we are all aware of. So one would wish for not having quite those financial constraints, but given that recognition and the understanding that we had to look carefully at the capabilities that we would retain, I wish that there was a little bit more money to meet the challenge that I now have, alongside the Chief of the Air Staff, of regenerating carrier strike in 10 years' time. That clearly is a major challenge. In the context of the SDSR, difficult decisions had to be made, but if you asked me for a wish list, it would be nicer if we didn't have to—

Q198 Mrs Moon: To have retained it rather than to have to regenerate it?

Admiral Sir Mark Stanhope: Absolutely.

Q199 Chair: So if we broadened the question—not into which bit of the SDSR you would revisit, but which bit of the combined SDSR and Comprehensive Spending Review you would revisit—if there were one area to retain, would it be the carrier strike capability?

Admiral Sir Mark Stanhope: Yes.

Mr Donaldson: Given that 9,000 UK forces are now deployed—

Chair: Would you mind very much, but I completely forgot to bring in Gisela, who caught my eye on the previous question?

Q200 Ms Stuart: I want to take you back to the discussion on national ambition. As well as remembering “aggressively evolving methodology”—I shall remember that as a really good busking term if I need it next time—looking now until 2015, would you still describe our national ambition as being a full spectrum capability?

Air Chief Marshal Sir Stephen Dalton: No.

Admiral Sir Mark Stanhope: No.

General Sir Peter Wall: No.

Ms Stuart: Thank you.

Q201 Mr Donaldson: Gentlemen, given that more than 9,000 UK forces are deployed in Afghanistan, plus the current operation in Libya, is the UK breaching the defence planning assumptions of the SDSR at the moment?

Admiral Sir Mark Stanhope: Given my explanation as to where we are in terms of the defence planning assumption as one stabilisation operation and two complex and non-complex operations—likening Libya to a complex operation—according to the requirement, no, we are not. We are stretched, though, across the other requirements, which makes it quite challenging.

Air Chief Marshal Sir Stephen Dalton: At the moment I would say that there are times and phases of the operations where we have stretched the capabilities absolutely to the point where we would find it very difficult to do anything else at that particular time. But of course, that is all a question of relative priorities in one moment in time—and I do mean any one moment in time. Certainly from my perspective, we were able to deploy a force 3,000 miles over a weekend. That could equally be revisited, and that same force could be moved somewhere else in the same sort of framework.

We are sometimes stretched, particularly when we need the key enablers like the air transport force and we have to continue to support the RIP in Afghanistan, which is what we have done in the last eight weeks. As well as deploying the force, we have maintained the RIP with about 25,000 people going back and forwards to Afghanistan, and so that has stretched us. That does not mean to say, therefore, that you cannot meet defence deployment assumptions over whatever period that happens to be judged against, because they are all about the planning assumptions that you can make. It does not mean to say that individual assets have to be doing the key parts of those operations at the same time.

Q202 Mr Donaldson: Before the CGS comes in, on the air assets that you mentioned, such as air transport and ISR aircraft, will there be a need to transfer some of those assets from Afghanistan to Libya?

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Air Chief Marshal Sir Stephen Dalton: No, we've not moved any of the key ISR assets from one to the other. We have balanced them out where we could do so to make sure we optimise the delivery of the function that we are down to deliver. For instance, we have kept the capability to move the Sentinel R1 ground-mapping radar aircraft between the two theatres. Some days we have two in one theatre, and some days we have one in one theatre. We can move them backwards and forwards as the tasking and the priorities require. That's what we do on a daily basis to manage the assets to achieve the optimum results.

Q203 Mr Donaldson: So you are clear that you are not overstretched on that at the moment.

Air Chief Marshal Sir Stephen Dalton: We are not overstretched. There have been times within this period and there are days when every available asset is being tasked absolutely, and therefore we are asking a lot particularly from our people, but also from the assets we have. That is a question of doing day-to-day planning on priorities, and working out where the priority is on a particular day.

Q204 Chair: Would it be right to say that no military officer would come before this Committee and say that the Armed Forces were overstretched, whatever the circumstances?

Air Chief Marshal Sir Stephen Dalton: They might very well do so. It's a question—

Q205 Chair: They never have.

Air Chief Marshal Sir Stephen Dalton: Without dancing around a pinhead, it depends what you mean by overstretch. Over a period—what is that period?—if we carry on like this, things will be overstretched. For example, we need to take aeroplanes out every so often and give them a major servicing, at which point you will have fewer aeroplanes available and you will therefore be stretching whatever is left. It is a question of what period you are talking about and in which direction you wish to define overstretch.

Admiral Sir Mark Stanhope: Taking your question head on, we all represent organisations that are “can do” on achieving what the Government put in front of us. Culturally, overstretch is not something that we would admit to, simply because we are keen to do what we can, within the resources we have, to deliver the requirement.

Chair: Yes—and, if I may say so, because your answers have to be within government policy. We recognise that as a Committee, and we recognise the difficult time that you have had over the past six months. We pay tribute to the Armed Forces and to your overall leadership of them. Nevertheless, there are some questions to which we need answers. Jeffrey Donaldson—although the CGS has not had an opportunity.

Q206 Mr Donaldson: Before I leave the RAF, has the loss of Nimrod had any impact on this?

Air Chief Marshal Sir Stephen Dalton: The availability of Nimrod would of course have helped, in some of the early stages, in securing the northern

coastal waters of Afghanistan.² It could have been deployed there very quickly. It could be maintained there, because it is a long-range, long-endurance aeroplane, and it had the sensor suite that would have allowed us to have the perfect picture.

Did it mean that we did not know what was going on? Did it mean that we did not have other assets or other nations with assets that we could combine with? No. But Nimrod would certainly have been—is—very important. We could have deployed it and it would have been very useful there.

General Sir Peter Wall: I think the Army is in a situation it was in before the SDSR was rolling. As you said, we have that force level out there. Obviously, it is a tri-service force, and quite a large chunk of our neighbours are out there.

We are not beyond the totality of what defence planning assumptions require us to be able to put in the field. We don't have as much capability available for contingency as we would have, were we not in Afghanistan with nearly 10,000 people. That is well understood. We aren't breaking harmony. For the most part, except in some pinch-point trades, as we call them, people are having two years between operational tours. That has certainly not always been the case in my service, albeit it has to be for operations of the intensity that Afghanistan sometimes requires.

The overarching effect on us has meant that we've had absolutely to focus our effort and energy on what is a relatively narrow part of the overall conflict spectrum, to which the National Security Strategy alludes. That is a conscious decision. A number of other NATO nations are doing exactly the same. It means that when we are no longer as heavily committed in Afghanistan as we are now, we will need to re-educate ourselves in a load of capabilities that are on hold for the time being.

Q207 Mr Donaldson: Are the Army and Navy still meeting the harmony guidelines?

Admiral Sir Mark Stanhope: Yes, the Navy is meeting the guidelines within, I think, 1%, but it is always within the margins of error. Of course, there are different harmony guidelines. By virtue of naval business, which is to do with deploying people for long periods of time, even when we are not on operations. Therefore, within our fairly stringent harmony rules, we are justifying the current figure of 1%.

Air Chief Marshal Sir Stephen Dalton: We are doing so today, but as the First Sea Lord says, the harmony is dependent on how long things can go on for and on how many people you are going to use. A classic example is the Nimrod R1 crew. That capability is absolutely critical. For every sortie, it is that team who are producing the goods. They recognise that the quality of and the need for that capability is so important, and they understand why we are asking them to do that much more. That is why we need to replace that capability with the RJ programme in the future. It is critical to any operation.

² Note by witness: Afghanistan should read Libya, see Q 208

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Q208 Mr Donaldson: If the Libyan operation is extended for humanitarian purposes, what are the implications for UK forces?

Admiral Sir Mark Stanhope: For the maritime forces, there will be a significant challenge in terms of the ability to rotate frigate platforms and mine counter-measures. Those are the two capabilities that we have. We can achieve it over six months, but it is over and above the tasking that had been indicated. We would be challenged to find further platforms to rotate through, and to continue to maintain the overseas commitments that are standard operating requirements.

Air Chief Marshal Sir Stephen Dalton: Depending on what is involved and the size of any further support to deal with humanitarian issues, our biggest problem would be providing the necessary air transport and tactical transport if we were asked so to do. That would be a very big ask at the moment, because that would mean a long-term commitment. It is not a question of then being able to move it around; it would have to be there. So that would be a challenge for us.

Apparently, when I answered the question on the Nimrod, I talked about Afghan waters. I did not mean Afghan waters—I meant Libya. I would love to find some water in Afghanistan.

Q209 Bob Stewart: Harmony guidelines suggest a two-year tour interval between operational tours. It's always been that way, hasn't it, for as long as I can remember? Two years is the board-level target. Why? Why has it got to be two years? Why can't it be 18 months?

Admiral Sir Mark Stanhope: That is not the way it works in the Navy.

Bob Stewart: I know that. I have already talked to the CGS, who is going to give me a slapping.

General Sir Peter Wall: No, far from it. I know with what glee you went on tours almost permanently. The first thing is that two years is an aspiration that has not always been achieved. The average has tended to hover around less than that. We have got ourselves organised in the Afghanistan context for very deliberate reasons, so that we can deliver that period of about 24 months. It is slightly less than that in between repetitive tours. As you know, we have brigades, battle groups and individuals who have now been round the block for the third time; 3 Commando Brigade are there in precisely those terms as part of the roster. Let us be clear: we would not be able to maintain that roster were it not for the involvement of 3 Commando Brigade, so it is an holistic effort.

A long debate has gone on in the context of the defence reform work as to whether you could have a different sort of regime in terms of tour lengths versus downtime, and the number of cycles that would constitute that downtime. At the moment it is one to four. Our considered view, bearing it in mind that we cannot predict whether operations are going to be relatively straightforward or complex and that we cannot predict what the environment will be like, is that we should be designing for the upper end of the spectrum, rather than taking any comfort or risk from

the fact that life is going to get easier in the future. It usually doesn't, in our experience.

We believe that a 24-month tour interval allows us to sustain, first of all, the individual training and rehabilitation that people need when they come back from a tour, because they all have careers and they have to move on in training terms. It then allows them to undergo some generic training in broad military skills. Then, in the second year of the two-year period, they can concentrate on honing their skills for what is an evolving approach to the Afghan campaign. It is absolutely true to say that no two successive training periods for brigades going on six-month tours have ever been the same. We are always adapting and changing the way that we do business. That is the model that, in our military judgment, we should be continuing to deliver to ensure that we have a sustainable capability. It does mean that, within that, if we want to surge and dispense with harmony for a bit, we can then go up to a much higher level of capability, such as was demanded in the first six months of operations in Iraq in 2003. We had 30,000 people from the Army within a 42,000-strong force as part of what we call a large-scale effort.

Q210 Bob Stewart: And of course you will have harmony at home by seeing your wife occasionally.

General Sir Peter Wall: Yes. That is another bonus of the model.

Q211 Mrs Moon: In summary, is it fair to say that we are sweating our assets, both human and platform-wise, quite severely, and there will be long-term consequences if we keep up this pace?

General Sir Peter Wall: Because of the regime that I have just described being sustainable, we are certainly putting our individuals and their relationships with their families under intense pressure. You know yourself that we are doing that in a context that could, just for some people, very sadly have psychological impacts and so on and so forth, so we have to do this consciously and very carefully. Apart from that factor on the individual, can we sustain this effort? Yes, we can. When we are no longer delivering our contribution in Afghanistan, will we, with the right retraining and re-equipping, be able to redirect that effort to something else? Yes, we will. I do not think that we are consuming our strategic stamina in the way that you imply.

Q212 Chair: First Sea Lord, what is your answer to that question?

Admiral Sir Mark Stanhope: The tempo of operations is high. I am including Afghanistan, because 3 Commando and a large number of other naval service personnel are there. In the wider aspect, if one includes Libya and the standard tempo of operations across all the overseas commitments, we are sweating the assets. You also made it very clear that the asset was the people and the equipment itself, and you would expect us to sweat the assets to get the best value that we can from them. There is a pace that you can drive the people at, and harmony is how we measure it. Therefore, while sweating it, we are

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getting, in a naval context, the very best that we can from our people. In terms of the equipment, it is a question of ensuring that the right maintenance is pursued to underpin our ability to deliver this capability. There are aspects of challenge within that in a constrained budget scenario.

Q213 Chair: And CAS, are we using up the airframe hours of the Tornados?

Air Chief Marshal Sir Stephen Dalton: There are three aspects and that is one of them. I liken the pressure on the individuals to the fact that having a sauna once a week is just about healthy for you, and having a very hot bath once a day is probably very good for you. We are running pretty hot at the moment, in terms of how our people are being asked to do their work. Without being masochistic about it, I must say that they seem to be enjoying it. When you go and visit them on operations, they seem to be doing well and are up for whatever is required. The issue is, of course, as always, that they want a degree of certainty about when this is going to slacken off and when there is going to be, therefore, an opportunity to ensure that they have a different pace of life that they can sustain for ever and a day.

On the equipment side of things, there are certain areas where we are using up the hours, not a great deal faster, but certainly faster than we would if they were at home. Fast jets are one, but it is just as much the case for the transport aeroplanes, and also now, of course, the remaining hours on the Nimrod R1 and on some of the other assets, like the Sentinel R1. So some of the airframe hours are being used up as well. We have already upped the amount of servicing we are doing and the hours that we can get out of the servicing facilities at Marham, Brize Norton and elsewhere to ensure that we can do that. We have arranged for spares to be delivered at a consistently much higher level than perhaps they would be if we were doing ordinary-level flying back at home, so there is an element of that in there.

Q214 Mr Brazier: Just a quick one: CAS gave us a really striking example of one particular group of people who really are heavily stretched. Where would the other two services say their tightest pinch-points are, in people terms?

General Sir Peter Wall: The people who are both exposed and in short supply, as opposed to those who are perhaps in short supply in a less exposed place, are counter-improvised explosive device taskforce people, particularly the people doing high-assurance search and explosive ordnance disposal. We've had to grow that capability very quickly in the last two to three years, for obvious reasons. We are not there yet; we are asking an awful lot of those people.

Chair: We have seen them in Afghanistan, and we are overawed by what they're doing.

Admiral Sir Mark Stanhope: The greatest stretch is in those areas where, as we said earlier, you have pinch-point capabilities. If you're short of people, those you have got, have to work more and find themselves employed in a much more reactive manner. In the nuclear submarine community, we are

significantly challenged by some of those shortages, in terms of both the weapons engineer element and junior officers at the front end. They are the areas and, as a consequence, they are churning quite hard. But I wouldn't want to isolate one community. All of us collectively have been referring to what is a very heavy tempo for all our people.

Q215 Penny Mordaunt: My questions are to Admiral Stanhope and Air Chief Marshal Dalton regarding the new carriers and carrier strike capability. There is some uncertainty about the future of the second carrier. What might some of the implications be of those uncertainties?

Admiral Sir Mark Stanhope: The SDSR is clear and offers a number of options as to what might happen to the second carrier. I'm very clear that if you want to have a capability that's available to this nation continuously, you can't do that with one carrier. The French one is a good example. You have your capability five years in eight, because three years, roughly, are taken up either maintaining it or working it up. So if you want a continuous capability, you need both carriers. The options sit in the SDSR, and you're quite right: there is some indecision. But we're building both carriers, and that's the way ahead at the moment.

Air Chief Marshal Sir Stephen Dalton: Absolutely, and the key for getting the capability together is to ensure that we have the ability to regrow the proficiency not only to fly aeroplanes, but to operate aeroplane—in other words, all the people who make up the capability. People tend to think that is the pilots, but there are also the engineering personnel on board a carrier and the personnel who direct assets on and off the carrier. We need to make sure, as we are doing, that we are putting together a coherent plan that makes sure that we can develop those people and give them the necessary experience so that we keep them available to us for when we have the capability in place. That is part of the strategy we're working right now to achieve.

Admiral Sir Mark Stanhope: That is a very important point. In terms of working it up, it is not just the carrier that is not available; you have no way of maintaining competencies, which is something that requires constant training, in the three-year down period. You may be able to leverage off your allies, which of course we would do, but you can never leverage enough, nor would they be willing to supply that much. Then you would have a long period of getting back into the saddle again.

Q216 Penny Mordaunt: On that point, what are the plans for regenerating the capability?

Admiral Sir Mark Stanhope: The plans are running as of now. The obvious need to ensure that we have a full competency package to deliver fixed-wing aircraft from a carrier in the 2019 time frame requires ensuring the building of some of that expertise as I speak. At the moment, there are three naval pilots flying, or in the training pipeline to fly, F14s.³

Chair: Three?

³ F14s should read F18s, see Q 220

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Admiral Sir Mark Stanhope: Three at the moment, with a fourth just about to arrive. CAS has nowhere to place these people for the next nine years, within the requirement that they need, so it is a question of growing that number so that we have the required number at the end of the game to deliver the capability from the carrier.

To expand on the answer, as the Chief of the Air Staff has indicated, pilots are just the pointy end of the spear. There is a whole package underneath it, from deck handlers to the engineers; they have to be part of that package, which is going to grow over the next three or four years. We are absolutely reliant upon the relationship that we have with the Americans, and indeed the French, to provide the capability to grow these people.

Q217 Chair: CAS, how many pilots has the RAF got in training?

Air Chief Marshal Sir Stephen Dalton: In training? I would have to get back to you with a precise figure, but it will be in the order of 90 pilots a year coming through on the fast jet side, about 50 on the rotary side and about 30 on the fixed-wing side—roughly speaking.⁴

Q218 Chair: So you have 90 fast jet pilots and the Navy has three?

Admiral Sir Mark Stanhope: Yes.

Air Chief Marshal Sir Stephen Dalton: What is the question? We need to understand what the requirement is. The requirement is quite important here.

What we do not need is to have 30 or 40 pilots who are today aged between 25 and 35 with all the experience of flying from a carrier and to find that that experience is completely wasted in eight years' time, when the carriers come along, because they will be too old to fly on it at that stage.

Q219 Thomas Docherty: As you know, we have just returned from a trip to the United States. It was a pleasure spending time with your American counterparts. Based on the information that we received from them, would it surprise you, and would you agree, that by 2013–14, you would have to have identified and started initial training for in the region of 50 aviators, given that some of them will have to do deck handling and that there will be attrition? Do you think that, broadly speaking, that is the correct rate? If not, how many? Secondly, have you agreed a programme with the French or the Americans to do that training for you?

Admiral Sir Mark Stanhope: We are in the process of drawing the programme together. We only made the decision in October, and it is a complicated package of development for a project that has to come to fruition in 2019. Are we working on it? Yes, we are. Are we discussing with the Americans what packages we

need? Fifty is an abstract number unless we know whether they are engineers, deck handlers—

Q220 Thomas Docherty: Fifty pilots. That is based on three squadrons, as the SDSR sets out, plus an attrition rate, plus, as you rightly say, sir, the fact that some of your aviators will have deck-handling roles when not in the aircraft. That is a broad figure.

Admiral Sir Mark Stanhope: That is one specific role. I am pleased to say that even in our highly efficient organisation, we do not have pilots moving aircraft around the decks. Aviation expertise beyond the pilots, in terms of deck handling and so on, is another cadre of expertise that we have to develop and maintain.

I do not recognise the figure of 50 in any sense whatsoever, in terms of the ability to deliver a capability to 2019. I recognise the figure in terms of how many pilots in the end I need on a scale of capability from someone just learning to fly to someone who is an accomplished aviator, who has finished growing his expertise and would become what we would call the wings, or the Americans might call the air boss. There is a whole spectrum of capabilities. Within the cadre of expertise of pilots, that is what you need in 2019.

May I make a change to the record of this conversation? I said earlier F14, but I meant to say F18.

Air Chief Marshal Sir Stephen Dalton: A number of points need to be clear. First, I am not sure on what assumptions the Americans gave you that advice, in terms of the requirement. We find it interesting that, whatever we do across all three services, our American counterparts always have at least twice as many people doing the jobs as we would have available.

Q221 Thomas Docherty: Given that you need 36 single-seater aircraft, I am assuming that 36, plus an attrition rate, plus rest and everything else, gives you 50. I am struggling to see how you get down to half that number and have three squadrons of active aircraft.

Air Chief Marshal Sir Stephen Dalton: Okay. This is what I was trying to get at. We are assuming, in the joint force that we are creating, that this force will grow over time and we will have, as we always do, an initial capability on the said date, which might not be the full 36 aircraft deployed on the carrier at any one time. The initial capability may be somewhat less than that.

Let me give you an example. When we declare a type of aeroplane in service—an ISD date—that will be a set number of aeroplanes with a certain capability. That is not necessarily the full capability that we want to be able to deploy in the heat of the moment. So, for instance, the assumption is that at some time we will be able to deploy, according to the SDSR, 36 aircraft on the carrier. We are not aiming to do that on day one. We are aiming to grow that capability over time. It depends entirely on what the future structure is going to be—yet to be decided. What we are assuming is a number less than that, which will be

⁴ Note by witness: Correct figures are as follows: once the effects of SDSR settle down, the RAF will have approximately 90 pilots total coming through training each year. The 90 will be made up of approximately 26 fast jet, 26 rotary wing and 38 multi-engine pilots.

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available to meet initial carrier capability. That is what we are structuring, and that is the point we are making about the size of the pilot cadre, and elsewhere we need to go into training. That is why we do not believe we need any more—statistically, we can show you how that would build up—than three or four pilots in the training machine, from about the middle of this decade onwards, to deliver a capability that we want for 2020 on the carrier.

Q222 Chair: Forgive my asking this question quite so bluntly, but is this an attempt to kill the Fleet Air Arm?

Air Chief Marshal Sir Stephen Dalton: No, absolutely not. Mark and I are absolutely joined at the hip here. This is going to be a joint force. We have worked up how we are going to do this, to the point of knowing precisely what percentage and what numbers of pilots we are going to need. We have agreed that number. We have agreed the training machine, where there will be dark blue and light blue working alongside each other. It is roughly a 58:42, or 60:40, percentage split in terms of the pilots.

Q223 Thomas Docherty: Which way?

Air Chief Marshal Sir Stephen Dalton: The RAF will have the 58% to 60%, and the Navy will have the 42% to 40%.

Q224 Chair: So the Royal Air Force has no ambition to, or intention of, taking over flying from the Fleet Air Arm?

Admiral Sir Mark Stanhope: May I help a little? I think this is important. The SDSR makes it quite clear—I have it open in front of me—that, while we are looking at a force that is going to grow over time, we have a target of 2019 here. We talk, in the SDSR, about routinely 12 jets being the starting point—12 jets with pilots competent enough to use the deck of an aircraft carrier. Those are the sorts of numbers we have to start off with to build, where we are going to have to lean very heavily on our American cousins, and indeed the French, if we are to provide that level of expertise, so that it is ready and available to operate these aircraft in that time scale. That mixture, as the Chief of the Air Staff indicated, is dark blue and light blue, and the Government have been very clear about this being a joint force.

Q225 Chair: So, a very big ship with lots of rattling around in the hangers.

Admiral Sir Mark Stanhope: No, there is a lot of work being done in terms of the wider utility. While you can recognise carrier operations as those one sees from American platforms—and indeed the Charles de Gaulle at the moment—the vision here in terms of carrier-projected capability is much more than that. The mix of fixed-wing and rotary might be subtly different on board; we are still working on the doctrine.⁵

Q226 Penny Mordaunt: When you think of scenarios and situations that will have been envisaged

when putting together the NSS and the SDSR, what could the implications be of not having a sovereign floating air base?

Admiral Sir Mark Stanhope: Our inability to provide fixed-wing fast jet aircraft in the area that we wish to project power into. In the future, in certain locations in the world, there might not be what we call overflight rights to get our aircraft there, or the basing rights that would make it possible for the Chief of the Air Staff to get his jets there to project the power, as there are at the moment from Gioia Del Colle into Libya. Those sorts of facilities might not be available further from home.

Q227 Mr Havard: Can I ask you, General Wall, about the Army's position? In Afghanistan, we had difficulty deploying about 3,000 people to give us the ability to deal with fast-changing circumstances. How will the SDSR improve our ability to send the right numbers of people in the appropriate packets of small, medium or whatever in future?

General Sir Peter Wall: If we rewind to the discussion we had this morning about why it was difficult very quickly to uplift forces in Afghanistan, that was, as CDS said, in part driven by the high standards we set for getting people theatre-ready. It was also because deploying additional people without additional enablers does not offer huge utility. We need to remember that that uplift was against a backdrop of a force of around 6,000 to 7,000 on the ground in Southern Iraq. In a sense, our total deployed force is about the same as it was then.

The size of the Army that is catered for in the SDSR more than allows us to have the agility to get our people in combined units, such as battle groups and brigades, to where we need them to be, enabled by a lot of the capabilities we have discussed. I have concerns about our forward equipment programme, which has been widely discussed by the NAO and others. That is being actively addressed now. We need to remember that our agility is not just a function of size and whether the individuals are available; it is about the extent to which we can train them in the broad spectrum of activities, and then deploy them with ready equipment with the right sustainability. All that, of course, has to be tested, and will continue to be so. That is what a lot of the planning work is going into at the moment. We have no reason to believe that, provided that the 2020 aspiration is delivered, we won't be just as flexible as we are now, if not more so.

Q228 Mr Havard: Given the forthcoming withdrawal of combat people from Afghanistan, what progress are you making in developing new capabilities? I was interested in what you said earlier about the tools to assess. My understanding is that what came out of the lessons learned from the Programme Board about the SDSR and so on was the development of the FAST tool, which is about cost of defence development and so on, and the ICAT tool, which modelled industrial implications. Along with a planning process, they were all very beneficial and useful things. Are they the tools that are necessary to do the things that you want, to do with assessing the

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new capabilities? What progress are you making to keep that going?

General Sir Peter Wall: No, I don't think they are. They are tools that are valid in a different sphere, which is essentially about programming, long-term costing and balancing of force packages. I am talking about the more practical end of that, once those forces are, if you like, on the shelf, with vehicle fleets, with sustainability packages, with training programmes and so on. It is how we meld those together on a tri-service basis, particularly with the right joint enablers that Stephen was talking about earlier, to give us the force packages that we need. The flexibility with which you can do that, if you have carrier-based air and helicopters, is greater than if you are dependent on staging and basing through other places. I support everything that has gone before in that respect.

Are we trying to create among the three of us what we had before we were engaged in these protracted campaigns in Iraq and Afghanistan? Certainly not. We are trying to project forward to what we will be doing in accordance with what is called the future character of conflict, which is a fairly broad bible. Like a lot of these things, you can find a number of different themes in there.

Q229 Mr Havard: It is about the same size as well.

General Sir Peter Wall: There is a bit of that. The fact is that what we have to do is make sure that we continue to focus our contingency capabilities, in the aftermath of Afghanistan and whatever else follows in the era of the next three or four years, on what we perceive the evolving challenge to be. Some of that will be shades of what we are currently doing, and some will be different. That is our challenge. If you were to ask where we stood against that challenge in 2003, for example, in the case of the Army, we were still trying to fit the campaign to the Army in 2004 and 2005, when it was very clear that we needed to start thinking about how we fit the Army to the campaign. This is the challenge when you have the tensions between campaign situations, where the whole organisation gets very immersed in a narrow part of the conflict spectrum, versus the thing that happens next, which could be completely different. Our job is to rebuild flexibility and hope that, in terms of adaptability, we can learn from some of the contortions we've been through in the last 10 years.

Q230 Mr Havard: One of the things that has been generally said is that the Army came out relatively well in the SDSR, and, therefore, maybe will not do quite so well in the next one. One of the main elements of the changes that you have to make, however, is the withdrawal from Germany by 2020, and as I understand it the aspiration is to have half of that done by about 2015. Will you tell us something about the progress of that? I note what is happening in terms of the new—I've forgotten the title—organisation within the MoD that is supposed to assist you. Would you like to comment?

General Sir Peter Wall: I'd love to comment on that, but can I first rewind to your proposition that I sit apart from the neighbours on my left because

somehow the Army has had a reprieve? You were asking about whether we're sweating our assets, whether we're overstretched and that sort of stuff. We have 102,000 Army that is currently, and unusually, fully manned, or at full strength anyway—not necessarily precisely the right people—and we are running hot trying to deliver what we're doing at the moment. Most of that is Afghan focused, but like everybody else, we have our standing tasks and everything else.

We are being asked in the SDSR to make a 7% to 8% reduction to that number, we are up for the challenge. However, if you were to apply to that the routine level of under-manning that tends to go with a situation where we haven't got quite the same operational challenges that make people want to join up, and we might have a better economic predicament, we could be looking at something that is more than 10% smaller than we are now. The only way that we can go from there is to reduce our commitments. That may well be what people are prepared to do, but this isn't about inputs, it is about what we're trying to get out of it, which will then prescribe a level of input. Included in that, of course, is the equipment programme, which I have mentioned.

As far as repatriating the 20,000 or so soldiers and 23,000 dependants, who we have living in Germany thanks to the hospitality of the Federal Government, there is indeed a plan to do that over the next 10 or so years. Some of those numbers will be reduced by the units being disbanded, though none will be combat units that have served in Afghanistan; they will be more part of the support structure, but nevertheless very important. The rest will be moved back to new garrison locations in the United Kingdom, which is subject to an ongoing study, and no decisions have yet been made.

Attendant on the basing and infrastructure situation is also the question of where those people will train, because, as you know from your travels, the training facilities available to us in Germany—partly sponsored by the UK, partly by NATO—are extremely good. We've got to replicate that capacity, to a greater or lesser extent, somewhere else—perhaps in the UK, perhaps elsewhere, recognising that in the modern era we'll be able to make more use of simulators and that sort of thing, but we'll still have to take our vehicles out on the area and do our stuff every now and then. Work is going into that, and it requires quite a lot of infrastructure investment. Inevitably, some of it will alight upon those bases—particularly air bases—that are being vacated by others, and we are all working together on a defence basis to come up with the best plan for that.

Q231 Mr Havard: What happens if it doesn't happen in the sequence that you are predicting?

General Sir Peter Wall: We are very fortunate that our German hosts have made it very clear that they are not imposing a time constraint on us, either for the training space or where we live.

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Q232 Thomas Docherty: Air Chief Marshal, could you update the Committee on the process for the decision on the RAF bases, please?

Air Chief Marshal Sir Stephen Dalton: As you will have read, the decision has been made that we will no longer need some of our air bases for the foreseeable future, and three in particular. Of course, the decision on the first one was made some while ago, and it was the decision that RAF Lyneham will close as an air base next year. We will move our air transport assets to RAF Brize Norton. More relevantly in terms of the SDSR, you will have read that the air base at Kinloss will no longer be required for the RAF as of the middle of next year. The decision about what that air base will be used for has still to be made. The process is ongoing, and I think that the decision is coming nearer, but it has certainly not yet been made.

Under the SDSR, we are due to lose one more air base. The decision on that one is moving ahead. It is still in the process of being staffed. I do not know when that will be made clear. I know that the information is being brought together, but obviously it is quite a complex process, not least because, as CGS has just pointed out, some of them will potentially be required for Army units to move into. Therefore rebrigading, as we are doing now, is necessary to match the requirement from the RAF point of view and for the other flying elements of the Army and Navy. There is a complex study going on, depending on what we will do with the whole site, so I do not expect many decisions to be made before the middle of this year.

Q233 Thomas Docherty: “The middle of this year”—does that mean prior to the parliamentary recess in July?

Air Chief Marshal Sir Stephen Dalton: I’m told the middle of the year. If I go beyond that, I shall be telling something that I don’t know, so I will say the middle of the year.

Q234 Thomas Docherty: I’m sure that you are aware of the huge uncertainty and distress that has been caused in Norfolk, Fife and the North-East of Scotland. I must say that the situation has not been particularly helped by leaks coming out of the Ministry of Defence and elsewhere. To what extent is that a factor, in terms of making a quick decision?

Air Chief Marshal Sir Stephen Dalton: I wish, and have done for many years, that I could find anybody who starts a rumour going and cut them off at the proverbial knees, because I hate rumour-control. Rumours are so dispiriting to the people who are trying to do the job out there. Regrettably, rumours are always more attractive than the truth, and of course while there is indecision people will make things up, because they are looking for some sort of decision.

I am very conscious of the disturbance that those rumours about where we will be based have caused in a number of areas, not least Scotland. There has been disturbance not only among my own people, but among the local people, who have been incredibly supportive, particularly in Moray and Fife. I have to

say that people have also been actively supportive down in Norfolk, at my old air base. I am very conscious of how all this goes, and I am trying to do my best, with a lot of other good people, to ensure that these decisions are brought to a final conclusion as soon as possible.

Q235 Chair: CAS, will you acknowledge that the middle of the year will have passed by 1 July?

Air Chief Marshal Sir Stephen Dalton: Technically, Chairman, you are absolutely right.

Q236 Thomas Docherty: Further to the Vice-Chairman’s question about timetabling, General—and Air Chief Marshal—is it your assumption that there will be a gap between the RAF moving out and the Army moving into whichever bases are closed? I think that the Vice-Chairman’s point was that you are not making speedy progress on repatriation of large numbers of soldiers.

General Sir Peter Wall: I think that that is going to depend on the situation in each base, in terms of how much additional work is required to convert a base from one role to another; on whether the people who might be coming back are on operations; and on how much we decide that we are going to split our formations and have moves over a protracted period, which is obviously not very good for cohesion for the next turn of the handle in Afghanistan, and all that sort of stuff. At the moment, that is all being worked upon in the context of a defence-led plan.

Q237 Mr Havard: Along with the capacity of the defence infrastructure process that is being reformed to help you do it. As I understand it, the British Government are yet to give the two years’ notice to the Germans that they wish to do it.

General Sir Peter Wall: Well, we are in active discussions with the Germans, at both the Federal level and the Länder level. That is how I know that we have got the support that we have from them for our plans, whatever the time frame is. In fact, they would prefer things to go more slowly.

Chair: He keeps asking that question, and he keeps getting that answer.

General Sir Peter Wall: Sorry. Where am I not helping enough? As far as the DIO is concerned, it formed on 1 April and it is getting on with its business. We were at a meeting yesterday where they were taking the lead on co-ordinating the multiplicity of pretty complicated factors on the military side, let alone in the political domain, that will drive these decisions. The decisions will obviously be taken later.

Mr Havard: The questions about air capacity are not for you; they are for someone else, but we will ask them.

General Sir Peter Wall: Yes. Could I just add one thing in response to your question about the Army and its future size? I didn’t talk about how the future of the reserves will impact on what could well be the future size of a force that we regard as integrated. That is all sub judice at the moment, but it will have a significant bearing on the totality of capability that we end up with, and how we deliver it.

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Q238 Mr Havard: I am glad you mentioned that, because it was a supplementary question I wanted to ask, but can I ask about another aspect? Our experience in Afghanistan was that the two-star headquarters was one of the key capabilities that we could put in there. After the projections on the SDSR being implemented, could you say which two-star headquarters would be able to be used in a similar circumstance, and what would be the readiness of such an organisation?

General Sir Peter Wall: We would certainly be able to do one at a relatively high readiness. Generating a second to take over from it will, in future, require a bit more warning than was required in the past. I think, however, that it is also worth remembering that—in the interests of our effort in Afghanistan—in the past three years we have formed, used twice, and just disbanded the headquarters of the Sixth Division, which was resurrected after a very long pause, going back to Suez, I think. It did two turns of the handle, over two years in Afghanistan, in a three-year period, and we have just wound it up. So, with a bit of notice, we can regenerate such structures, by bringing people together from all sorts of areas of defence to work in a divisional headquarters structure. So I am not too concerned about that.

Admiral Sir Mark Stanhope: I would add to that the capability of the amphibious force here, in terms of a two-star command in COMUKAMPHIBFOR, which has played into this cycle in the past and is still an entity.

Q239 Chair: All of that is despite the large reduction in numbers of two stars that is envisaged in the SDSR.

General Sir Peter Wall: The actual change in the SDSR, as far as our previous permanent divisional structure is concerned, is to turn one of the divisional headquarters into something that basically does force generation on a day-to-day basis, and can only deploy itself with reinforcement and quite a bit of notice. Where the majority of the putative two-star headquarters will be saved is in the regional command structure, which is not part of the deployable capability.

Q240 Sandra Osborne: If RAF bases close, is it guaranteed that they will be utilised by the Army or within the Armed Forces, by any other means?

Air Chief Marshal Sir Stephen Dalton: No, it's not guaranteed. What happens is that when we look at the question of our future needs, we look at what our need is not only in terms of the overall accommodation and resource available to do the job, but in terms of where the training needs to go on, and so forth. So, if I return for a second, if I may, to the point about closing the bases, because we make a decision this summer, it does not mean to say that the base will close on 1 January or 1 April next year. The bases will close when it is sensible, prudent and financially a good idea for that particular operation to cease. Sometimes that could be in three or four years' time. It could be that the Army comes back from Germany to a particular base, and there might be a very short period between the two, because we might not close that base

until we actually no longer need it. So, it is all a matter of timing in terms of when we need those bases.

When we look at the closing of air bases, the Ministry looks at it in the round, and considers whether the Ministry of Defence needs that real estate any more, and whether it is needed for other defence uses. It then goes elsewhere to see which other Government Departments might need the land and facilities. They look at it, and only then is it decided whether the whole estate will be sold off in some way, shape or form to some sort of private entity, having gone through national Government and local government, all over the place. It is not guaranteed. It depends entirely what the need is, and where the location is.

Q241 John Glen: I would just like to draw the attention of the Air Chief Marshal and the Admiral to the comments to the Committee of the MoD's Permanent Secretary, when she said, "I do confirm that we have removed a capability, and that increases the risk that we take"—referring to the decision on the MRA4—"However, we mitigate that risk by the range of the other things that we do". What actions have been taken to address that risk?

Air Chief Marshal Sir Stephen Dalton: First things first—I think that the acknowledgement there that a capability has been removed is absolutely right as an entity, but we have then done as much as possible to try to make sure that the risks that have been taken by removing that capability are mitigated as much as possible. I will give you three or four examples and, no doubt, CNS might give you one or two more. In support of operations and submarine activity, the Navy are making greater use of frigates and of their Merlin helicopters to protect the sea lanes and prosecution of identification and attacks on submarines.

In terms of long-range search and rescue, you will recall that about three or four months ago, a fairly major drilling rig in the North Sea was breaking its anchors and breaking loose. What we did there was to launch one of the E-3D command and control radar aeroplanes that definitely acted as the co-ordinator and control of the search and rescue efforts that were needed to bring the crew off, and we have the ability out of the back of our Hercules to launch life rafts into the sea to provide that sort of capability, if that becomes necessary. Those are the sorts of actions we have taken to mitigate that risk, but it is not an entire fabric of the capability that was within the Nimrod; we can do a certain amount, not all of it.

Admiral Sir Mark Stanhope: The Chief of the Air Staff has covered some important issues here. The loss of the risk can be mitigated against under the current threat levels that we are expecting to envisage and we are into security areas here which I do not want to go into. So we can mitigate in terms of the delivery of the strategic deterrent as well as in terms of the force protection of deployed task groups.

John Glen: In terms of, say, counter-piracy or deep-sea, air-sea rescue, are we going to be left short? You already said at the start that you only had two ships available to you at any one time—is it credible to say

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that these risks are going to be fully mitigated by the actions you have available to you?

Admiral Sir Mark Stanhope: An area we have not covered, of course, is that 'dependency' was a feature of the debate on the SDSR and here is an area in which—in terms of your anti-piracy example—we will have to rely a lot more on our allies than we have in the past. Those sovereign areas of capability where we and we alone can be responsible for the delivery of the capability, that risk area which is principally focused, of course, around protection of our own task group, should we want to use that task group independently, or, indeed support a strategic deterrent, have to be mitigated against the threats that we are likely to come up against.

John Glen: Do you think we are in a position to mitigate those risks? You feel that you have the capabilities required to do so?

Admiral Sir Mark Stanhope: I think, in the scenarios we are likely to come up against now or in the near future, we can do that, but that is a time-limited answer because if risks increase dramatically because of circumstances, we will not be well placed.

Chair: What could the lack of a floating, sovereign airbase mean to our defence capabilities?

Admiral Sir Mark Stanhope: We have moved on from Nimrod.

Chair: Yes, we have.

Admiral Sir Mark Stanhope: In the event of a security or defence requirement whereby UK interests require us to be able to protect a force, with or without our supportive allies, then, to go back to a previous answer, if we cannot get over-flight rights or basing rights, we would be unable to provide fixed-wing air cover to our forces on the ground in such an event.

Thomas Docherty: I don't know which of you is best placed to answer, but what do you think is the point of no return for the Harriers? Obviously, we still have Illustrious, which is doing a wonderful job in Rosyth, I have to say.

Admiral Sir Mark Stanhope: I hope Rosyth is doing a wonderful job on Illustrious, rather than the other way around.

Thomas Docherty: Indeed—that is a fair point, but what is the point of no return for the Harrier, at which point we have lost either the skills base or the airframes, in your opinions?

Air Chief Marshal Sir Stephen Dalton: In essence, you are past that point now. The issues are threefold. The first, as you say, is the expertise. For instance, one of the critical factors that you have to have in order to be able to support an aircraft type is a detailed, broad-based understanding of the airframe and its systems, and the integration of it all. That is predominantly provided by a combination of the services and industry. But industry has already dismissed those people who worked in that office. You would not be able to rebuild that capability, therefore, without either trying to re-employ those people—some may still be in the relevant companies, some may not but could have gone anywhere—and that will take a long while to do. It is not the same as bringing in people from America, which I have heard people talk about, because their systems and their

requirements are very different from ours in a technical and legislative sense.

The second point is—

Q242 Chair: Before you move on to the second point, may I ask you, First Sea Lord, whether you believe that we are beyond the point of no return on that?

Admiral Sir Mark Stanhope: What the Chief of the Air Staff said is correct.

Q243 Chair: All of it?

Admiral Sir Mark Stanhope: The fact of the matter is that industry is losing its staff.

Q244 Chair: But do you believe that we are beyond the point of no return?

Admiral Sir Mark Stanhope: It all comes down to money. If the money is available, then we will not be on the point of no return; but it's no good giving the Harrier back to the services in general without money to support its capability. That is what it all boils down to.

Q245 John Glen: Given your 40 years of experience, and having seen the evolution of demand in different conflicts, do you see what is happening in Libya as giving justification for a review?

Admiral Sir Mark Stanhope: We are delivering the effect required on the ground and in the air in Libya through basing facilities and over-fly rights and getting out of Gioia del Colle.

Q246 John Glen: But surely there is an increased risk from where we were six or eight months ago?

Admiral Sir Mark Stanhope: There are aspects that a carrier would provide, in terms of readiness and reduced transit times, with the Harrier as ground-effect aircraft. However, the Harrier was limited as it couldn't fire Brimstone, and we all know how Brimstone is doing in Libya. There is a balance of issues here. If we had a carrier, it would be there, but as to whether that turns SDSR upside down in terms of an operation that is—going back to my earlier point—in our back yard, where basing and over-flight rights are sort of expected, there is a big difference between that and somewhere where they are not.

Air Chief Marshal Sir Stephen Dalton: The other thing to bear in mind on that point is, what was the requirement? The requirement was to establish a no-fly zone over Libya. With all the wishing in the world, the Harrier could not have done that. It doesn't have a radar. We haven't operated a Sea Harrier for many years.

Chair: I am conscious of the fact that many people are catching my eye to talk about Harriers, which has taken a lot of our SDSR time, but we haven't yet got to the money. We have you for the next 16 minutes and we have to deal with the money, I'm afraid. We've also got to deal with the redundancy programme, but I'm afraid that we're not going to be able to deal with the allowances. Sandra Osborne?

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Q247 Sandra Osborne: Do you have an update on the Armed Forces redundancy programme for each of the services?

Admiral Sir Mark Stanhope: Let me start. We are tasked with reducing the size of the Royal Navy by 5,000. We expect therefore to lose about 3,300 people through a redundancy programme, either voluntary or directed. We intend to do this in three tranches, the first of which is under way.

We have identified those areas within the naval service where we do not want anybody to leave, so they will not be entitled to volunteer for redundancy; we will not be looking for redundant people within those particular areas. People not in those areas know who they are, and they are volunteering, or not, to take redundancy. As I said, we will do it in three cycles, the first of which will be looking to remove about 1,600 people. On 16 May, we close the voluntary piece and start to look at whether we get to our 1,600 by virtue of the numbers that ask for voluntary redundancy. There will be another following on next year, and one the year after that.

General Sir Peter Wall: In our case, the numbers are slightly bigger: 8,000 people altogether; 5,000 through a redundancy scheme. Again, the process is in three tranches, happening in a not dissimilar time frame. The first tranche—in this financial year and the next—involves 1,000 people. Work is underway. A growing number of people would volunteer for that, but we are probably well short of that number.

Air Chief Marshal Sir Stephen Dalton: In our case, the number is about 5,000. We have the same process of three tranches; ideally, two tranches if that can be done. We have already had the returns in from our request for voluntary redundancy. About half of the number we need have volunteered to go, so we will now go through the process of identifying the other half of the first thousand—so about 500 people—whom we will make compulsorily redundant in the first tranche. We will then go back around the buoy in six months to look for the next tranche of redundees. We aim to have the process finished by August 2013.

Q248 Sandra Osborne: What has been the effect on morale as a result of the redundancies, and the effect on the Armed Forces training programme and recruitment of special forces?

Admiral Sir Mark Stanhope: Can I start with a morale component piece? I would not wish to pretend that people enjoy watching their service being reduced in size. A redundancy programme is in being, so that obviously affects our people. Having said that, sailors, marines and airmen—I am sure that I speak on behalf of my colleagues—are very, very protective and proud of what they do. Because they are thinking people, they understand the issues associated with the need for redundancies. They recognise that an economically weak nation is strategically weak. They see their part in this. You can talk about it on a mess deck of a ship, and they will understand. They hope not to be part of the redundancy programme, but they understand the cause. Morale in certain areas of the Navy is more brittle than in others, but overall the morale component of the naval service is holding up.

General Sir Peter Wall: I echo all of that. A number of issues affect our people's view of the world, and their morale. The redundancy scheme is obviously very unnerving for those people who want to serve on. The only way it can be done is to identify quite a broad population from which perhaps only 20% would be drawn to make up the 1,000 in the first tranche of our scheme that I talked about. Of course, for those who volunteer, it is an opportunity but, for the majority, it is disproportionately unnerving. Other issues to do with terms and conditions of service, pay and allowances, the ability to which we can sustain people's accommodation and such things could well have a progressive and detrimental effect on people's sense of worth and well being.

As for special forces recruiting, there has been some discussion in the media about that recently. It was not particularly linked to the fact that the Army is reducing in size, but to the ongoing challenge of sustaining the bayonet strength of our very highly qualified and specially selected special forces people. That has always been a challenge and about a year and a half ago, we tried to work out whether we can come up with a more resilient way of sustaining the strength of our Special Forces units. It was that work—it was fairly routine work, not a response to a clarion call because of an exodus or very significant under-manning or anything like that—which was exposed in the media.

It is business as usual in terms of the challenge of always being able to sustain people of that quality. I am anxious not to put pressure on special forces manning because we are trying to achieve the same strength from an Army that is 10% smaller, but it is a defence-wide effort and includes the Territorial and Reserves fraternities, too. I am not overly concerned. We will continue to pursue our normal path.

Q249 Sandra Osborne: How has training been affected?

General Sir Peter Wall: None of this redundancy package has a direct effect on training.

Air Chief Marshal Sir Stephen Dalton: From the Air Force point of view there are three things. First, people recognise the reality of life—they do not want to go because they enjoy the life, but they recognise the economics of where we are. Secondly, the issue is as much about what effect it has on those who are remaining as it is on those who are leaving. I am certainly determined that people who are leaving are looked after properly, and we do as much as we possibly can to help them out. I shall come back to training in a second for a particular example.

Thirdly, it is about ensuring that the future has a certainty. People are going to commit themselves to eight, 12 or 20 years, and they need to be sure that this is not one element of a continuing process but that there is definite future for them. When they commit themselves for that amount of time, they want to know that they are going to be employed.

From our point of view, the only real knock on training is that, as you know, we have had to review about 170 pilots, to see whether they are going to continue to as pilots, and about 39 weapons system

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operators as well. I think we've recovered from that knock. People have understood the fairness and the integrity that was used to decide who should go and how. No one liked doing it, least of all me, but we have got through that particular stage. It is encouraging to see that about 20% of both groups have reapplied to join other branches within the Air Force because they so much want to stay.

Admiral Sir Mark Stanhope: I failed to answer, Chairman, on special forces and training. In effect, the training piece for the Navy is not affected in the same way as the Chief of the Air Staff indicated. But for Special Forces, where Royal Marines produce 46% of the special forces cadre, and are 3% of defence, I have to tell you that because we are not reducing the Royal Marines significantly there is no impact in terms of the recruiting rate of the special forces cadre from that point of view.

I want to expand a little on the back of what has been said by my colleagues about the redundancy package. As the Chief of the Air Staff said, although we are passionately looking to ensure that we exit our people from the service with the right support and backing; those people who remain are the principal focus of our attention in order to ensure retention. I go right back to the beginning of our discussions over an hour ago, on the Future Force 2020. What this means for people in the future is very important, and some clear head mark as to where we are going is fundamental to the morale of people in all three services.

Q250 Sandra Osborne: Could I ask you about information that we received from the House of Commons Library with regard to people deployed in Afghanistan? The Secretary of State has reiterated on several occasions that they will not be subject to compulsory redundancy. I believe that the Army and the RAF are to give individuals notice that they will be made redundant on 1 September, followed by the Navy on 30 September.

The House of Commons Library, which is normally very reliable, says that the dates are crucial in terms of exemptions relating to Afghanistan. Those serving on Operation Herrick 14 between April and October 2011 and those on notice to deploy as part of Operation Herrick 15 in October and November 2011 will be exempt from compulsory redundancy. However, the post-operational tour leave allowance is one working day for every nine calendar days deployed, which roughly equates to 20 days for a six-month deployment. On that basis, it is entirely possible that those personnel who were serving on Operation Herrick 13—which concluded at the end of April 2011—when the redundancy schemes were announced, could be made compulsorily redundant in September, as they will have completed their post-operational tour leave by then.

I am sorry that that is a bit complicated, but the basic point is that if they have finished their tour they may still be made compulsorily redundant. Would that be true?

General Sir Peter Wall: Yes, I'm sure that that's accurate.

Q251 Sandra Osborne: So that is contrary to the spirit of what the Secretary of State has been saying?

General Sir Peter Wall: I think that people might be making a distinction between individuals and units; we'll have to check those facts and come back to you on that point.

Sandra Osborne: I am grateful for that. Thank you. Talking about the 25—

Q252 Chair: I am afraid that we have to get on to the money. There is a crucial question relating to the loss of 25,000 MoD civil servants by 2015: what effect will that and the work of the Defence Reform Unit have on the ability of each service to fulfil its role? We will write to you about that and we would like your answer, please.⁶

On the money, we've heard about the Prime Minister's personal strong wish to have an increase in the defence budget from 2015. Precisely what would happen to each service if that were not to be achieved?

Air Chief Marshal Sir Stephen Dalton: The most important thing is the question of whether that is decided now and something is put against that statement. In other words, are we going to see a figure put against that and an allowance made so that we can plan against that figure? If not and the question will be decided only once we have had the next election, the implications are that we will have to plan on the assumption that there won't be any increase because the Treasury, naturally enough, will not allow us to plan on something that does not exist in policy terms. So that will have an effect on what programmes we need to have in the future, in terms of both people and equipment, because that planning is critical if we are to get through the initial stages of understanding capabilities for the future without actually buying equipment. You have to have some sort of research and development in relation to what is going on and some evaluation of the options that are there. If that is not given some meat in the foreseeable future, the most important consequence is that we will have to plan on the assumption that there won't be an increase, even if there subsequently is to be one.

Chair: Thank you very much. That is the clearest statement of that point that I have yet heard and it is very valuable.

Admiral Sir Mark Stanhope: It's difficult to add to that. If it is not on contract now and you have got it in the equipment programme and you have to put it on contract now for equipment delivered in say five or six years' time, and if you are not going to get into a position where you have hugely overspent and over-aspired, we have to have some indicator as to how much we are able to cost within the programme.

Q253 Chair: CGS, do you have anything to add?

General Sir Peter Wall: No, but it's clearly down to an holistic view of affordability. There is uncertainty about anything that is a new programme that has figures in the line beyond the CSR period. That programme cannot be commenced and in some ways will not be sustainable. So it will bring us to a halt relatively soon. The implications of trying to live

⁶ Ev 138–139

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within a flat real continuation of the budget as it is in 2014 will mean an erosion of capability in every line of our activity, whether it's equipment, pay and conditions, people, infrastructure or training. All those would be subject to scrutiny to try to work out how we exist within that funded volume.

Q254 Chair: I think that there is little point in asking you about Planning Round 11 because the Secretary of State has not made a statement to the House of Commons. Am I right in saying that?

Admiral Sir Mark Stanhope: Yes, it would be helpful if you didn't, Chairman.

Q255 Chair: Well, I could, but you probably wouldn't answer. Would it be right nevertheless to ask this question? Because of the implementation programmes attached to each of the decisions of the Strategic Defence and Security Review, would it be right to assess the Ministry of Defence as currently drowning in paperwork?

General Sir Peter Wall: No, I don't think it's drowning in paperwork. It has areas of clarity, where decisions can be taken and announced. Those are implementing some of the very clear direction that came out of the SDSR. We've been talking about the redundancy programmes and the putative infrastructure programme on which a lot of work is going on. We have heard what has already happened in some areas where activities have stopped and probably can no longer be drawn back in. Inevitably, it is a broad and complex business and there is quite a lot of stuff that is uncertain on which we are continuing to work.

That is being done in a number of ways. It is being done in the centre of the MoD, in terms of the centrally provided functions. For each of the Single Services, we are assessing where we need to go now in our transformation programmes, not just to implement savings measures and work out where we would like reinvestment if our ship comes in later on, but to work out the cultural and capability adjustments that we are going to need to make in the latter part of the decade to keep pace with a changing society that we need to draw the right people from, in the context of a character of conflict that is going to change and that we have to be equal to.

Admiral Sir Mark Stanhope: I know it has been a catch-line, but it is true that the SDSR is a process, not an event. What is linked to your comment, Chairman, is that processes are now going on in the

Ministry of Defence to take this thing forward that are not traditional processes, and therefore there is a lot of work going on to try to satisfy the new process of trying to balance the books, in terms of the SDSR.

Q256 Chair: So was this process efficient, comprehensive and effective—Planning Round 11? You can answer that, I am sure, before the Secretary of State has made a statement to the House of Commons.

Admiral Sir Mark Stanhope: It was comprehensive. It was as efficient as it can be. What was the last one? Effective. It closed down PR11.

Chair: I think we can't take that further at this stage, being in this limbo period.

Q257 Thomas Docherty: The Secretary of State has announced that the cost of QE is going up by between £1 billion and £2 billion. The vast majority of that cost will probably be hit within this cycle. Have you had any discussions about whether that will be extra money for the defence budget or whether you will have to reallocate money to find it?

Admiral Sir Mark Stanhope: This is based around the decision made in the SDSR on cats and traps. A process is going on now to ascertain the costing, what sort of cats and traps we are going to use—we have an option—and on which platform we are going to place them. All that is work in progress that you would expect. There is nothing novel about it. Cats and traps do cost; some money will have to be found for them.

Q258 Thomas Docherty: Absolutely. So no decision has been made on whether you will have to find the money from your existing allocation or whether you will get an additional fund from the Treasury to meet the rise in cost?

Admiral Sir Mark Stanhope: No decision has been made.

Chair: Thank you very much indeed. I want to repeat something that I said earlier. You have all had over the last year an extraordinarily difficult time in coping with the SDSR. We recognise that you have to hold the Government line and you have done that very effectively today, if I may say so. Nevertheless, we are grateful to you for the evidence that you have given today and for such elements of clarity as you have shed upon the SDSR. It isn't huge, but nevertheless it has been helpful and we are grateful.

Wednesday 18 May 2011

Members present:

Mr James Arbuthnot (Chair)

Mr Julian Brazier
Thomas Docherty
Mr Jeffrey M. Donaldson
John Glen
Mr Dai Havard

Penny Mordaunt
Sandra Osborne
Bob Stewart
Ms Gisela Stuart

Examination of Witness

Witness: Air Chief Marshal (rtd) Lord Stirrup GCB, AFC, former Chief of the Defence Staff, gave evidence.

Q259 Chair: Lord Stirrup, welcome back. You gave evidence to us in private about the events in Afghanistan and we were grateful to you for that. Thank you now for coming to give evidence on the Strategic Defence and Security Review. You are becoming a frequent visitor and you are welcome. What do you think of the National Security Council and how could its work be improved?

Air Chief Marshal Lord Stirrup: The NSC was a very helpful and timely innovation, not so much because of the people who were sitting around the Cabinet table discussing national security issues, because that happened before under previous Administrations, but because of the structure that it was given and in particular because of the appointment of a National Security Adviser. Again that is not because the National Security Adviser should be somebody who is whispering all the national security advice into the Prime Minister's ear, but because he is, certainly in the person of Sir Peter Ricketts, a person of sufficient expertise, experience and gravitas to be able to corral the issues, put the business together in an effective way and, importantly, corral the Permanent Secretaries of the various Departments across Whitehall, get them involved in the production of the business, present it to the NSC and follow through on the discussions to deliver outcomes.

The machinery that was set in place as part of the NSC support structure was very important, but so were the personalities. We have had secretariats before for various Cabinet Sub-Committees, but in this case we had somebody running the business, as it were, who had the clout and the experience around Whitehall to get things done in an efficient way. That was a major step forward. You asked what could be done to improve it. Of course, I now speak on the basis of experience that is six months old, so I do not have any direct knowledge of where it has been in the interim. I think that my perception at the time I finished as Chief of the Defence Staff was that the NSC was still on a learning curve, as was to be expected. There was more learning that needed to be done about specific unstable areas of the world, in order for subsequent discussions to be truly productive. I hope that has happened in the interim.

Q260 Chair: Learning curve. There was a Ministry of Defence document that suggested that the complexity of defence issues inevitably meant that the NSC took some time to become familiar with them,

and to begin to address the most pressing problems. Was there a sense that defence was not fully understood by the NSC?

Air Chief Marshal Lord Stirrup: Not so much defence, but the complex nature of the security challenges that faced the UK. The NSC spent a great deal of time in the early days focusing on Afghanistan—I would say quite rightly—and on gathering evidence from a variety of people and on developing its thoughts and understanding of the challenges of Afghanistan. That did not leave much time for other parts of the world, but of course one has to prioritise. An area that we then needed to turn to—and had done only partially by the end of my time—was Pakistan. That is a hugely complex issue and a very difficult area, but of great importance to our national security in the UK. There are many others besides.

The NSC got to grips with the issues as quickly as it could, and prioritised them rightly. However, they are so many and so complex that it was inevitably going to take time.

Q261 Mr Havard: To follow that up, in the early stages of the preparation of the Security Strategy and the Defence and Security Review, which came out separately, do you think there was a sufficient foreign policy baseline for both of those things, for you in the military at the time, to develop the military strategy that came from them?

Air Chief Marshal Lord Stirrup: There most certainly was a clear foreign policy baseline, which was developed with inputs from other Departments by the Foreign Office, and was set out by the Foreign Secretary. The problem that people have is that you can talk about a foreign policy baseline in terms of your aspirations for Britain in the world and in terms of different regions and countries, but that does not tell you much about what might happen in those and other regions that are unexpected. Equally, it does not tell you about how much and what kind of effort you should invest in different areas. Those are extremely difficult choices. My experience is that people are always looking in these exercises for some kind of magic algorithm, a formula that will allow them to put some numbers in at one end, turn the handle and out will come the answer. It doesn't work like that; the world is far too complex and unpredictable. We got foreign policy guidance, but did it constrain your

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options in the defence review, so that the answers fell out neatly? No, but it was never going to.

Q262 Mr Havard: What was your involvement in the development of the National Security Strategy? A security strategy is broader than simply defence. What was your involvement in the process?

Air Chief Marshal Lord Stirrup: I sat, along with the Permanent Secretary at the Ministry of Defence and representatives of other Departments across Whitehall, on the NSS and Defence Review Steering Group, which was chaired by the National Security Adviser, and that met on a weekly basis. That oversaw, at the steering group level, the preparation of business for both the NSS and the defence strategy to go to the NSC, so I was a member of that. Clearly, the work that was being prepared for that group was discussed internally within the Ministry of Defence as well. We saw drafts of various bits of the NSS so that we could see how they connected to our particular part of the business and what might flow from that in terms of a defence strategy.

Q263 Mr Havard: So you were involved with the prioritisation of the risk, because out of it comes this prioritisation table, which, in a sense, might also suggest what you might need to carry out the priority tasks. Were you involved in that prioritisation?

Air Chief Marshal Lord Stirrup: I was involved in discussions within the steering group on what the prioritisation should be. Of course, it was not an easy discussion because, although some things were obvious, some views differed quite widely. I was in attendance at the NSC when it took the decisions on that prioritisation.

Q264 Mr Havard: Given all that, and the situation that has arisen since the review was published, what is your assessment now of the strategy and the structure's ability to cope with the combination of different risks, given that the Libya exercise now is presumably the medium, sustainable activity that was in the description of defence planning. What is your assessment of the ability to deal with these slightly unforeseen and perhaps foreseen combination risks?

Air Chief Marshal Lord Stirrup: The first thing to say is that a key choice that was made early on by the NSC was what should be the broad approach to our National Security Strategy and our defence. Should it be about homeland security? Should it be about trying to prevent crises by dealing with them upstream—capacity building and all the rest of it? Should we focus at one end of the spectrum? Should we focus at the other? The conclusion, as you know, was that we should do neither of those, but that we should be somewhere in the middle and adopt what was called a balanced posture. Some people would see that as trying to have it all ways, or failing to make bold and courageous decisions, but events since the SDSR have just underlined the point that was made frequently in discussions and that was reflected in the NSS, which is that things always come along that surprise us, and we have to be able to react to those things that we did not or could not foresee. It does not mean being able to do everything and deal with everything, because,

quite patently, that is not possible, but it does mean retaining a balanced posture so that we can adapt sufficiently quickly and be agile enough to deal with those unforeseen events.

Q265 Mr Donaldson: The NSS mentions conflict prevention as one of the key objectives. In light of the SDSR, where do you see that fitting in now with the reduced Armed Forces? Have we got the capacity to engage in conflict prevention?

Air Chief Marshal Lord Stirrup: That capacity is strictly limited at the moment. We had an interesting debate about conflict prevention, because people would say, "Wouldn't it be better—and, by the way, cheaper—to focus all your efforts on prevention rather than on cure?" That is rather like saying, "Shouldn't we put all the money that goes into the national health service into public health and prevention of disease?" Well, of course prevention of disease is extremely important, but people are still going to get sick and people are still going to die, so you are still going to need hospitals and doctors. Our argument was, of course, that you can build a greater degree of stability, hopefully, if you can contribute to conflict prevention, but conflict prevention does not mean that you will prevent all conflicts. They will still occur and you will have to deal with them. What is important is that the Armed Forces—the military—are there predominantly to deal with the consequences if things break down and armed conflict results. So, that should remain the focus of Armed Forces, but of course, where possible, you should use them upstream as much as possible so that the number of breakdowns is fewer. But you need that capacity, and when your capacity is heavily tied up in cases such as Afghanistan and Libya, it is not available elsewhere. It is an inevitable consequence of the balance between the overall size of the military and the level of commitment of the military that our scope for upstream work has been for a number of years, and will be for a number of years to come, limited.

Q266 Mr Donaldson: So it is an admirable objective, but perhaps something that the Foreign and Commonwealth Office and the Department for International Development have to concentrate on, because you are saying that there is not the capacity at the moment, if there are a number of operational deployments taking place, for the Armed Forces to be proactive in conflict prevention.

Air Chief Marshal Lord Stirrup: It is, of course, a key task for the FCO and for DFID—they work at it—but the military does have a role to play in capacity-building, as we have seen. Mentoring and training teams have had a real strategic impact over the years in different parts of the world. It still goes on to a degree. We would like to be able to do more of it, but we will only be able to do more of it once we have less in the way of operational tempo. I come back to my central point, which is that you do not have Armed Forces to do primarily conflict prevention; you have them to deal with the consequences when conflict prevention does not work. Where you can, you use them upstream as much as possible.

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Q267 Mr Donaldson: Surely, with a reduced Armed Forces, it becomes more necessary to prevent conflict, because your capacity to deploy into those situations is diminished. Is there a role for the reserve forces in taking on some responsibility for conflict prevention, which cannot be carried out by their full-time counterparts?

Air Chief Marshal Lord Stirrup: There is most certainly a role for the Reserve Forces in this, which I know the Ministry of Defence is looking at currently.

Q268 Ms Stuart: In a previous evidence session, we had the Chiefs of the three services in front of us, and we asked them a straightforward question, which was whether, when looking at our capability now and ahead up to 2015, they would describe us as having full spectrum capability. What would you have answered?

Air Chief Marshal Lord Stirrup: It depends what you mean by "spectrum". I am not trying to dodge the question. There are military capabilities that the UK has not had nationally for a very long time.

Q269 Ms Stuart: All three of them said no, if that helps.

Air Chief Marshal Lord Stirrup: Yes, but my point is, did we have full spectrum capability two years ago? On many definitions, the answer to that is no. The fundamental point is that the defence review started off with certain preconditions and certain pegs in the ground. One of those was that the budgeted expenditure had to be reduced by a minimum of 10%, with an aspiration for 20%. It had to be reduced quickly. We could not touch anything that was being used for Afghanistan. When those are the starting conditions, your options are pretty limited. There is no way you can achieve those ends without reducing capability.

We were in the business of reducing our overall defence capability in the years ahead. Our approach was to look a bit further and say, "Okay, by 2015 we do not think we will have what we would consider to be a balanced, coherent set of capabilities across the spectrum, but we could get back to them by 2020." That became our aiming point, hence the Future Force 2020, but we were very clear—the Prime Minister himself acknowledged it in his statement to the House last year—that that would be achievable only on the basis of real-terms increase in the defence budget beyond 2015. The answer to your question is that, whether or not we had a full spectrum capability to start with, it was certainly going to get worse by 2015. We were, however, aiming to recover it by 2020.

Q270 Ms Stuart: I think we will return to that point of 2020. If you had to describe what our capability is, what would you define as the major bits that we currently cannot do, and which therefore mean we are not at full spectrum capability, other than the aircraft carrier?

Air Chief Marshal Lord Stirrup: Carrier strike is one. Anti-submarine warfare is another. Along with others, I made it clear in the defence review that if we went ahead with the decision to get rid of maritime patrol aircraft, in the circumstances of a resurgent submarine

threat we would not be able to send a naval taskforce to sea unless someone else provided that capability. It was not a case of taking a bit more risk; we simply would not be able to do it, should that particular threat level rematerialise. Nobody is saying that it will or that it won't, but we would have to look for somebody else to provide that capability. That is another fairly stark example.

Q271 Ms Stuart: Your successor said to us, "The National Security Strategy document is not a bad objective in terms of our ends, but I would say that the ways and means are an area of weakness." Do you agree, and if so, how could it be improved?

Air Chief Marshal Lord Stirrup: The NSS talks about priorities, but it does not say that you have to be able to deal with every one of those priorities to the same degree. Clearly, the amount of effort you put into the priorities depends on circumstances at the time. It depends on the international situation, but it also depends on how much you have to invest. If you have less to invest, you can cover fewer of the bets. I do not think they became disconnected; there was never a sense, going back to my earlier answer, that the NSS was going to provide you with a set answer that was going to cost a set amount and that if you did not provide that money you could not have the answer. It is scalable to a very large extent, but the significant reduction in the budget meant that the sliding scale was going to be downwards rather than upwards.

Q272 Ms Stuart: As you looked at those priorities, where would the centre of gravity have been during the review?

Air Chief Marshal Lord Stirrup: In the NSS? Do you mean the centre of gravity for the decision making or internationally?

Q273 Ms Stuart: For the decision making.

Air Chief Marshal Lord Stirrup: The centre of gravity was in the NSC. That is where those issues were debated. In all those discussions, one must remember that although people have charged that the SDSR was not strategic, it most certainly was strategic but the strategy was to eliminate the deficit. Frankly, even from a security and defence point of view, I would have to say that that must be the right objective. Without a strong economy, without growth and without sound finances we are not going to have secure defences. It is just not possible, and that has been proved time and again throughout history. One can argue about the tactics that are employed to repair the economy and the finances—that is a separate issue—but strategically it surely must be the right top-level objective. In all our considerations, the requirement to do that and, therefore, the requirement to reduce expenditure overrode just about everything else.

Q274 Chair: May I break in for a moment? The NSS says at one stage, "The National Security Council has reached a clear conclusion that Britain's national interest requires us to reject any notion of the shrinkage of our influence." At a time when we are reducing defence spending as much as we are, and

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when we are scrabbling around for an extra billion, that is really nonsense, isn't it?

Air Chief Marshal Lord Stirrup: That sentence was debated, as you might imagine, quite a lot—

Chair: I would, yes.

Air Chief Marshal Lord Stirrup:—both in the steering group and in the NSC itself. The arguments that were advanced in support of it were, “Well, okay, yes, you are reducing the amount that you are doing in defence, but you can make up for that in foreign policy terms, in diplomacy and in other areas.”

Q275 Chair: While you are cutting the foreign policy budget.

Air Chief Marshal Lord Stirrup: Personally, I did not buy it, and my view is that if the priority is to eliminate the deficit over the course of a Parliament, the rather drastic action that will be necessary means a period of strategic shrinkage. That is my personal view, but that was not the view that prevailed in the production of the document. As I said, what we sought to do was reverse that strategic shrinkage over the second half of the decade, but that is still an open question.

Chair: I share your view, and I do not share the view of the Foreign Secretary. I put it to him that the denial of shrinkage of influence was a little unrealistic—mostly because I would have had to call myself to order if I had used the words that I actually thought of.

Q276 Bob Stewart: I want to ask about the ASW capability. It is not just the surface fleet that would be affected by the removal of Nimrod; it is also our submarine operations, isn't it? You didn't say that, but I think you implied it.

Air Chief Marshal Lord Stirrup: Anti-submarine warfare is one of the most difficult military tasks that the Armed Forces carry out. It is very complex and requires a layered approach. That has been demonstrated clearly over the years, and wide area surveillance is a very important element within that.

Q277 Bob Stewart: Which we have now lost.

Air Chief Marshal Lord Stirrup: We have now lost that. In the light of current threats, it is a not a critical weakness, but should the threat re-emerge—it could well re-emerge—it would become an important weakness.

Q278 Ms Stuart: To take you back to the sequence of decision making when reducing the financial debt became a security priority, do you think that the sequence in which the various documents were published and came out was right? Shouldn't the SDSR have come after the publication of the strategy and the spending review?

Air Chief Marshal Lord Stirrup: No, I don't agree with that. Again the common charge is that this was rushed and we should have taken rather longer about it. There was certainly going to be no extension in the time scale of the spending review. Had we taken longer about the defence review, it seems to me almost inevitable that we would have started with a baseline that was at least 10% lower than the one we originally had. In doing the defence review at the same time as

the spending review, we were able to bring the two issues together—the requirements and the resources—and say quite starkly, “Well, we have managed to get down to x% reductions”—about 7% to 7.5% depending on how you measure it. “If you want us to go further than this, these are the kinds of things that we will have to do.” In the end, that proved to be a step too far for the NSC and as a consequence we wound up with a reduction in the budget that was less than the minimum that was put to us at the beginning of the exercise. I don't think we would have achieved that had we taken longer over the defence review, so I think it was a good thing for defence to do it at the same pace as the spending review.

Q279 Ms Stuart: Right. So you agree with the Defence Secretary that opening the strategic review is the same as opening the Comprehensive Spending Review?

Air Chief Marshal Lord Stirrup: Of course. Absolutely. It must be, otherwise you are just shuffling deckchairs around.

Q280 Ms Stuart: Which some might say we are doing now. Final question: do you feel that your expertise and that of people at your level had sufficient input to the review and that it was sufficiently utilised to arrive at that decision?

Air Chief Marshal Lord Stirrup: Yes, I do. I know that you have had evidence from the Service Chiefs on this, but they were all involved, along with the Vice Chief and me, in the Defence Strategy Group within the Ministry of Defence. I was, as I say, present at the steering group meetings and the NSC itself. The Single Service Chiefs had the opportunity to present their own cases, not just in the Defence Strategy Group, but personally to the Prime Minister on a couple of occasions, and indeed to the full NSC, so there was plenty of input. It did not mean that all their views were accepted—that was never going to be possible—but certainly the expertise was well utilised. Clearly, there are other areas of expertise: there is the wider public view and there is academia, and had we had the opportunity for a more leisurely exercise, they could have been involved more, although we should remember that they were involved quite extensively in the preparation of the Green Paper before the election. One of the reasons for doing that was that we knew we would be very short of time after the election because of the pace at which the spending review needed to be conducted. So, we wanted to get as much of that preparatory work out of the way as possible. Inevitably, there is a little bit of disconnect between the rather theoretical Green Paper and the practical exercise when you are in the heat of the kitchen. That work was valuable, but given the time scale in which we had to do it, I think the expertise was involved as much as it could have been.

Q281 Sandra Osborne: Looking at the Force 2020 goals, are they based on sufficiently robust thinking from the Armed Forces and are they reflected in the defence planning assumptions, or could they easily be undermined by the pressure of events?

Air Chief Marshal Lord Stirrup: They reflect a robust military thinking on what balance of capability, given that we have a balanced approach to this as a strategy baseline, can be afforded within the defence budget that we are envisaging in the 2020 time frame. Now those defence budgets are bigger in real terms than the budget will be in 2015. On that basis, it is as good an estimate as we can come up with at this stage. Of course, 2020 is still some time away, and that will have to be refined as we go through the years, and as the unexpected happens. We will have to react to that and there will be both new threats and new opportunities emerging. At this remove, however, it is as good as we can do.

Your question about defence planning assumptions and whether they will be under threat refers, I assume, to unexpected circumstances, meaning that we have to do more than was assumed in the defence planning assumptions, which is clearly always possible. However, the amount of national wealth that is devoted to defence is essentially a political decision. Once that has been decided—at whatever level it is, and for whatever reason—you then have to be clear that you must restrict your ambitions to within the resources that are available. That has not commonly happened over recent years, and I think that there must be rather better discipline in that regard.

I say that because there are potential circumstances that could arise that would, in my view, be very serious—the consequences for the national security of this country would be very serious. They have not arisen, but we need to keep something, in terms of contingency, in reserve to deal with such very serious threats, should they materialise. So, I get very concerned not only about exceeding the defence planning assumptions, but about committing everything we have to continuing operations. This is not about keeping everything in reserve, just in case something comes up; that clearly does not make any sense. However, it is about keeping sufficient contingency to deal with the unexpected when it is very close to home in terms of our interests.

Q282 Sandra Osborne: What kind of serious threat are you thinking about?

Air Chief Marshal Lord Stirrup: If there was a third-party attack on Iran and its nuclear programme, for example—this is entirely speculative—Iran could react against us. I suspect Iran would be inclined to blame us in such circumstances and after all, let's be fair, Britain has some form in that part of the world, in its history. Iran could do things with regard to, for example, the Strait of Hormuz, that we would regard as a *casus belli*. We could not fail to respond, because the consequences to this country would be so dire. We would not, of course, be responding to them on our own—far from it—but we need to be able to respond in such circumstances.

There are also other issues that occupied quite a lot of our thinking when I was Chief of the Defence Staff, because we were so short of contingency. We wanted to be clear in our minds how we could and would respond to such circumstances.

Q283 Sandra Osborne: Given that the Government have prioritised the reduction of national debt over the NSS and the SDSR, what are the risks, and what plans are in place to mitigate them—for example, the regeneration of capability gaps?

Air Chief Marshal Lord Stirrup: As I say, the plan is all based around recovering from 2015 onwards. On the regeneration of specific capabilities—for example, we talked about wide area surveillance—at the moment, some general thinking has been going on about how unmanned air vehicles could contribute in this area. There are currently no specific plans or projects on that, because the thinking is not sufficiently advanced, nor, I dare say, is the technology. A lot of thought is going into that, however.

So, I cannot tell you, “This is the plan for regenerating wide area surveillance.” You know what the plan is for regenerating carrier strike, and you know that it creates significant challenges for the Royal Navy in terms of the production of sufficient pilots, engineers and all the rest of it, but Royal Navy and the Air Force are working on such plans. There is a lot of thinking and planning going on, but it all depends on money. The key question is, “What plans are there to guarantee that whoever forms a Government in the second half of this decade will ensure that there is a real-terms increase in defence spending over that period?” That question is rather more for you than for me.

Chair: May I just bring in John Glen at this point and then I'll come back to you, Sandra?

Q284 John Glen: It would be helpful to have your perspective on what the implications would be if that were not achieved after 2015, because that is the key thing that we want to know. We have heard all the warm words of aspiration, but what would the reality be?

Air Chief Marshal Lord Stirrup: The reality is that Future Force 2020 would be completely unaffordable and the Armed Forces would have to be substantially smaller than is currently planned. You would have to have another SDSR in 2015.

Q285 John Glen: Could the capability be recovered?

Air Chief Marshal Lord Stirrup: Capability would have to be reduced further.

Q286 Chair: Isn't there going to be another SDSR in 2015 anyway?

Air Chief Marshal Lord Stirrup: There is, you are quite right—thank you for correcting me. What I meant was that there would have to be an SDSR with the character of the previous one, rather than with a character of rebuilding.

Q287 Chair: You say that with an element of dread in your voice.

Air Chief Marshal Lord Stirrup: I do. All this depends on meaningful real-terms growth in the second half of the decade, and I cannot give you a figure for that. Well, I could give you a figure, but I do not mean 0.2% a year in real terms; I mean something substantially more than that. When the Prime Minister

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announced the defence review in the House last October, he said that it was his personal view that that would be required for Future Force 2020 to be affordable. But he is, of course, unable to commit a future Government, so it is still very much an area of uncertainty. It would be enormously welcome if there were a degree of cross-party support for that particular proposition. I do not think that there necessarily is such support at the moment, not least because the Ministry of Defence has to plan now for certain aspects of the force structure beyond 2015. It can only plan on what it knows, so at the moment it is planning on the basis of a flat real budget from 2015 onwards. At the moment, the Ministry of Defence is planning not to achieve Future Force 2020.

Q288 Chair: Could you look at what the Prime Minister said to the Liaison Committee towards the end of last year? He denied that this was a problem for the Ministry of Defence. Did he get it wrong?

Air Chief Marshal Lord Stirrup: Well, I certainly think it is a challenge for the Ministry of Defence.

Chair: I thought he got it wrong.

Air Chief Marshal Lord Stirrup: You cannot plan for 2016–17 in 2015. Certain things have longer lead times than that.

Q289 Chair: So because the Treasury insists on spending being on the basis of flat budgets, rather than projected growth, it is not policy.

Air Chief Marshal Lord Stirrup: The Treasury tells the MoD that it can plan on what it likes, but that it cannot count on the Treasury providing any more money than it is getting at the moment. The ball is thrown back into the MoD's court, and what is the MoD then to do?

Chair: I am sorry, but we now have a vote. Under the programme Order, there will be a series of votes at four o'clock. I shall suspend the sitting for seven minutes.

Sitting suspended for a Division in the House.

On resuming—

Chair: We have a quorum, and seven minutes have elapsed.

Q290 Sandra Osborne: You have referred to the cancellation of Nimrod and the 10-year gap for the carriers. Surely, there is also an issue to do with the skills base training. What problems do you foresee for that in meeting the 2020 goals?

Air Chief Marshal Lord Stirrup: There is a significant challenge for the Royal Navy in regenerating carrier strike capability. That was always clear. Indeed, it was the key argument against removing Harrier from the inventory. It is not an insuperable problem; it is a considerable challenge. The First Sea Lord, when he gave evidence to you, will have talked about sending pilots on exchange tours to the United States navy and working on a plan with the Air Force for ensuring that it can rebuild numbers of fixed-wing pilots within the Navy as quickly as possible, but it will take time. One has to remember that, given the starting point of the review and the reductions in expenditure that were going to have to be made, there were no options that were not

going to cause pain and difficulty. The issue was to try to find that combination of measures that caused the least pain and difficulty—least is a comparative term that was always going to be a lot—and from which one could recover. It was clear that that was an area from which one would recover, although it would take time and effort and, as I have said before, money. The maritime patrol aircraft side is a different story. It would be very difficult to recover from because it is a very specialised field. It requires a great deal of expertise and quite a lot of experience. I cannot give a specific answer on a plan to recover a wider surveillance capability for anti-submarine warfare, because it is not yet clear how it is to be done. I suspect that inevitably it will involve bringing in help from allies, who have retained their capability and building upon that, and slowly rebuilding the UK's own seed corn.

Q291 Sandra Osborne: We do not know the results of Planning Round 11, as yet, but there are reports of further cuts in personnel and equipment. What do you believe the impact would be of that on the Armed Forces?

Air Chief Marshal Lord Stirrup: They have, of course, only just embarked on the cuts that are consequent upon the defence review. The initial tranche of redundancies will go on for some considerable time. I do not know if there will have to be further reductions. I—as you do—see reports of the budgetary difficulties within the Ministry of Defence and that it is now engaged on an exercise over the next three months to see how they are to be resolved. I speak now as an outsider. If there are to be further personnel reductions, I can only envisage further reductions in capability as a consequence and it will, of course, mean that the uncertainty to which service personnel are exposed as a result of the current reductions will be extended.

Q292 Sandra Osborne: If there were one area of the SDSR you could revisit, what would it be?

Air Chief Marshal Lord Stirrup: The money. That is not a facile answer. Unless you revisit money, there is no point in revisiting anything else.

Q293 Chair: Well, let's give you a wider question. If you could open both the SDSR and the Comprehensive Spending Review, what would be the first thing you would address?

Air Chief Marshal Lord Stirrup: Sorry, Chair. To be clear, you are saying that, if more money were to be made available—

Chair: If more money were made available—

Air Chief Marshal Lord Stirrup: I think probably the whole area of intelligence surveillance, targeting and reconnaissance. It was an area that we wanted to protect in the SDSR. It was set out as a clear policy decision not only to protect it but, if possible, to improve it. That was not possible, given the financial constraints. So we have reduced in those areas, and I suspect that my first area of concern would be to reverse some of those reductions.

Q294 Chair: Would that include the maritime patrol aircraft, or would it not?

Air Chief Marshal Lord Stirrup: It might include some of the capability. I am not clear at the moment what stage they have reached in the examination of the ability of unmanned vehicles to help in this area. As you know, we have expanded the number of unmanned aero vehicles over recent years in this area in particular. They are so valuable predominantly because of their endurance, and the fact that they can stay up for so long. They have been critical to current operations, and they will be critical to other operations as well. It would not necessarily be a reversal of the Nimrod decision, not that I think that that is feasible since they have been cut up, but it might be putting some of that capability into the unmanned arena.

Q295 Mr Havard: One of the things about the capability that we have lost was its ability not only to see, but to hear. Unmanned vehicles can see a lot, and surely being able to hear is a crucial part of any recovery of a capability.

Air Chief Marshal Lord Stirrup: It is, and they cannot do it at the moment to the extent that manned aircraft can, which is why there is a programme to replace that particular capability of the Nimrod, as you may be aware. But that does not mean to say that, in five years' time, they will not be able to do it. For all the reasons that I have stated, we do need to keep pushing as hard as possible into this unmanned area because of the advantages that it brings. It will not supersede everything in the manned arena, but it will take on more and more of the business as time goes by.

Q296 Chair: Can I just ask you a couple of questions about the aircraft carriers? What was the point of having an aircraft carrier that was interoperable with the French?

Air Chief Marshal Lord Stirrup: Well, the point of interoperability is that if one is operating alongside one's friends and allies, it provides you with greater flexibility. I think we have to be clear what we are talking about in terms of interoperability. We are not talking about French aircraft flying and fighting from our carriers or vice versa, because it is not simply a matter of aircraft landing on and taking off from carriers. They have to be refuelled, rearmed and repaired. You need the spares, the weapons, the engineers, and you can't provide all those for different kinds of aircraft. It would be easier to interoperate in a fighting sense with other nations that were using the same kind of aircraft and weapons.

Q297 Chair: So if it is not flying and fighting from an aircraft carrier, what is the point?

Air Chief Marshal Lord Stirrup: It can land on, be turned around, be refuelled and sent off again back to its own carrier, and that increases your overall level of flexibility.

Q298 Chair: And is the Charles de Gaulle long enough to take an F-35?

Air Chief Marshal Lord Stirrup: I would have to refer you to an expert on that. I can't answer that question.

Q299 John Glen: I would just like to get Lord Stirrup's reaction to a leaked document from the MoD. We have to be careful with leaked documents, but sometimes they reveal true feelings. There is one from the SDSR, which says: "It was clear that none of the three services had developed meaningful internal thinking on how to deliver a 10–20% reduction in their resource baseline. An earlier understanding may have generated more radical alternative ideas." What is your reaction to that, given that we have just had a long discussion about the constraints and the challenges going forward, and the fact that we need real-terms increases after 2015? How do you react to that concern about the capability to look at how to make radical changes?

Air Chief Marshal Lord Stirrup: If the proposition is that a year or 18 months ago it was not clear to each of the Single Services that, come the defence review, there was almost certainly going to be a reduction in the funding available and there were going to have to be cuts, that just is not true. Of course they recognised that. They didn't know what the scale would be. They hoped that we could present sufficiently powerful arguments to minimise the reductions, but everyone was very clear. And of course, even without reductions, as everyone is well aware, the plan, as it existed before the election, far outstripped the ability of even the existing budget to pay for it. Indeed, within the Ministry of Defence, Service Chiefs on the Defence Board had been arguing for fairly drastic action to deal with that before we came to a defence review. It did not happen. So everyone knew what was around the corner.

There can be no question about that, but had the services come up with their own individual plan saying, "Here's what we are going to do to save 10%, 20% or whatever within the Navy or the Air Force", I don't know that that would have been proper, because what we are trying to look at is defence capability. We try not to—I should use the past tense—we tried not to do things in stovepipes, so it was an issue for all of defence and for the Services collectively to address. Had they developed their thinking—if they were going to have to take cuts—on which areas they would target first? Absolutely, they had. For example, it would be fair to say that the Air Force was in no doubt that it was going to have a reduced number of fast-jet aircraft at the end of this exercise.

I think the Navy was in no doubt that the total number of ships that were planned was not going to be sustainable and therefore that number would have to be reduced. The real question was going to be what balance should be struck in that reduction, and of course that was a very important debate in the SDSR. The conclusion that pretty much everyone came to was that we should be focusing on destroyers and frigates, because they are what are needed in the contemporary security environment and in future years. The initial propositions, which would have reduced the number of destroyers and frigates

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substantially, were rejected, because most of us felt that was the wrong route to take and we needed to balance it in a different way.

Thinking had gone on, so it is important not to read too much into that comment. I am not sure that I entirely agree with it, because it suggests, as I say, that the services should have been doing things in stovepipes.

Q300 John Glen: But do you think there was sufficient appetite to look at some radical changes, such as altering the balance between regulars and reserves, which has frequently been mentioned? That would be quite a change, but it would bring us more into line with Canada or the US. What I am trying to get at is that there was a sense of optimism, with people thinking, "It won't quite happen. We'll be able to fight this off." In the end, it became a bit of a battle, between the different Services, of who would lose fewest.

Air Chief Marshal Lord Stirrup: I can assure you that there was not that kind of optimism—there is no question about that. Clearly, people had particular programmes and capabilities about which they felt strongly and for which they were fighting powerfully. They did not want to lose those, but there is no question that all the Service Chiefs knew that they were going to lose capability. There was absolutely no sense of people thinking, "Let's just stick our heads in the sand and maybe the problem will go away."

Q301 John Glen: And is your contention that consideration was sufficiently joined up in looking at the overall defence interests of the country rather than the individual service interest?

Air Chief Marshal Lord Stirrup: Yes. Of course, the leaders of the individual services feel passionately about the capabilities their services provide, and so they should. Of course, there were areas of disagreement, around the defence strategy group table, for example. Disagreement was not just between different Service Chiefs, but between other members of the group, too. At times there were some very heated discussions, as is right and proper and as you would expect in such a serious and important exercise. In my view, what was most striking was the degree of collegiality around the table, the extent of the corporate approach and the very great efforts that everyone made to see the other person's point of view and to try to do everything in that context. That does not mean to say that they did not argue very strongly for the things they believed in. But the Service Chiefs were not at one another's throats, as was sometimes characterised at the time; nothing could be further from the truth.

Chair: Thank you very much indeed. We are most grateful and that session has been helpful in leading us to some interesting conclusions.

Examination of Witness

Witness: General (rtd) Sir Rupert Smith KCB, DSO, OBE, QGM, gave evidence.

Q302 Chair: We now move on to General Sir Rupert Smith. You have not been in front of the Committee for some years, I think, but in any event, welcome back. As you have already spotted, we have a problem with the democratic system and we are going to have to vote from time to time. We did not predict the last vote; we predict one at 4 o'clock, yet some of us are now saying that that might not happen, so we will have to see how it goes.

Let us start with a general question. What do you think of the National Security Council?

General Sir Rupert Smith: I think the idea of having such a council is good for two reasons. First, we have not got enough money. Secondly, we can no longer understand security on a home-and-away basis. For about 100 years, we have organised ourselves on the basis that we can treat defence and security in parallel as separate activities, and we have been able to understand security on the basis of home-and-away. Accordingly, we had Departments such as the Foreign Office, the Home Office, the Admiralty and the War Office, which is now the Ministry of Defence. We carved out the money and so forth that way.

As I say, the situation has changed. First, we have not got enough money to do it that way. Secondly, you cannot treat security on a home-and-away basis largely because of the speed, reach and range of global communications. We, of all nations, sit in the centre of the inhabited world, if you see it on a globe, and

are utterly dependent in peace and war on our ability to trade. We cannot feed ourselves and we cannot heat ourselves in peace or war unless we trade. We cannot withstand a siege. So it is in our absolute interest to ensure our security on that continuum and not on the basis of home-and-away, as we used to be able to do. But there are consequences of this idea, which is that we are now understanding defence and security on a linear basis. We are somewhere on a line between those two activities and therefore this council or whosoever has to be able to decide where we are on that line. You cannot allow events to just tell you. You have got to decide it and anticipate it because you have got to be able to reapportion priorities, resource and maybe demand more resource because of the imperative of the moment. I don't see those necessary consequences of the decision, which I think is a right one, appearing yet.

Q303 Chair: How would you improve the National Security Council?

General Sir Rupert Smith: So that it could do the following things: to decide more frequently than once every two years where we are on that line between defence and security; to be able to have the authority and responsibility for reassigning the priorities as a consequence of that recognition of where we are; and to allocate resource accordingly. It also has to be able to state the objective at that time rather than the more

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general ones that appear in the National Security Strategy—no doubt you will ask me about them shortly. The objective has to be rather more concretely stated in the event because one of the consequences of our modern circumstances is that we don't know what the threat is. The whole of the construct for the previous hundred years is that we have had a threat. We have been able to say that this is the threat. We don't know what it is any more and so it is even more important that, in our analysis of where we are between security and defence, we have to identify what the threat is and what is threatened. It must be able to do that sufficiently well to allocate resource and priorities accordingly.

Q304 Mr Brazier: That leads us directly on then. Let's put the question really widely: what did you think about SDSR in general terms?

General Sir Rupert Smith: In general terms I thought it was an incoherent nonsense.

Q305 Mr Brazier: And more specifically, would you like to give us some for instances?

General Sir Rupert Smith: To me, it was a mishmash of decisions. I would need to have the bit of paper in front of me to be able to spell it out. But they did not match anything that I read, if I had properly understood it, in the National Security Strategy. I don't see how the two match and if you just took the decisions of the SDSR as a whole, they were incoherent within themselves.

Q306 Mr Brazier: We have had some testimony from other witnesses on this but it would be helpful to know where you see the biggest gaps. You mentioned, first, that we are not addressing the security side—you made that point about wider national security policy. Without a clear identification of the threat, which is difficult, it is difficult to match it up. You have also suggested that there is an internal issue about the way the bits of SDSR hang together. Would you like to expand on that second point?

General Sir Rupert Smith: Yes. Perhaps it would help, at least for my answers, for me to say what I think security and defence mean, because we tend to use those words as synonyms and I don't think they are. Security, in my view, is the prevention of a latent threat becoming patent. You do it in such a way that, should you fail in your prevention of the latent becoming patent, you fail at sufficient distance in time and space that you can now do something about it. This is why your barbed wire fence is that far away: you force the man to cut it in order to come through it, identify himself in time for you to put the lights on and for your reaction force to deal with him. That is security. It is a subjective series of judgments about risk and reward or gain, and you want to be able to identify something for what it is, but the moment security has failed and the threat has appeared you have to defeat it or deter it. It is now an absolute, an objective set of decisions of threatened loss or gain: it is binary.

If we are going to treat security and defence as being along a line, in each case you have to understand where you are—this is what I mean about being there.

At some point you are going to go back into defence and there is a time for achieving this. I call this, in my mind, elasticity. If we do what we are doing, we must have some elasticity in our defensive arrangements in order to be able to expand again to handle that particular problem when we have identified it. We have to build the security arrangements—which may well involve the Armed Forces; it is all our capability doing this—and their whole purpose is to identify the threat in time. That is what I do not see in any of this construct.

Q307 Mr Brazier: Right. It would still be helpful if you would follow one strand through, take us through a particular threat scenario and show us where you think that incoherence actually falls; where, somewhere between security and defence, the ball would fall.

General Sir Rupert Smith: This is as long as a piece of string. We will just imagine something happening. The question I ask is, have we the built-in elasticity to be able to expand to react—which may not be expansion, it may be reallocation of resource—to something happening? I am going to imagine that what is going on at the moment in the Middle East leads to an outbreak of intercommunal strife in Cyprus, such that it threatens the sovereign base areas and our interest in those areas and so forth. Can we react to that today? Have we got the capacity to do what we did in 1974 when the Turks invaded and all those refugees arrived, quite apart from whether our sovereign bases are actually attacked? Could we expand to do that, since they are part of our territories? They are part of the kingdom, as opposed to something we can ignore, and it is where we have interests. They are an outer ring of security, if you like. Could we go to guard those places, defeat anyone who tries to attack them or take them over, and so on? I doubt it.

Q308 Bob Stewart: Could we in 1974?

General Sir Rupert Smith: We did.

Q309 Bob Stewart: But could we have done it if there was a real, coherent threat—a proper attack?

General Sir Rupert Smith: Yes, we could have done. We went and did it a bit later in the Falklands, which was an even bigger affair. It is a very long time ago, but at the time we certainly sent a whole brigade, at least two other battalions, and so on, and a Headquarters for them.

Q310 Bob Stewart: To Dhekelia and Akrotiri?

General Sir Rupert Smith: Yes.

Q311 Chair: We have asked you what you think of the SDSR, and we have asked you what you think of the National Security Council, but we have not asked you what you think of the National Security Strategy.

General Sir Rupert Smith: The bit in the middle, if you like. It is rather more policy—declaratory—than a strategy that says how you are going to do something, where your priorities lie, and so on. It states the objectives; you might say two-and-a-half objectives. We are to secure and protect the

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kingdom—it is not clear whether that is the people or the place—and we are to have a safe, secure context in which to live. Those are very general objectives. It then says that we are to have no diminution of our influence abroad. In the circumstances I find it difficult to understand how we achieve that.

Chair: We share your view.

General Sir Rupert Smith: Nevertheless, the National Security Strategy states some broad aims. It is much less about how we achieve it, but with what we achieve it. I do not think it gives a very clear statement, as I have done already, of our absolute dependence on the ability to trade and, therefore, to communicate. Whether it is with container traffic or with megabytes of information, it amounts to the same thing.

I do not think the National Security Strategy makes enough of our inability to act alone, our need to act in concert with others and the circumstances in which we can do so. It says a lot about wanting a rules-based world, and so on. We do not talk about our paucity of resource, which means that it is very difficult for us to act alone, if at all. If that is the case, and our objective is a rules-based world, I would like to see a bit more about where we are going. If I recall correctly, there is a paragraph that says we will work closely with allies, notably NATO, the US, and so on.

Q312 Mr Havard: So we have the strategy, we have the SDSR, which you say is not terribly coherent, and we have the NSC. In a sense, you are saying that, because you cannot play home-and-away, it is all one thing. Didn't you describe Cabinet government when you described the NSC, because all the various Departments should be coming together to address this? So what is the NSC? Is it a war Cabinet? What is its role? Where is the agent? Is it the NSC that actually says, "Yes, we need to expand, or whatever. This is our elasticity. We need to make a decision. All the decision makers are in the room, let's make a decision."? Is that being done in the NSC, and is the Treasury committing money to the NSC? Where does that leave Cabinet government?

General Sir Rupert Smith: You must correct me if I have misunderstood something.

In effect it is a Cabinet Committee. Its non-Cabinet members are not members. I think they are called advisers, if you look at the piece of paper. Therefore, that is exactly what it is. That is not what we have said we are doing. We say we are having a cross-departmental homogenous whole. In which case, it must be able to do those things I list, which requires some authoritative body that can alter resource and so forth. At the moment, we seem to have fallen between enlarging a Cabinet Committee more or less, and not addressing the institutional structure—Departments' budgets and so on—beneath that Cabinet. Until we do, I do not see how you can arrive at the answer, if you like, to the conundrum you have posed to me.

Q313 Ms Stuart: In the previous evidence session we asked the three Chiefs of the Services whether, looking at the current capability and ahead to 2015, they would still describe our capability as full

spectrum. All three said no. Presumably you would agree with that.

General Sir Rupert Smith: Do we have a full spectrum capability? No, I don't think we do.

Q314 Ms Stuart: When would you say we last had that?

General Sir Rupert Smith: Your spectrum is utterly dependent on your opponent or the threat. You never know what you've got until you have an enemy. I want to make the point about capability. This is not an inventory. A capability is not a list of things we have. A capability is measured against your opponent on the day, and he is going to make it difficult for you.

Q315 Ms Stuart: But given that you were happy to say no, there must have been a moment when you could say yes. When would you last have said yes?

General Sir Rupert Smith: I would have thought it could be said that we probably last proved we had a full capability to operate in the Falklands.

Q316 Ms Stuart: That is a pretty long time ago.

General Sir Rupert Smith: I say that as the Commander of the division in the Gulf in 1991. We could not have done that on our own.

Q317 Chair: So, you didn't think that we had full spectrum capability in 1991?

General Sir Rupert Smith: No, we were dependent in some measure or other on our allies.

Q318 Chair: We had to be, or we chose to be?

General Sir Rupert Smith: We had to be. We could not have done that on our own.

Q319 Ms Stuart: What is the likelihood of us ever becoming again a full spectrum capability?

General Sir Rupert Smith: If we are frightened enough. Also, on the basis on which we are conducting this debate at this time, there is not a prospect. You would have to change what we are doing. I am speaking for the Army. In so far as it is a design, we have designed in the SDSR, in the case of a full-blown fight, that we will be capable of fielding a brigade over time, if I remember that correctly. Well, that covers you in terms of defence of a piece of territory of about the distance between Aldershot and Fleet, which from my memory is about five to six kilometres.

Ms Stuart: Right.

General Sir Rupert Smith: I daresay the Navy and the Air Force could also produce a round figure like that.

Q320 Mr Havard: So, by default it is a list of dependencies that we have described then?

General Sir Rupert Smith: We cannot operate alone. We don't want to operate alone, do we?

Q321 Mr Havard: We have identified the dependencies as well.

General Sir Rupert Smith: We are saying that we want a rules-based society. That must mean that you operate with others.

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Q322 Ms Stuart: In a sense you have answered my point, because I was about to ask you about something the Chief of the Defence Staff said to us: the National Security Strategy is not a bad objective in terms of our ends, but the ways and means are an area of weakness. I think from what you said earlier that you believe that that only begins to describe the weaknesses of the document. How would you comment?

General Sir Rupert Smith: I would have said that we are saying much the same thing. It is a general statement of policy; it does not tell me how we will strike a balance. Moving away slightly from just the military, in the document there is talk of the problems when the fuel depot to the north of London bursts into flames—I cannot remember the name of the place. Nobody draws a deduction if it caused a complete disruption of avgas supply for two years, but perhaps we should not be dependent on only one. Why is there not the principle in there that we should have two of everything, and that it should be dispersed, and not clustered all around London, or wherever? That seems the sort of thing that we ought to put in our National Security Strategy—that we have dispersion, and that we are capable of expanding our organisations back into a defensive role. That is strategic, in my understanding.

Q323 Ms Stuart: There is much talk of the focus on resilience, but clearly you do not think it is there in practice.

General Sir Rupert Smith: If we can barely supply our civil aviation with fuel for two years—perhaps we have got away with it—that is hardly resilience, when it is an accident. What happens if some cove actually works out one of these threats and thinks, “I might be a terrorist, but wouldn’t it be fun to blow up all their oil?”

Q324 Bob Stewart: I am not sure whether I still have to call you Sir, but I suppose that General will do now. It is nice to see you again.

General Sir Rupert Smith: It will do.

Bob Stewart: I think that Sir would do, too.

When you talked about full spectrum capability, you defined it in a rather straightforward way between Aldershot and Fleet or something. Based on that criterion, the United States doesn’t have full spectrum capability either. You might say that you could extend that line to Glasgow—they could defend that sort of area. Under those narrow definitions that you used, the United States would not have full spectrum capability, or have I misunderstood?

General Sir Rupert Smith: Oh, I think—

Bob Stewart: Would you change the ground rules?

General Sir Rupert Smith: My description was merely to say what we could do on a more or less full spectrum basis. Before you go much further, how many potential opponents are going to outmatch 5 km as opposed to from here to Glasgow? I was merely using that as an example of what we have actually costed and said that, by 2020, this is what we will be able to sustain. Well, that is not a lot.

Q325 Mr Brazier: Following your logic through, it seems strange that the National Security Strategy says so little about maritime security when we are not only an island, but we have also had the recent example in Mumbai of a land threat coming from the sea.

General Sir Rupert Smith: I would like to see a great deal more concentration on the absolute essential of trade. It says that we require prosperity, and that prosperity comes through trade.

Mr Brazier: And it has to come through the ports.

General Sir Rupert Smith: If that logic is there and you want a holistic approach, we have to consider how we do this, who our trading partners are, and so on and so forth. This might be how you start to categorise where you do intervene and where you do not, and where you want to pay attention, because we are certainly not capable of paying attention everywhere. It starts to tell us where our priorities lie.

Q326 Mr Donaldson: And paying attention is important, because the National Security Strategy talks about conflict prevention being one of the key objectives, and if you haven’t got full spectrum capability, preventing conflict becomes very important. What is your view of our Armed Forces’ capacity to engage in that role at the moment, given our operational commitments that leave us fairly stretched?

General Sir Rupert Smith: I have extreme difficulty with the idea that conflict prevention is caused by fighting. My experience is that if you want to intervene in someone else’s fight, you’ve got to win it, and you might find yourself fighting all of them. Just be quite clear what you’re taking on before you start to talk about conflict prevention as an act of your Armed Forces, because you’ve got to beat the lot, albeit potentially, which was what America found once it was in Iraq.

Q327 Mr Donaldson: But you can use your Armed Forces before you come to conflict. Conflict prevention is not conflict resolution. They are two different things.

General Sir Rupert Smith: Again, the role of your Armed Forces in preventing that armed conflict from coming about has to be very carefully thought through and metered. Are you siding with one side or the other? Are you giving the threat, “If you start a fight, I’ll come and stop it”? What are you using that force for? Are you saying, “No, I’ll stand between you,” in a classic UN way, in which case you have signed a blank cheque on that manpower until the other two parties have sorted themselves out?

Q328 Mr Donaldson: It might actually be training the local forces to deal with a perceived threat.

General Sir Rupert Smith: In which case, you have joined a side.

Q329 Mr Donaldson: Yes, but we have done that in many places—

General Sir Rupert Smith: Indeed, and look where it has got us sometimes.

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Q330 Mr Donaldson: So you are better staying out and if it becomes—

General Sir Rupert Smith: I am not saying one is better than the other. You need to enter this with a rather clear-headed view that the “something that must be done” is not necessarily the application of armed force. As others have heard me say, just as you can’t be a little bit pregnant, you can’t be a little bit interventionist, as we’re discovering in Libya at the moment.

Q331 Mr Donaldson: So are you saying that it is really for FCO and DFID to look after conflict prevention?

General Sir Rupert Smith: No, not necessarily. You might well have the military involved, but be quite clear what you are doing in the mix. Preventing other people having a fight is a big handful of an idea, and by 2020, one brigade of soldiers—and it will always be soldiers who do this; not the Navy and not the Air Force—is not going to go very far.

Q332 Chair: What would you say about the United Nations resolution 1973, then?

General Sir Rupert Smith: Please remind me—

Chair: About Libya.

Mr Havard: The duty to protect.

General Sir Rupert Smith: If I am walking down the street and I hear “Rape!” in the house, I have a clear duty to go and do something about it. In so far as that idea is in the resolution, I would agree with it, but how you go about doing something about it is another matter altogether.

Q333 Mr Havard: I am just interested in what we were saying earlier when you seemed to suggest that we described our dependencies rather than our sovereignty in terms of what we have done so far. What are these greater risks, then, of having done what we’ve done in the way that we’ve done it? If you had the opportunity to open up this discussion again, what would be the priority that you would revisit?

General Sir Rupert Smith: When you talk about risks, are you talking about how we have analysed risks, or are we talking about the risks of going on down the track we have set out on?

Q334 Mr Havard: The Government have said that spending is the priority, so they have come up with a policy which, certainly up until 2015, is one thing—then maybe it recovers. They have prioritised that over some other things: capability and so on. There are risks that come from that—they recognise them; that’s fair enough. Given that that is the case, and that there will be a revision anyway before 2015, what is the most important thing that should be revisited?

General Sir Rupert Smith: I would like to see the general idea of treating security and defence as linear—as ideas on a line so that you know where you are—properly developed, as well as the capacity to redirect and alter how we do things. I would like to do the sorts of things I have listed already.

Secondly, I would like us to understand—this is my own word for it—that if we are, because of our

circumstances, going down this road, there is no point breaking the bank to have a super-insurance policy and then destroying everything else. I am quite clear that we have not got enough money and that we have to think this through differently, but we therefore need to recognise that the structures of how we thought about these things—where we have been able to identify the threat in advance, prepare against it and so forth—are gone. They are finished, so our thinking should not be to try to have, for example, all the right kit in advance. Our whole understanding of what we are doing is to identify the problem or threat coming at us in time to acquire the kit.

You are actually turning the thought process. Along with changing from this parallel activity of defence and security, and an identifiable threat, you follow the logic through so that you do not go around spending huge amounts of money. What you do is prepare so that you have what I call “kernel defence”—a play on words; kernel as in nut or seed—so that you build the critical mass into your structures, which I do not find as a result of the SDSR, and so that you have the capacity to expand and to react to the particular, which may not be expansionary but about altering direction into a particular area. That is a big, big change. It is long on thinking and about having the right people in the right place, making decisions early and not waiting until the last minute. There are all sorts of factors that come into that, but that is where I think, in logic, the decisions that we have made already are taking us.

Q335 Mr Havard: What are the capabilities we are losing, or the areas in which we are seeing diminishing capabilities in terms of intelligence, surveillance and being able to see—in a general sense?

General Sir Rupert Smith: It is all that, plus our ability to operate in such a way that we learn.

Q336 Mr Havard: So do you think there is too much change going on, in a sense, and that what the MoD is being asked, with the organisational restructuring and all this rearrangement, is too much, too quickly? What do you say about the pacing and sequencing of these events?

General Sir Rupert Smith: I have been out of the MoD for so long that I am not sure.

Q337 Mr Havard: But do you think the pace and the sequencing should be different?

General Sir Rupert Smith: No, I don’t see why we cannot change. If people cannot change in the Armed Forces, they are not fit for purpose. The whole of battle/war is change.

Q338 Mr Brazier: You have given us a very clear picture of what, in your view, we should have been trying to do in SDSR: producing a more flexible structure. If there were one really major change that you could make in the outcomes in order to deliver the clear goals that you have set out for us, what would it be? What really big thing would have been different in terms of where you would have prioritised?

General Sir Rupert Smith: I am not only talking about the SDSR. We must not bring this just straight

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down to the Armed Forces. If we are doing this all together—on the same line—you have to understand the whole. That said, this probably lies across a number of things. It does not go into neat bits of equipment—whether we have aeroplanes or something like that. It is to do with the capacity to learn. It is intelligence in the broadest sense of the word. It is not just the secret stuff, and it is not just having the right radar. It is the capacity to operate and learn as a whole, and I do not see that there in large measure.

Q339 Penny Mordaunt: What do you think are the implications for UK security policy and the next SDSR if the Prime Minister's ambition to have a larger defence budget by 2015 is not realised?

General Sir Rupert Smith: If the economy can stand it at the time and we stay on our current course, I imagine that we will find ourselves scrambling to fill in spaces that have been left by the current set of decisions. Unless we build in this capacity of what I have called elasticity, we will find it extremely difficult to use more money usefully, except to add a bit here and a bit there. We need a structure that is coherent and to a purpose on which to spend the extra money to make it that much better.

Q340 Penny Mordaunt: You have touched on planning and procurement, but what other big, fundamental things need to be addressed and changed?

General Sir Rupert Smith: I do not know that they are, but I hope that the relationships with defence industries are being addressed. Of course we want value for money—we do not want to pay huge sums of money—but, in the end, what is on this island is the strategic base from which we operate. As I have said, we operate in conjunction with others. Unless we have the basis of something there, and industry is involved in this construct, we won't have that elasticity. They cannot do it if the production line or the design is not there. That does not require a Soviet-style demand for 1,000 tanks a year just to keep the industry going—that is not my point. The research and development, the possibility that this is of value in time, the concept demonstrators and those sorts of ideas need to be thought through and banked against the future, so that when you identify your threat, you have some capacity to deal with it.

Q341 Mr Havard: Do you see that running also to the structures of the military—for example the balance between reserve forces and standing forces—and also maybe in the security area as well?

General Sir Rupert Smith: Yes. We have Armed Forces that are reduced from something that my grandfather would recognise, in circumstances that my grandfather would not recognise, so I have no trouble with changing the structures.

Q342 Chair: Let us assume that we are writing the next SDSR in 2015. What three things would you say to us to ensure that we got that review right?

General Sir Rupert Smith: Sort out the top hamper so that you have the decision-making capacity to recognise a threat for what it is when it appears and in time to deal with it; alter, or be thoroughly aware of, the way in which you are judging risk; and build a defence structure that is capable of—I called this elasticity—not only expansion, but also moving in another direction. Those would be my three.

We have not discussed the middle one much. We have arrived at a methodology that is not, in itself, wrong, but it is a recognition of our vulnerabilities—it is about our vulnerabilities within the strategic base as opposed to out there, where, as you have said, half our objectives are. In the methodology, it assumes a threat and it assumes a context, but we do not know what the threats are. We acknowledge in the National Security Strategy that we have to manage the context, so we cannot be sure of what that is either. Those two sets of assumptions are likely to be ignored, particularly if we are going to address our risk assessment only every two years, which I think is very dodgy in a volatile world.

Q343 Chair: Is there anything else you would like to say about this?

General Sir Rupert Smith: I could go on for a long time.

Chair: Well, you have been utterly fascinating and we could go on listening to you for a long time, but we ought to allow you to go. Thank you very much indeed for your evidence; we are most grateful.

Tuesday 24 May 2011

Members present:

Mr James Arbuthnot (Chair)

Mr Julian Brazier
Thomas Docherty
Jeffrey Donaldson
John Glen

Mr Dai Havard
Mrs Madeleine Moon
Ms Gisela Stuart

Examination of Witnesses

Witnesses: **Air Chief Marshal (rtd) Sir Brian Burridge KCB, CBE**, Vice President, Strategic Marketing, Finmeccanica, **Ian Godden**, Chairman, ADS, **David Hansell**, Managing Director, MSI Defence Systems and Chair, ADS Small Companies Committee, and **Peter Rogers**, Chief Executive Officer, Babcock, and President, ADS, gave evidence.

Q344 Chair: Good afternoon and welcome. Thank you very much for coming to one of our evidence sessions on the Strategic Defence and Security Review. I think we all know you, but would you kindly introduce yourselves for the record?

David Hansell: I am David Hansell, and I am the Managing Director of MSI Defence Systems, an SME company. I believe I am here as a representative of the Small Companies Committee within ADS.

Ian Godden: I am Ian Godden, Chairman of ADS.

Q345 Chair: Is David here as a representative of the Small Companies Committee?

Ian Godden: He is indeed.

Peter Rogers: I am Peter Rogers, and I am Chief Executive of Babcock. For my sins, I am also president of ADS.

Sir Brian Burridge: I am Brian Burridge, Vice President, Strategic Marketing, at Finmeccanica. I am on the ADS council and the ADS Defence Sector Board.

Q346 Chair: You are all most welcome. We would expect to keep you for about an hour, if that, but we want to get to the relationship between the defence industry and the SDSR, the National Security Council, the National Security Strategy and the Ministry of Defence in general.

The NSC has been established, the NSS has been written, and the SDSR has been written and published. Have they given you sufficient clarity to permit you to plan for the future and to develop your relationship with the MoD?

Ian Godden: Clearly, the SDSR and the NSS are helpful as part of a process, which the White Paper will continue. We are looking forward to that. The NSC is a relatively new body, which will take time to develop its own networks, its own ways of doing business and its own representation, and will require a further period before it is fully established. So far, the access for our views and opinions on various matters, including the SDSR and security issues, has been fairly strong. The NSC's representation and consultation process has, certainly in the period from October or November onwards, been quite active.

Q347 Chair: Would anybody like to add to that or subtract from it? No.

The working through of the SDSR has caused a lot of changes since October of last year. Have those changes been ones with which you have been involved as part of working out what the result of the SDSR is going to be?

Ian Godden: Again, from an overall point of view—each company will have a different view from being involved with direct negotiations and discussions on various projects—I would say that the consultation at a generic level has been effective, but there is still a lot of uncertainty. In many respects, having had the Green Paper, the industry is waiting for the White Paper. The Green Paper was, in the end, a significant list of questions that we've all tried to answer and tried to help with, but I don't think the industry yet feels in a position to say that the uncertainty has lifted. In fact, the state of certainty is certainly not there.

Q348 Chair: What do you expect to see in the White Paper, given the questions that arose in the Green Paper?

Peter Rogers: We expect a further refinement of the directions given in the SDSR. The questions were clearly directed at a further refinement. It is fair to say that we eagerly await the White Paper, to see how far that further refinement takes us. Clearly, the more granular that becomes directionally, the more helpful it is to us.

Q349 Chair: Do you expect to see anything like the Defence Industrial Strategy that we once had?

Peter Rogers: It would be a surprise.

Sir Brian Burridge: There may be three areas where the Government have to advance the argument for their own benefit. The first is operational sovereignty, the capabilities that need to be onshore. The second is potentially a paradox between off-the-shelf acquisition and supporting the sector through exports. The third is the manifestation of the reality of supporting SMEs. Those three subjects will bear some treatment in the White Paper. We may wish for more clarity over sector industrial strategies, but I think those three areas are fairly compelling for government thinking.

Q350 Chair: The second area—the paradox between off-the-shelf and supporting the sector—has never had any clarity, has it? In the history of defence procurement, that has always been the paradox, hasn't

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it? Is there any change that you notice in this Government's approach to that paradox?

Sir Brian Burridge: If we think historically of the size of the sector and the size of the equipment programme, and compare that with what we predict might be the equipment programme of 10 years hence, the programme will be much smaller in future. Therefore, the significance of exports and the relationship with maintaining onshore capability is that much more critical. We have an unusual paradox, where on one side of the circle we have a smaller equipment programme, with a propensity for our indigenous customer potentially not to use indigenous products. On the other side of the circle we have increasing competition from the US and more creative approaches from European nations. The competitive environment is, therefore, all the more difficult and, predicting into the future, we may not be able to say that this equipment is used by the UK Armed Forces, which is a very important branding aspect of exporting.

Q351 Ms Stuart: Can I just push a little more on this paradox? Do you think this artificial creation of competition, even when it doesn't exist, and persistence on value for money, even when you are artificially creating the structure to do that—which we have had for the past 20 to 25 years—are creating an artificial and therefore misleading environment?

Sir Brian Burridge: If I understand you correctly, competition was necessary in the sort of defence sector that we had in the 1980s—no doubt about that—to drive out the inefficiencies inherent in cost-plus. That led to consolidation of the industry, matching the capacity to the size of the required sector. Competition still has its place, because it drives in innovation and investment into R and D, but only to the extent that there still has to be some certainty about the result. As a sector reduces—and particularly in terms of the UK's propensity to operate small fleets—the notion of strategic partnering arrangements becomes necessarily more prominent. That is not to say it is not competitive; it is just as financially competitive perhaps as any other sort of competition because it relies on transparency. It relies on a total understanding across the customer-supplier divide. When it comes to strategic capabilities, like the ability to design and develop helicopters or design and develop uninhabited air vehicles, there is a critical mass of capability you have to have and that can presumably only in most cases be preserved through strategic partnering.

Q352 Mrs Madeleine Moon: Mr. Hansell, I have a number of SMEs involved in the defence industry in my constituency and one of the things they complain about to me is not that they cannot see a contract from the Ministry of Defence when they come up, their problem is breaking into contracts where larger contracts have been set with a price and they are then subcontracting and getting in that way. Have you experienced that? Is there a problem for SMEs getting into the tendering within prime companies as opposed to the Ministry of Defence?

David Hansell: In answer to that perhaps it would be useful to explore what an SME is because it is a vast array of businesses and people from one or two-man companies right up to 250-man companies. So it is quite diverse and quite difficult to lump all of those different needs and concerns into one group. However, I understand the question and it is challenging to get into the supply chain, certainly where there are some barriers to entry in the supply chain, both contracting directly with the MoD and under a prime contractor. So there are challenges but the main way of entry is to offer value for money and that is what most SMEs do.

Q353 Mrs Moon: Offering value for money for the people who come to me has not been the issue. It is finding out where the subcontracts are being offered and how to break in to even demonstrate the capacity to offer value for money. If it is on an MoD website then it is open. The problem is that the complaint I am getting is that the prime contractors do not have an open tendering programme that allows new people to break in to offer that value for money. Is that your experience?

David Hansell: Through the committee that I chair, I have heard that voice coming through that it is difficult and challenging to get into the supply chain, particularly if you are a new vendor on the marketplace trying to break in to that market, because there are challenges, as against a normal commercial business, where the terms and conditions from the MoD are onerous and reflected in the supply chain. So there are some big challenges in terms of the penalties and liabilities that are attached to defence business.

Ian Godden: In other industrial sectors where supply chains exist, such as in automotive and in energy, which I am familiar with, breaking in as an SME into the supply chains is not just a government issue. Fundamentally there are huge barriers in those industries which are not government related. So at one level some of the issues for SMEs relate to how to market yourself to multiple and global industries. As it globalises it becomes harder. A lot of our SMEs are going through that process of trying to understand how to play that game in a way that they have not had to before because, up to now, particularly in the US and France, there have been very nationally driven supply chains which have been very precise and very clear. Now they are opening up and, as a result of that, a number of the SMEs in our midst—we have about 600 in ADS—are finding that challenge quite significant.

Q354 Mrs Moon: My concern is that, if we lose those SMEs and that skills base—if the primes are not aware of the need to foster it and Government is not supporting that fostering—we could lose a huge amount of skills and knowledge just because people cannot break into the market.

Sir Brian Burridge: I talked about strategic partnering between customer and supplier; the same is true in the supply chain. In the majority of cases—our businesses don't manufacture in-house at all—our SMEs are low-overhead, high-precision manufacturers who do an extremely good job. The relationship with them is

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long term, because it has to be with an SME, where it is necessary to smooth their cash flows, occasionally to manage their risk, and to provide them with orders that are perhaps in advance of when we would ideally like them to ensure that their viability is maintained. That is obviously part of a long-term partnership, and, in a sense, it militates against the supermarket mentality of a prime going out into the environment and picking this, this and this team, on this occasion. It requires a long-term view.

Q355 Mr Havard: You have partly covered something that I was going to ask about, because in September last year Ian King expressed concern that industry had not had a great deal of official engagement—I think that was the phrase that he used—with the establishment, given that the NSC had been in place for three months, and then we had the review and the strategy coming together. Industry had not been involved. You seemed to say earlier that that has now changed, and that you feel that you are more engaged in the process, is that right?

Ian Godden: I think I would say that we are more consulted since then. Engaged is a different word.

Mr Havard: Quite.

Ian Godden: We have been consulted, through the Green Paper and various initiatives, by the Ministry of Defence and ministers seeking views. We have had some discussions on this in a wider context than we had up to, say, October or November. So I think that Ian King's comments were of a period when I think it was true that the industry felt less than consulted, but since then there has been much more dialogue and consultation. We still feel that perhaps more could have been done, but there has been a significant change in the last few months.

Q356 Mr Havard: Given that that was the case, you do not feel that you were in any sense involved in the prioritisation of the risk that came out of the assessment that the NSC made, in terms of the security strategy and the review?

Ian Godden: The SDSR is, in a way, the Government's business. It is for the Government to set conditions of strategy for a defence review, and it is their role to decide on the allocation of resources to it. In that sense, an SDSR, from our point of view, is really a scene-setting, fairly high-level activity, which in historical terms is followed up by—what we now have—a Green to White Paper, and in previous regimes it was a Defence Industrial Strategy approach. In that sense we are in a different era of the development and process, so you would expect it to be that way. But on the consultation, going back to the Chairman's comments about DIS, we are clearly not going through that sort of process in the same detail as we did before.

Mr Havard: The list of priorities from the Government must have an effect on your prioritisation.

Ian Godden: They do.

Q357 Mr Havard: Clearly, in terms of how you target your own resources, how you order certain things, and how you plan. Do you think that this has

perhaps produced a better understanding within the NSC of what industry needs to do in order to respond? I ask that question because there is the MoD reform process, and there is always a discussion about the extent to which the MoD itself understands it. Now there is the question of the NSC, which is meant to be a cross-government body, and which involves BIS and all of the other departments, including the Treasury. Is there a difference with the formation of the NSC and their understanding of where industry is in this?

Ian Godden: At one level it has exposed an issue about where industrial policy for defence is. In the past the assumption was that that was part of the Secretary of State's responsibility, and the MoD's. Most other industrial strategy is done in the Department for Business, Innovation and Skills, so there has always been a little bit of, "Where does defence industrial policy best reside and how is it best conducted?" In the creation of the NSC that issue has not been addressed or resolved fully, which is why I say that the NSC is immature as a body. It has been established and it will take a little bit longer to mature, as we would expect. It is not a critical point. You would expect it to take longer to develop and mature. On the NSC itself, clearly we have the Secretary of State for Defence as a representative, but in terms of a business oriented, industrially oriented perspective, I think it would benefit from a bit of extra work and some extra effort. All of the industry feels that that is an area for development.

Sir Brian Burridge: There are three points that I would make on the NSC. First, it is a very good advance in the machinery of government, particularly when it comes to strategy that becomes an operation. Secondly, it is a very good forum by which to make the comprehensive approach work when it is required. Thirdly, it is manifestly useful in particular areas such as cyber where it posed the importance of the cyber threat, which is a cross-Government threat, in a way that allows industry to respond.

Q358 Mr Havard: That is partly what I was thinking. In a sense industry does not just make things for the Ministry of Defence and another industry makes things for other people. The strategy was a defence and security review.

Sir Brian Burridge: Exactly.

Q359 Mr Havard: It is the crossover between those two things and the synergy between them. How is the industrial sovereignty that may come out of a Ministry of Defence review related to the same question about sovereignty of certain things across industry, not just the defence industry, because you operate not just in defence?

Peter Rogers: I think it is fair to say that it would be dangerous to regard what we have now as a finished article. We certainly do not regard it that way. So the White Paper is key, as I said before, in terms of granularity and so on. My hope is that it will extend into that security area as well. But I suspect there will be several iterations before everybody understands more precisely what the direction is. This is a very difficult thing to get right first time. Where we are

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now is about where you could expect to be if you had drawn up a plan 12 months ago, frankly.

Q360 Mr Havard: In terms of doing your planning is your expectation still that that would be published in July of this year?

Peter Rogers: Yes, that is our planning expectation.

Q361 Mr Brazier: In September, defence industry representatives expressed concerns about capability holidays causing skills gaps and the effect on the regeneration of capabilities. Were these concerns addressed in the outcomes of SDSR and to the extent that they were not, what risks do you think are emerging?

Sir Brian Burridge: I would like to take you back a step if I may. The nation chooses ultimately what sort of position it wishes to occupy on the world stage and how it will occupy that. One of those is the military instrument. We, traditionally, in the UK have had Armed Forces who are able to operate at the edge of the envelope and, when a new threat emerges, to address that threat at an acceptable level of risk. That does not happen automatically. That happens because there is a body of knowledge here in this country in which there are stakeholders who are Armed Forces senior people, researchers, civil servants across government departments, academics and industry. That body of knowledge is what you reach into when you are about to embark on military operations and say, "I need to do this, what's the risk?" or "I need to do this, is it legal?" The danger is that as capabilities decay, you insidiously lose that body of knowledge, whether that be in design engineering on the architecture of fast jet aeroplanes and what it means to be able to integrate this piece of kit, or whatever. The trouble is that it decays insidiously until you wake up one day and ask, "Okay, is this going to be legal?" and you have not got the knowledge to understand. You may have bought off the shelf, and that knowledge does not come with it. Skills gaps are more than just the ability to produce a finished product.

Q362 Mr Brazier: Just following immediately up on that rather intriguing train of thought, a quick question. When you say, "Is it legal?" do you mean: would the particular piece of kit we are thinking of giving a particular role in this actually be likely to do something that was illegal if we used it? Is that what you mean?

Sir Brian Burridge: I will give you an example. It was necessary in 2003 to use Storm Shadow against air defence bunkers. Storm Shadow was in development, so we had to accelerate the development. MBDA did a magnificent job at Stevenage in doing just that. In parallel, we had to understand how the thing functioned in order to explain to the law officers that this would actually do what it said at acceptable or minimal levels of collateral damage, for example. That is what I mean by legal.

Q363 Mr Brazier: On a specific matter, may I ask you about the implications of the uncertainty of the future of the aircraft carriers, and in particular whether

we are going to have one or two, or whether we are going to sell one? We have an eight-year gap in capability, which obviously has implications for the Navy and Air Force in terms of pilots and flying skills, but what are the implications for the aircraft carrier programme and the gap in the capability? What are the implications for industry?

Chair: Please answer that question. I then want to bring in Thomas Docherty on that.

Peter Rogers: There is a recognition that there is a risk of a skills gap. You can talk about the skills gap in pilot terms, in terms of sailors or in terms of anything you like that is related to the carrier. The Ministry has recognised that, and there are a number of streams of work going on at the moment on how you deal with that capability gap. No decision has been reached on how you do that, but it is a priority question in terms of how we operate this when the carriers come into service in 2020 or 2019, or whenever it is. The recognition of it goes 50% of the way towards solving the problem, frankly, and it is not an easy problem.

Q364 Thomas Docherty: Mr Rogers, as Chief Executive of Babcock, you are obviously intimately involved in the ACA. The Secretary of State has recently told the House of Commons that the cost of the carriers has risen by £1 billion to £2 billion. Could you briefly outline for the Committee what proportion of that £1 billion to £2 billion is additional cost that the ACA is asking for—for retrofitting, in the case of QE, or in the case of the Prince of Wales during the construction, fitting cats and traps—and how much of that cost would be for the development of the cats and traps themselves?

Peter Rogers: The easy answer to that is no, I am afraid; we do not know. The Secretary of State has given an indication to the House—

Q365 Thomas Docherty: Do you agree with that figure, though?

Peter Rogers: No; I didn't say that. I said that the Secretary of State has given an indication to the House. We are currently doing the engineering estimate—our request to the Ministry. It is a big departure, and the timing on that—don't forget the equipment is American-sourced, and it is new equipment—

Chair: I will need to ask you to speak up, please.

Peter Rogers: I am sorry; I thought I was shouting.

Chair: No, you are not shouting, but feel free to shout if you would like.

Peter Rogers: There are huge uncertainties, and if the Secretary of State says that it is £1 billion to £2 billion, of course I, as a supplier, believe that that is true, but the engineering estimates have not been done. As a supplier, it would be irresponsible of us not to deal in engineering facts and real engineering estimates, and they will not be available this side of the end of the year. The plan at the moment is that we get the P50 estimates by the end of the year, which will enable us to be contracted for fitting the cats and traps by the end of 2012 with very specific numbers. But you will appreciate that it is a very large engineering job to do this.

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Q366 Thomas Docherty: But you will accept that a decision to switch to cats and traps has significantly added to the cost of the project?

Peter Rogers: No, I would not, because you define the project very narrowly—you define the project as pieces of metal, the carriers. The project is actually carriers, plus aeroplanes, plus everything associated with it. I just don't have the knowledge to say that the project has increased in cost, because I am not privy to the cost of the aeroplane and the cost of producing the capability that the carrier group would represent. It is a composite of the cost of the carrier and the cost of the aeroplanes—remember, the aeroplanes have changed, and to pick one part of that, and to assume that capability has not changed against the previous costs, is not correct, I think. There may be one element that may be more expensive; other elements will be less expensive. How that equation works out—I just don't know the answer.

Q367 Chair: Do you think that it will have added to the time taken to build the aircraft carriers?

Peter Rogers: The answer is that it will not add to the time taken to produce what was originally specified, but of course, when you have to retrofit the cats and traps, that will be additional time. All of that will come into the cost of the cats and traps.

Q368 Chair: But, according to the Bernard Gray report, retrofitting stuff and therefore adding to the time, adds to the cost. Is that right?

Peter Rogers: Of the carriers, yes, that's undeniably true, Chairman.

Q369 Chair: So delay equals cost?

Peter Rogers: Except that in this case, you have to talk about the system cost and the cost of the delay and retrofitting. The retrofitting itself is not a delay; the cost of the retrofitting may well be balanced by the saving of the cost of the aeroplanes

Q370 Thomas Docherty: But you do not know that yet?

Peter Rogers: No, I don't.

Q371 Chair: But looking at that one element of it, you can see just a little bit of cost and delay creeping in somewhere, can you not?

Peter Rogers: That is conceivable.

Q372 Mrs Moon: Can you give us an idea of what effect on the credibility of Britain's defence industry and our skills capability was created by the decision to scrap the Nimrod MRA4 as not fit for purpose, given how far the project had gone? Did that have an impact right across the industries that were involved in the development of that platform?

Peter Rogers: We were not involved, were we, Ian?

Ian Godden: At one level, any programme that is in place which is cancelled or reduced, or whatever, will have an impact. The question is, if you look at the wider aerospace community as a capability, what impact does it have on that? I think that in itself, that may not hugely impact the wide picture, but certainly in niche areas it will have an impact. The question

about aerospace is a much wider one, which brings in issues of fixed wing and even of rotorcraft, although it is a fixed wing project we are talking about. The whole commercial aerospace sector comes into it as well, because some of the planes that are used for the military, such as the A400M and the Nimrods and so on, are actually commercial aircraft in design. In terms of the implication for the industry as a whole, it clearly has an impact; in specific terms it has a very narrow impact initially, but together with other cutbacks, it will pose a capability gap for the future.

Q373 Mrs Moon: And credibility for British industry—is that damaged?

Ian Godden: In terms of international reputation, yes, it must be, in one sense, because programmes that are cut will have an impact on our standing in the world. But other countries do the same thing, so it is all relative. The US has cut back on capability, so has France, so has Germany, so has Japan. In that sense, it is a relative argument and it may not, in the round, have the same impact as you think it would in absolute terms.

Sir Brian Burridge: It is worth pointing out that the sector is very narrowly defined, in that customers do not tend to generalise. If they are buying a maritime patrol aeroplane, they certainly would not come to the UK, but that does not affect their judgment about a fast jet aeroplane, an armoured vehicle, or whatever. It tends to be very narrowly defined.

Q374 Chair: Can I ask you about Harrier capability? In a previous evidence session, we asked the Chiefs of Staff whether it would be possible to regenerate the Harriers, and we got various answers, which were not necessarily identical to each other. Do you think that industry would be capable of allowing the Harriers to fly again if it were requested to do so?

Peter Rogers: I think it would depend how much you were prepared to throw at it. Anything is possible.

Q375 Chair: That is one of the answers we got. Have the relevant people—the relevant experts and engineers—been dismissed from industry?

Peter Rogers: I cannot answer that, Chairman. You would have to ask the companies concerned.

Ian Godden: No, I cannot answer that either.

Q376 Chair: If you can't, you can't.

There are reports that the Ministry of Defence is considering further reductions in personnel and equipment; this three-month review is going on. Do you know anything about what is happening? Are you involved? If you are, know, and can tell us, what impact might it have on the defence and security industries?

Ian Godden: The trade association is not involved. As far as I am aware, none of the specific companies are involved in discussing that aspect of the review.

Q377 Chair: So, you are essentially just waiting for these tablets of stone to be produced from on high?

Ian Godden: Yes.

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Q378 Chair: You do not have to be rude, but what do you think about the skills base within the Ministry of Defence, in terms of dealing with contractors and with the defence industry? Are improvements being made there? Is there anything that you recommend that the Ministry of Defence should do to improve its skills base?

Ian Godden: I will start with a relative ranking, rather than an absolute one, because I know that we need to come back to the absolute ranking. In relative ranking terms, if you believe any of the international studies, we are the best in the world. McKinsey and John Dowdy published a report demonstrating that, and I recommend that the Committee read it. I cannot remember the title, but with his permission, I will send it to you—he has certainly given permission for it to be used before. So, let's start with the view that says, "We are the best in the world". We have a long way to go, however, in terms of skill base, both for the whole industry and within Government in this area. The reforms that have been discussed and reviewed before, and the reforms that have been discussed in the last year are very positive additional points that we need to work on.¹

So, starting from the relative, I think that we are doing very well. Starting from the absolute, there is a lot of work to be done. In the commercial area, which has been described before, there is a lot of work in contracting commercial skill, which is not a unique problem around the world. It is one of the biggest problems for all defence departments.

Q379 Chair: How should the Ministry of Defence set about doing the work that needs to be done?

Sir Brian Burridge: The end state for the Ministry of Defence acquisition organisation is that it has to be a really intelligent decision maker. It has to have a clear view about its decision-making capability, as an executive, if you will, versus its ability as a deliverer. There are areas, in terms of delivering programmes, which still could be outsourced to industry. The Committee may be aware that there is a pilot programme on CBRN—chemical, biological, radiological and nuclear detection—where the boundary between the DE&S and industry has moved all the way into industry, so that industry provides the service. That has much more potential, thereby releasing resources both to deliver manpower savings that are required in the civil service and to develop this really intelligent decider capability. That will require greater commercial and engineering expertise, so that, right at the outset, when a requirement starts to emerge in the centre at the MoD, there are skilled people who can instantly say, "Don't think about that in isolation. Think about what else you need to do. Then we'll go to industry and have a reasonable conversation, peer to peer, about the most cost-effective way of doing that."

It is an apocryphal example, but anything to do with wiring looms in helicopters you try to do once, because these things are hand-built. You can see the set of circumstances where modification after

modification becomes incredibly expensive, and yet if you have the engineering expertise at the outset, either contracted to you by an expert consultancy or within your own indigenous capability, you start to increase your quotient as being a really intelligent decider.

Peter Rogers: The MoD is actually an easy target. It does incredibly complicated things over a long period. Sometimes, it orders things that have not been invented yet. In general, you do not hear about the successes; you hear about those projects that are less successful or even, in some cases, failures. We do not just deal with the MoD, which is certainly no worse than the Department of Health, which ordered a new computer system that five years on is £2.5 billion overspent and widely described as of no use. The Home Office has had similar kinds of problems. It is not a specific MoD problem; it is just that, because it does more purchasing and because the issues are complex, such cases tend to become public knowledge more often. That does not mean that it does not need to improve the skills, but it is not a specific MoD problem; it is a governmental problem.

Q380 Chair: Mr Hansell, do you have anything that you want to say?

David Hansell: No, I think that I am rather low down the supply chain to make a comment on that.

Q381 Mr Brazier: Following that one step further, in order to procure effectively, the Ministry needs a wide range of skills to be an intelligent customer. Some of that base went off when QinetiQ was floated, and one was left with the impression that the Ministry was down to one official as a purchaser in one or two key technology areas. Do you think that the Ministry is getting close to the point where it can no longer be an intelligent customer in some areas, because it has simply lost the in-house technology base completely, or is that something that we should not be worried about?

Sir Brian Burridge: There is a danger that the degree of specialist scientific and technology advice available to the MoD becomes very thin. In other words, it hinges on one or two people. That is not the way it used to be, where it would get a range of opinions, but, apart from that, it is as aware of that as any of us.

Q382 Thomas Docherty: We have had representations, and there has been some argument in the House and in the media, that the SDSR has particularly hit some of the nations and regions of the UK and will continue to do so as the outcomes are rolled out. What is your assessment of whether that is, in fact, based on reality? Have you seen any examples where nations or regions have either gained or lost a proportion of industrial work? Have you had to move any personnel or contracts?

Sir Brian Burridge: Perhaps I can start, because, sadly, at 11 o'clock this morning we announced 150 redundancies with 92 at Basildon and 50 at Luton. At Basildon, some are engaged in what might be called production work—machinists—but some are skilled engineers and others are support personnel. At Luton, they are almost exclusively engineers, so they are highly skilled graduates. There is a handful at

¹ Scott Gebicke and Samuel Magid, "Lessons from around the world: Benchmarking performance in defense", *McKinsey on Government*, Number 5, Spring 2010, www.mckinsey.com

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Aberporth in our UAV test facility. That is the first manifestation in which we've had to invoke redundancies. Until now, we've not replaced people leaving through natural wastage, or we've redeployed people, but we're now reaching the point where forward order books make redundancies inevitable.

Ian Godden: The expected impact will probably be later. There are exceptions, and there are examples of current impacts, which you've just heard. The expectation in the industry as a whole is that this will probably start to filter through towards the end of this year and in 2012–13, rather than right now. But there are plenty of examples in the SME community where either contracts in specific areas—small contracts with the MoD—have been delayed or future volume has been reduced.

We are expecting a hit on private high-value jobs to start filtering in now and to accelerate into 2012, but the exact extent is very difficult to judge. There are some 300,000 highly paid jobs in the UK. We don't know how many are at risk, but clearly we will start seeing some of the effects fairly soon. Some of them have already been announced.

David Hansell: As the volume reduces, there is a disproportionate impact down the supply chain. The bigger effects will be seen lower down the supply chain in the SME area, where, traditionally, the business model of a prime contractor would be to outsource that work. With the capacity prime contractors now have within their business, they will probably retain such work in-house rather than subcontracting it down the supply chain.

Peter Rogers: That is precisely the point I was going to make. That is the model. SMEs will be disproportionately hit in some cases, because of volume reduction.

Q383 Thomas Docherty: You've been hit at Babcock, have you not? You have moved Somerset and Richmond from Rosyth dockyard to Devonport because you have lost the 22 contracts.

Peter Rogers: No, it is much more complicated than that. If I had to say that, yes, we had to lose 150 people as a result of that, there would be some truth in it. You know that we are still hiring at Rosyth. We are still hiring apprentices, and we are still using subcontractors. We are very busy at Rosyth. There is a balancing of work load within the company.

Q384 Thomas Docherty: I was not being critical. I simply said that you've had to move work to Devonport because Devonport has lost the Type 22 work it would have had. So you've moved Somerset and Richmond, for example.

Peter Rogers: No.

Thomas Docherty: Well, Peter Luff wrote to me on Friday to tell me that that is what you have done.

Peter Rogers: From my point of view, that is only part of the story. I do not know what the Minister said to you, but the prime motivation for moving those was commercial. It suited us at Babcock and our customer to do so, and it has not resulted in job losses at Rosyth.

Thomas Docherty: I did not say it had.

Peter Rogers: We do things all the time that balance the work load, because it is the best thing for our customer and the most economic way of doing things.

Q385 Thomas Docherty: None of you has answered the question whether you have done any analysis on whether any of the regions or nations has been more adversely affected by the SDSR decisions.

Ian Godden: No, as an industry we have not done the analysis. As you are aware, defence is scattered throughout the whole UK. Wherever I go in the UK, I am always proud to stand up and say that I am at the heart of the defence industry, and I can get away with it. So it will have an effect in all regions. We have not done an analysis of what the inter-regional impact will be, nor, I think, has any company so far affected.

Q386 Ms Stuart: In respect of the abolition of regional offices, in the case of the West Midlands, Advantage West Midlands had a technology corridor, which then had QinetiQ. Is that something you have looked at, even if you have not looked at the regional impact? Would those structures remain for you?

Ian Godden: Not specifically. We have not analysed it, other than to know that the regional shifts will have an impact. We have not done a macro study.

Q387 Ms Stuart: Will you?

Ian Godden: We hadn't planned to, but now that you have raised it, I will go back to the office and look at the matter.

Sir Brian Burridge: We simply do not know enough about the future. Until we get the White Paper and whatever level of clarity that presents and, more particularly, until we know what the forward equipment programme is in reality, we can't make those predictions. We can guess, but there is no value in guessing.

Q388 Thomas Docherty: Would you refute the suggestion, for example, that Scotland in particular has been hit on the industrial side by the SDSR?

Peter Rogers: I would like to see some evidence that proves that is the case, because I don't have any. We have 3,000 people in defence in Scotland; we had 3,000 people there six months ago; and we still expect to have 3,000 or more in a year's time. I don't see any evidence of Scotland being picked on or suffering more than any other region.

Ian Godden: The ADS Scotland Council—we have a council of 50 companies in Scotland—has never raised that subject with me, and we have not debated it at any of our last four meetings. If it is an issue, it is in somebody else's mind not ours at the moment.

Thomas Docherty: It is not in mine, either.

Q389 Ms Stuart: I want to take you back to the big ballpark figures. The SDSR states that there is a £38 billion over-commitment to the defence programme. Some people say that even that is an understatement. I was at a conference this morning where people thought it was closer to £60 billion. Even the SDSR thinks that £20 billion of that is related to unaffordable

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plans for new equipment and support. Do you think that the industry has any culpability in that?

Peter Rogers: I am always a little reluctant to try to allocate precise blame.

Q390 Ms Stuart: Rough figures—the odd billion—will do.

Peter Rogers: We work with the Ministry of Defence; it is the customer. It is not a conflictual relationship in most cases. If there is £38 billion composed of offering to buy something that we couldn't afford at the time, or if we thought it was going to cost so much but, due to changes in specification, incompetence on the part of the supplier or whatever, it is now going to cost more, clearly there is some culpability in the industry. We would put up our hands and say that is the case.

Q391 Ms Stuart: How much would you put down to overruns in costs?

Peter Rogers: I do not know. I don't even know whether the £38 billion is right, or whether it is £20 billion or £70 billion. We have no idea; we do not have access—we will never have access—to the detailed records of the Ministry of Defence.

Q392 Ms Stuart: But you will have access to your cost overruns.

Peter Rogers: But for one programme.

Q393 Ms Stuart: Let us start with one programme. In what percentage of a programme would you say that you have culpability?

Peter Rogers: I do not have any programmes in the past five years that have overrun.

Q394 Ms Stuart: None of you?

Sir Brian Burridge: No.

Ian Godden: The NAO does a pretty good job of assessing it. If my memory is correct, 25% of projects overrun—in the US it is 50%, by the way—and are not the right times. The averages in NAO terms are 75% of projects. The 25% is what Peter was talking about.

Peter Rogers: I am not trying to be difficult, but the only way you can analyse that is on a programme-by-programme basis, because the responsibility for these is different in each case. One of the things we suffer from as a complex is that people love to generalise, and it is far easier to generalise if you do not have the statistics. I have never seen the statistics, because you can only build those bottom upwards.

Sir Brian Burridge: Let me make specific points that you may find helpful. First, the propensity to embark on programmes with imperfect knowledge is a major shortcoming in any complex piece of project management. By and large, it is accepted in the industry that with a complex piece of equipment, system, whatever, you need to invest about 15% of the development and production costs before deciding that you are definitely going to do this; otherwise you take significant uncertainty into the programme. It is that uncertainty for which both industry and the customer bears responsibility, no doubt, but it is the reluctance of the customer to invest up front to avoid

that uncertainty. It is interesting to look at the US record, where actually they take much more uncertainty into programmes because of the degree of dynamic competition beforehand.

The second point is a point for the MoD: stability of intent. If we knew that a funding line would endure and if we knew that a delivery forecast would endure without change, then the stability that that brings—as we discussed in terms of shipbuilding, there is a cost whenever there is a delay—that would change things significantly.

Q395 Ms Stuart: That leads me conveniently to the next question. If the SDSR says that major contracts will be cancelled or changed as a way of tackling this problem, then clearly that creates further liabilities. What is your assessment?

Peter Rogers: I am starting to sound as though I am being really difficult, but I don't know the terms of the contract which existed between BAE Systems and the Ministry of Defence over Nimrod. You are quite right—it will create liabilities, and with no end result. That is for sure. The extent of those liabilities, I am not privy to, because it is a commercially sensitive document.

Q396 Ms Stuart: That is the problem, though, isn't it? You could say that we have got the wrong people in front of us to answer the questions, but if we had BAE Systems here, they would say, "That is commercially confidential, and it's for you to ask and for us to know."

Sir Brian Burridge: Let us revert to the Secretary of State's speech of Thursday, where he talked about the manifestation of the Project Review Board, and saw this as a point at which the market would intervene—in other words, if any programme that the Chief of Defence Materiel is running is not on time or budget, the team leader will be called in front of the board. If, in the opinion of the MoD, the fault lies with industry, that will be made transparent to the market. In other words, this programme is in jeopardy and shareholders will take a view—the market will take a view. That is true.

Q397 Ms Stuart: I can safely assume that you are co-operating with the MoD in tackling this problem?

Peter Rogers: It is in our interests to co-operate—we get as much trouble out of cost overruns as the MoD does; we just don't have to report to quite such an august body on a regular basis.

Q398 Chair: One final question. What is the question that you were dreading we might ask, and what is the answer to it?

Peter Rogers: Cup of tea, please. *[Laughter.]* We did not rehearse this one, so if my colleagues want to venture something other than a cup of tea, feel free.

Sir Brian Burridge: It is worth having a brief conversation about research and development, not because I dread the question, but I dread the result. Research and development is the seedcorn of tomorrow's capability. I have already said that the body of knowledge may dissipate insidiously, but certainly, if you don't invest in research and

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development, then in 20 years' time you have no body of knowledge. You have no choice, then, but to buy off the shelf and your Armed Forces will have to operate in a different way. We have some world-leading technologies in defence in this country onshore at the moment. It is a matter of ensuring that the White Paper acknowledges that, and in this matter of operational sovereignty recognises the importance of those technologies.

Chair: I am grateful to you for raising that, because it is an issue on which we as a Committee bang on and on and on. We will continue to do that, but I am glad that it came from you this time.

Q399 Mrs Moon: The MoD has a number of major projects itself, such as the return of the British Army from Germany. Does that have any implications for industry—the delay in getting a decision about when the Army is coming back and the changes in relation to RAF stations? Is the fact that you cannot get dates and you cannot get a review of that decision impacting on industry?

Peter Rogers: It is fair to say that yes, it has an impact to the extent that uncertainty persists. However, by the nature of the kind of decisions you are talking about, people grit their teeth and it's business as usual. You are surprised, but what you were doing yesterday you will continue doing tomorrow, until somebody says, "We're not doing that next week." It is clearly more helpful to have certainty. It is clearly much more helpful to have a precise date and timeline, but in negative terms I don't think it is doing any real damage. It is just another uncertainty, which is unhelpful.

Ian Godden: Can I reinforce that? Again, on committees uncertainty is not an issue that is raised internally within the industry as the main issue.

Q400 Mr Havard: Hopefully, in July the Defence Industrial White Paper will be produced, from which you will be able to plan. Do you feel that it will be

important for that to be supported by a development of the other idea that was proposed, which was a 10-year planning horizon for the Ministry of Defence in terms of its ability to allocate money over perhaps longer periods of time? Or is that just a desirable outcome?

Ian Godden: The White Paper is not a DIS, but it has elements of it. We are believers—I think we went public—that SDSRs should take place at least once every four or five years and that planning horizons need to reflect the projects and the programmes in the nature of business. If you risk imposing an annual or even a two-year budgeting cycle on a 10-year programme, you get the consequences of what you expect. Most corporations avoid that. They have both in place: they have budgets both tight and long-term. Now as we know, the world changes quite regularly, so 10-year plans do not last too long in one sense, but they tend to set expectations and intent and an intent that is very important. We are great believers in the one to two year, five-year review and 10-year intents as being a necessary change to the way in which we do business between Government and industry in this sector.

Q401 Chair: Before he became Chief of Defence Materiel, Bernard Gray was a little mocking about the difference between a 10-year planning horizon and a 10-year budget. Do you think that mocking approach has survived his translation to Chief of Defence Materiel?

Ian Godden: Oh dear. Chairman, was that the question you were asking for?

Chair: Shall we stop there?

Ian Godden: I think so.

Chair: Thank you. I will just say thank you very much indeed to all four of you for coming to help us on our inquiry. It has been indeed helpful and we are very grateful to you. I don't think you've have put yourselves in schtuck with your major customer.

Examination of Witness

Witness: Admiral Sir Jonathon Band GCB, former First Sea Lord and Chief of Naval Staff, gave evidence.

Q402 Chair: Sir Jonathon, thank you very much indeed for coming before us to help us with the Strategic Defence and Security Review. Your role here, with the freedom of having left the Ministry of Defence, is to be a little more independent than anybody still serving is able to be. I wonder whether we could begin by asking you about the establishment of the National Security Council. It was established to make sure the Government take decisions properly, and the MoD states: "The new NSC provides high-level strategic guidance to Departments, co-ordinates responses to the dangers we face, and identifies priorities." Do you see it acting in that way?

Sir Jonathon Band: Broadly. Let me say at the start that I think the establishment of the machinery was right. Indeed, when I was a serving Chief of Staff I

argued that this was what we needed, because security and defence were no longer separate blocks. It was very much a banner, of which you might say a policeman was one end and perhaps nuclear deterrence at the other. For that reason, one needed a bit of co-ordinating government machinery that did that and broke down the stovepipes that are government departments.

It was a good idea to create the National Security Council. I think it was quite demanding to ask it, as the very first thing it had to do when it arrived, immediately to redo the National Security Strategy—of which, of course, Round one had been done under the last Government—and then to conduct a defence review, which is pretty challenging at the best of times, and particularly so when you do it at the same time as a CSR. The question the National Security Council was asked pretty early on was demanding. I think it did not a bad job, but it did it by co-opting people from the Departments, because it has no

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standing secretariat. Right now, of course, having done its work, it has no secretariat at all, really; there is a team in the Cabinet Office. I think that, enduring, it will find that mission statement quite hard without its own small staff.

Q403 Chair: Is that an improvement that you would recommend—that there should be a staff?

Sir Jonathon Band: Yes, I would. I would say that small is probably beautiful in its case, but it needs some people that are the head of the NSC's own men and women. I really think that would be helpful. I only say that because the default factor in Whitehall is strong departments and a weak centre, in my view.

Q404 Chair: Do you think that is the right way for it to be?

Sir Jonathon Band: If I had a say—which I don't—my view, as a citizen of this country with 42 years in defence and knowing the current climate quite well, is that the NSC would serve the country better if it had its own small secretariat, which could balance the regular inputs from the big departments, which it is bound to survive on. The guts of Home Office policy, defence policy and overseas aid policy will come from the departments, but it needs some form of mechanism to balance it.

Q405 Mr Havard: One of the comments that has been made about it so far is that it has been very much Foreign Office-dominated in relation to its assessment. If that is your concern, would it be the Foreign Office, or the Treasury? Which Department?

Sir Jonathon Band: In the end, what it has got to do is deliver—its capping document—is the National Security Strategy of the day. We are on round two of that; the first one was done by the last Government. I think the National Security Strategy is a pretty good working document, except that it is not a strategy because it does not relate to resources. It is more of an aiming point. It has many of the right sentiments in it, but it is quite hard to have a document that at one end talks about numbers of policemen, and at the other end is talking about the higher levels of conventional defence and whether you should be doing stability operations or intervention. I think these things get better with time.

I don't think I have a comment on which government department has greater sway in it; I don't think I'm close enough to it. All I would say is, in the writing of the SDSR it was I think obvious that it was the first time that the MoD was not marking its own homework, in terms of review, because it was doing it within the mechanism of the NSC. That would have been different for Defence, because the last SDR in which I was a major player was the MoD's own vehicle, and all it did at the end was pass it to Cabinet for final approval. I wouldn't comment on which one was in the lead.

Q406 Chair: By the use of that phrase, it sounds as though you are speaking with approval of the fact that the MoD was not marking its own homework.

Sir Jonathon Band: If you believe, as I do, in a National Security Council set-up, and that therefore

that should be the leader in this banner of security reviews, then the MoD has a very powerful voice, but it shouldn't mark its own homework.

Chair: We are now moving on to the National Security Strategy itself.

Q407 Mr Havard: The reason I made the point about Foreign Office involvement and so on is that one of the questions that has come from it is the business of the declarations by the Prime Minister and others that the outcome of the Defence and Security Review, the NSS and so on is that there will not be a period of strategic shrinkage as a consequence. What is your observation on that?

Sir Jonathon Band: I am not sure whether you can turn the tap on and off on things like strategic appreciation. You either are a country with a strategic vision and a part to play in the strategy of this global world, or you are not. I don't think that is something you can turn on and off very easily. If it was meant to say that by failing to invest in parts of defence for a period you will do no harm to your influence, then that is rubbish. Because unless you—

Q408 Mr Havard: We took evidence from the Chiefs and they said that we were no longer full-spectrum capability. Is that what you mean?

Sir Jonathon Band: Yes and no. The Navy is certainly no longer full spectrum. You cannot be a full spectrum navy without carrier aircraft. That's a fact, just in terms of quantity. In terms of quality, it depends on the depths of your capability, but we'll probably come to that. It is naïve to think that. If the Government's priority is to get the books straight—and I am not challenging that view; I actually think it is very important that we get the basis of public funding straight—there are always consequences, whatever you do. I believe that if you deliberately spend less on defence, apart from potentially jeopardising some areas of capability, you will be less effective for a period. Part of that is in the influence game, because if you no longer show up at the defence party with a capability, why should your allies consult you as much? That is clear. Whether you call it strategic shrinkage or taking a risk on influence, if you do not do as much, and you are not seen to be in the van of this activity, you will be consulted less and have less say. I say that having been a Chief of Staff and knowing, particularly in the naval sense, how much the White Ensign abroad does for this country, or did when I was the head of the Navy.

Q409 Mr Havard: Do you think that is equally true of the BBC World Service?

Sir Jonathon Band: A number of our organs have a lot of say in the world, much more than we, in our good old British understated way, sometimes admit. I have no doubt that the voice of the BBC, or the voice of our defence forces—I can certainly speak as head of the Navy—is very influential abroad, but we will be less influential while we are unable to do as much as I think we'd like to do, but cannot afford.

Q410 Mr Havard: Do you think the position is recoverable? How is it recoverable?

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Sir Jonathon Band: I don't know. I don't know whether, if you drop out of the Premiership for five years, you get back in again. Very good question. If you do not get the funding right, you certainly will not.

Q411 Mrs Moon: I am interested in the concept of influence, and where influence is reactive or proactive. One of the areas I have been concerned about is the reduction of our listening and knowledge-gaining capability. Our ability to have eyes and ears that will give us the information that will make us—

Sir Jonathon Band: Human, electronic?

Mrs Moon: Both. Our capacity to look forward, to see what the problems are and to see what is coming up so that we make sound judgments about what we put on the ground and what we send up in the air and what we send to sea.

Have we cut that too much? Are we reducing our information-gathering capacity too much? Maritime patrol capability has been lost with all the intelligence-gathering capacity there. Have we gone too far in cutting back our intelligence-gathering capability in the various platforms within the three Services?

Sir Jonathon Band: It is very difficult to say that you get to a point when you have lost something. It is very much a sliding scale. I do not think intelligence-gathering and awareness is something with obvious step changes. What is true is that our ISTAR capability has reduced as a result of the SDSR. With the reductions in Nimrod, Sentinel and all those things and with the reduction in some of the analysis equipment that the Navy took to sea we are tactically less well off. This means that if we go into a coalition to do some operations we will be relying more on other people. That is a fact. I am unaware of any high-level reductions in terms of our relationship with the Americans for the higher level stuff and, as far as I am aware, relations are as strong as they have always been. They are part of the strategic take and why the American relationship is so important.

There is another aspect to it, which is what I call horizon scanning. This is intelligent people either trying to guess the future or, more sensibly, looking at the future and saying China could go that way or this way and we will make an assessment somewhere in the middle. It is the known knowns and the known unknowns. In that aspect, I do not think we have been that clever but that is a personal view. I do not see in the SDSR the so what of an adaptable Britain. Some of the aspects of our force structure are actually not adaptable or less adaptable than they might be.

It is a complicated question. Tactically we have reduced some of our tactical information-gathering and ISTAR capabilities. Operationally, it is about doing it with others, and strategically, so far as I am aware, we are all right, as we were before.

Q412 Mrs Moon: Can I ask you about influence and capability in another way? Are we reducing the human skills base and capability of some of our people by their lack of ability to gain knowledge and experience across a number of platforms in a number of settings and how is that also impacting in terms of

our influence in having a broad spectrum and inviting other nations to send their future leaders within their military to us for training.

Sir Jonathon Band: You have asked the question the bottom-up way. At the moment we went into the SDSR we had three Armed Forces, each of which mentally was aspiring to be able to fight high intensity on the first day of the war with the key coalition partners and allied partners. The scale of operation in the Army was Corps Command, which is high level and very much operational. The Navy was talking about running large task groups, either by ourselves or with a key ally like the French or with the Americans. The Air Force was talking about being into serious packets of air power.

When you aim that high you train hard and you have a certain base. There is then a cascade of confidence right down to the platoon commander because he is part of an impressive big show. If you start dropping that level of ambition, if you start dropping the quality and quantity mix, you will find that you aspire to do less. You then become a very good wingman, but you do not bring the centre forward to the party. Out of that, you are less influential, less capable, and less of an outfit that other forces benchmark against.

Even on our worst day in the British Armed Forces, the rest of the world is always fascinated by what the Brits are doing. Despite all that we say about our procurement and our value for money, you get more bang for the buck with the British Armed Forces than with anyone else. I know Armed Forces around the world, and I certainly know the navies. There is no one with whom you get as much bang for the buck. There is no one who has as much influence for the amount of money that is put in. In the end, it is what the country wants to do. It is all about level of ambition. If you want to be a global middleweight power, it requires a certain amount of investment. If you play with that level of investment, either in the short or long term, you will have an influence. It is quite hard to say exactly when you will get that influence—perhaps when you are first not invited to the planning conference, or when you are first not asked to do something. My fear is not that that will actually happen, because I think that people want the Brits there. It is not chance that Sarkozy and Cameron had to do Libya together. Look at the world; look at the Europe we are in. It is not surprising that the Americans wanted us to do a fairly major part of Iraq and Afghanistan. We can get in all sorts of debates about whether we had the right scale, but that is the position we are in, and the position in which we have put ourselves. We do it, because we have put sufficient investment in. We are pretty good at it, and we show up.

With what we have done now, I am not saying that we have jeopardised ourselves specifically. However, my hard view is that the level of Armed Forces that we look as though we are able to afford now means that playing across the piece at that higher level will be increasingly challenging, which is why I think the Chiefs of Staff said no, in answer to your question. In the Navy's case, it is black and white: if you do not have carrier air, you do not have a full-set navy.

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Q413 Mr Havard: We took evidence from Rupert Smith last week, and we had a similar discussion with him about what the SDSR provided. One thing it does, in a sense, is give a description of intent, and partly describes what you want your sovereignty to be. By default, it also describes your dependencies, particularly if you are giving away capabilities. In that context, the NSS sits alongside it and comes out of the architecture of the NSC, which also deals with security and not only defence. Do you think that that the NSS—the security strategy—is a coherent description, balanced against those things?

Sir Jonathon Band: It is a reasonably good stab. It describes a world that I recognise, and it tries to balance, to some extent, our heritage and our reality. Where it goes wrong is not at that level. It starts to go wrong when you say, “You need this bit of defence capability to underpin the hard defence bit, and you need this bit of police activity,” but if you are not prepared to—or cannot afford to—pay for the underlying fruit on the tree, it questions the strategy. In the end, a strategy is about how you use a set of resources to achieve an aiming point. You can write any aiming point, but if you do not have the reality of the finances available—we could say that we want a two-corps army, but if you only have money for a one-corps or one-division army, that’s what you get. You can do it however you want, but woolly or general strategies without the underpinning finances—and, that is the fear that most of us have about the SDSR. The challenge will be actually getting to that force structure 2020, when we do not have a financial planning horizon that goes for 10 years. We know what we have for the next three years, but that does not get you to 2020.

Chair: We will come on to that in a moment.

Sir Jonathon Band: General words, I agree with, but in the end, being a practitioner of defence, I then want to see the money.

Q414 Mr Havard: Within the strategy, though, there is a list of priorities and a prioritisation process. Have you any observations about the current prioritisation of the associated risks?

Sir Jonathon Band: I might have No.4 where No.3 is. I think they broadly describe the concerns. I think the attention that they gave to cyber was absolutely appropriate. If anything, it is a bigger issue than maybe we have written down, and it is a bigger issue for everyone, rather than just Government. With the NSS and words, we could all wordsmith something better, and it was certainly better than the last one. We have got better at it. All these Government documents are used as vehicles for their own purposes, but I did not really have a problem with that, and I thought that adaptable Britain meant let us have something that is as flexible and manoeuvrable as you can. One thing that we have learnt in the last 10 years is that over-commitment is really expensive. We cannot afford it. We do not really like doing it, and we probably do not have the strategic patience to do it either.

Q415 Ms Stuart: I have been listening to you, and I am getting increasingly confused here. You say that we are a global middleweight power. You talk about

adaptability, which actually assumes that we have something to adapt. Can I just put a notion to you? If you are a global middleweight power—an island—everyone talks about resilience. 95% of our imports come via the sea. If the straits of Hormuz and the Suez canal are closed, it adds another 90 days to our supplies, of which name the things that you think we have 90 days of supplies of. Within that strategy, do you actually think that we have cut the Navy too much?

Sir Jonathon Band: Yes, I do.

Q416 Ms Stuart: Can you say a little bit more? How much too much?

Sir Jonathon Band: I think that we have cut it too much, and I will give three examples. I am delighted that Force 2020 has a carrier-strike capability. It is extremely disruptive to get to not only a carrier-strike capability of some complication and some ability, but to do it without having a path to it is disruptive. In the end, if you want to be able to do independent or partially independent maritime operations, that is the sort of capability that you need. Going back to it, the NSC talk about the two environments that we must be able to fight in being littoral and urban. The Navy’s urban is littoral, and that is about amphibious capability and being able to look after your troops with air power over the top of them, so what do we do? We pull out the carrier air capability and we take one third of the amphibious force away. That is my view there.

It is things like carrier air, amphibiousity and nuclear submarines that mark a navy as a global middleweight navy. The heart of all navies—the day-to-day policemen—are your destroyers and frigates, and how many of those you need really depends on what you aspire to do and in how many parts of the world.

Q417 Ms Stuart: If we only aspire to protect the resilience of the United Kingdom, how many would it have to be?

Sir Jonathon Band: I do not believe that the resilience of the United Kingdom is best achieved by putting a frigate off Brighton beach. You actually want that frigate deployed, giving reassurance and forward presence in areas of strategic importance such as Hormuz or whatever.

Q418 Ms Stuart: Given the 90 days of supplies and given that 95% of our supplies come by sea, the straits of Hormuz and the Suez are strategic. Do we have enough frigates to deal with that?

Sir Jonathon Band: How much do the Government want to do? How many straits do you want to cover? All I would say is that, with the force level that we have at the moment, we have nine of 19—nearly one in two—of our frigates and destroyers deployed at the moment. That is a level of stretch that you cannot sustain. If the Government want to do as much activity, the Navy is too small in that area.

Chair: I will stop you there, and bring you in on this issue later.

Q419 Thomas Docherty: In terms of the amphibious power from the sea and the loss of carriers for

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possibly more than a decade, what is your assessment of the UK's ability to undertake expeditionary operations, particularly where we will not have overflight from land bases?

Sir Jonathon Band: If you haven't got carrier air, and you have a worry either that you don't get the overflight or it comes too late for the operations, you have answered your own question. You are seriously limited. We can still do expeditionary operations. The challenge will be how high in intensity they can be without an aircraft carrier of your own, or without relying on the French or Americans to do it for you. If the members of the right partnership all agree the mission, we can probably still do quite a lot, and what we provide will be high quality. When it comes to doing something that only worries Britain, then we are badly placed.

Q420 Thomas Docherty: As a former Commanding Officer of Illustrious and the carrier group, how worried are you that we could go between four and seven years with Queen Elizabeth class carriers without strike capability, and that that will become a more permanent feature?

Sir Jonathon Band: At best, it is unfortunate; at worst, it's worse than that. I am delighted the 2020 force structure has a Queen Elizabeth class carrier, with modern aeroplanes promised. I am delighted with that. That will be a greater capability per ship certainly than the current small carriers. For the period that we do not have any carrier capability, you could not do a rerun of something like Sierra Leone. We can't do anything by ourselves where there is serious risk, because you would not do that without a carrier.

Q421 Chair: As a matter of interest, why are you delighted with the carrier capability?

Sir Jonathon Band: I am delighted that we have what is promised, because I know jolly well that during the SDSR there was a very good debate about whether we should keep it at all.

Q422 Chair: Yes, but that carrier capability, you could argue, was provided at the expense of a viable surface fleet of other types of ship.

Sir Jonathon Band: You could say that.

Q423 Chair: Would you?

Sir Jonathon Band: What I would say is that for the level of ambition that I still read into the NSS, and the sort of activities in the past two months of our Prime Minister and statements from our Foreign Secretary, it seems we need a set of defence forces certainly nothing smaller than 2020 force structure. My personal view is that in some areas that is too tight. However, that is the choice of the Government of the day.

On the maritime side, it will be very challenging to run the carrier force that we want on one ship only. We will see how we go. It is a great pity that we couldn't afford to run the two carriers that we are building. I think we will regret that. I am glad that we are still looking at doing, even on a small scale, capable carrier operations. I am pleased about that. It is impossible to say whether we have traded too much

for that capability, because I don't know what was on the table. I know what the conclusion was and can guess some of the debates that went on. A lot of the debates tend to appear most years. To say whether it is fair or not is not a sensible answer for me to give. If we hadn't continued to invest in carriers, even at the light level we are now, we would not be the same Navy at the end.

Q424 Chair: Is it not possible to say that over the past 10 or 15 years, the Navy has mortgaged its soul and everything else it possesses, for two carriers?

Sir Jonathon Band: No, I would not agree with that. What I would agree with was that if we had lost the carriers, after the prioritisation that we had to do, that would have been very unfortunate.

Q425 Chair: Why would you agree with that?

Sir Jonathon Band: Because in the end, if you don't aspire to do the naval equivalent of two divisional warfare, the higher level task group stuff, then your whole reason for having a lot of the other parts of the Navy is less clear. While it is fantastic to do all these things around the world—all the maritime security operations—we can do that on the back of having capable ships, which are ready for the rainy day, and to do the high level operations. If we were not a Navy that aspired to do carrier operations, amphibious operations, I would suggest that our escort and destroyer force would be a very different capability mix of ships.

Q426 Thomas Docherty: Returning to Gisela's point from earlier, do we have enough surface ships? If we had, for argument's sake, one carrier in active service carrying out an expeditionary operation, it would require support and escorts. Looking forward to Future Force 2020, without the new Type 26 ships, which haven't got off the drawing board yet, would we have enough surface ships both to carry out escort duties for the QE and to do things such as anti-piracy, anti-smuggling, protection of the Gulf straits, and so on? With the size of the surface fleet we have, will it be either/or?

Sir Jonathon Band: The smaller the Navy gets, the harder it is to do an operation and to keep your peacetime tasks going at the same time. Libya is a classic example of that, because it has suddenly required two frigates that were not required the week before. That is why we have a high level of commitment. There is no way that the British Army or the Royal Air Force could commit half their force structure, as the Navy is at the moment.

The Navy prides itself on deployment, but the figures are staggering. By my calculation, some 8,500 of the Navy's 34,000 people are deployed today. More than 25% are out now, let alone the ones that have just come back or are just about to go. I do not know how many submarines we have at high readiness, but clearly, from what you see in the newspapers, we have a few out at sea at the moment. It is a staggering level of commitment. How long can you keep that going? The smaller we get, the less resilient we are. When the big operations come, the Navy will have to give up the peacetime tasks.

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Q427 Thomas Docherty: That is the choice that we are making?

Sir Jonathon Band: The consequence of having a smaller Navy, Army and Air Force is how much you can do together, which is why the defence review makes planning assumptions about what we can do to get an idea of how much we can do together. None of those planning assumptions, as expressed, describes what the Navy does on a day-to-day basis. They never have, and I don't think they ever will. I don't know anything specific, but I imagine we have a ship in the Gulf, a ship in the Gulf of Aden and one down south. That's not even the Navy rule of thumb of one in three or one in four, let alone the very smart one in five that some of our services get away with. You are getting a lot of work out of a damned small fleet, and it is going to be smaller.

Q428 Mrs Moon: When the Committee was in the United States, we went to have a look at the USS George H.W. Bush. Yesterday, the Vice-Chairman and I went to see the cats and traps in operation. One of the things that has concerned the Committee is the gap between our current aircraft carriers and the future carriers and the loss of capability and skills base, and not only of the pilots, who are the icing on the cake.

Sir Jonathon Band: That is the easy bit.

Q429 Mrs Moon: It is the deck crews and it is the management of everything that makes it safe for someone either to land or to take off.

Sir Jonathon Band: I cannot tell you how delighted I am to have a lecture from you on how complicated an aircraft carrier is. That is heartening. I wish some other people in positions of direct authority understood it, too.

Q430 Mrs Moon: We agree on that. Can we agree on the difficulties of rebuilding that capacity when the current force is stretched to the maximum and we have to take people out to build a future force? Is it realistic, and is it realistic to think that we can do it in conjunction with the Americans, who have one system, and the French, who have a different system?

Sir Jonathon Band: I agree that it is very challenging, and I agree that it is a challenge that we shouldn't have been asked to do, because it is potentially disruptive, but I think we can do it. Our relationship with the United States Navy and the French Navy is such that they will help us to get there; without their help we couldn't get there. To continue to keep at a low level the deck skills, the co-ordination skills and the flight planning skills—all the things that you don't tend to hear about, unlike the good-looking pilot in a fast jet—we are going to need the French and the Americans to help us. That is absolutely clear, and I am sure the First Sea Lord would tell you the same. That is why the relationship is so important, and without them we could not do it.

Where there is a willingness there is a way. It would certainly be helpful if a number of people—I will not be drawn on who, but you can guess—were a bit more positive generally about the importance of getting this carrier strike programme going in 2020 or 2022 or whenever it happens, because it does need strong

leadership to do it. It is going to be a fantastic capability. I agree that it is a challenge, but I don't agree that it's not doable.

Q431 Mrs Moon: We have seen and met a number of young officers who have been on exchange programmes, building up their skills and their capability. But what about junior ranks? We don't have, I believe, a tradition of sending junior ranks on exchange programmes.

Sir Jonathon Band: We don't have a tradition of gapping a capability for 10 years, either. If the Navy requires to send junior ranks to serve with the French Navy or the United States Navy, it will do it; I have no doubt in my mind at all. Just as we have pilots training, and we've done all sorts of things. When you look back at the early days of getting our nuclear submarine capability, we leant on the Americans very heavily for our initial training. This is at the heart of the strategic relationship between our two countries.

Q432 Mr Havard: This is one of those dependencies, and we have people collaborating with us to help resolve it. There are costs associated, presumably. All the discussion has been about the costs of the actual matériel, the carriers. What do you see the costs being in this, in terms of money and any other costs?

Sir Jonathon Band: I have no idea. Having selected numbers of key people—key trainers—over there, operating on their decks, in their schools, to come back and impart the knowledge, I would be surprised if that is a huge cost, but I am not in charge of the Navy's finances and I am not prepared to speculate. But I personally think that in the swim of this, it is more practically difficult than financially difficult.

Q433 Mr Havard: Do you see there being any other costs, in terms of influence, or the ability to bargain about some of the things? For example, the shape and availability—

Sir Jonathon Band: I don't know. I would prefer not to be the First Sea Lord at a time when he is having to live with the pressures that he has both operationally and financially. I thought it was quite bad when I was doing it, but it is tougher for him.

I come back to my earlier point—it is very difficult to say that you have got to the step-change moment. But that is what he's got to watch. As far as I am aware—and I am still reasonably well plugged into people—I think our level of influence with the United States Navy is good. But the fact of life is that off Libya, there is a French aircraft carrier, there is a US Marine Corps Kearsarge carrier—so we are not in the carrier game. In fact, we may well be, because we are about to deliver, I understand, some attack helicopters on a ship—something the British Army said we would never have to do, funny old thing. But we are doing it.

Q434 Chair: We were told this afternoon in a statement that no decision had been made.

Sir Jonathon Band: Fine. Well, if it happens and they arrive on HMS Ocean, they will do a jolly good job, I am sure.

Chair: I am sure they will.

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Q435 Mr Havard: One of the things that we discussed with Rupert Smith last week—he had a concern about elasticities, as he called them. In all the strategies that talk about agility and the ability to deflect, what is the argument, as you see it, about changing the structure of the forces, not just in the obvious way, but this balance between reserve elements and standing forces? For all aspects of the NSS, something might not simply apply in the direct military context.

Sir Jonathon Band: There are three things that I would say. One is that the best elasticity is given by scale. With numbers of people, with size, you have got a huge reserve. I think we have all got to the stage now when looking at a navy which should be 29,000 of which 6,000 will be marines, and an air force of whatever it is, and an army of whatever it ends up as, certainly smaller than it is now, I imagine—you will lose that capacity and elasticity of scale. I don't know whether Rupert was talking about this, but where I think you have to be really hard now is to say, "Which are the jobs which have to be done by a regular serviceman?" I believe that in support, in logistics, in supporting the tail in engineering support, there is much more room for industry to do things. Whether they need the sponsored reserves or reserve mantle we will see. To a certain extent that is a legal and duty of care issue. With the size of forces that we've got now, you have to be really careful about where the investment goes in the bayonets—the fighting people. Where you don't have to have that in the regular force you can have the reserve force and you can then look at quite an elastic total force concept with industry doing more, with the reserves almost certainly doing more, and making sure that your regulars are doing what only regulars can do.

Q436 Mr Havard: Do you think there is an optimum number? The US forces are around 40% reserves. They have both scale and reserves of an order we don't have.

Sir Jonathon Band: Without doing a bit of analysis of how you block it out I would find it quite hard to give you a percentage.

Q437 Mr Havard: Do you think in building a 2020 force structure that question about the balance between—

Sir Jonathon Band: It does. If we want to optimise the effectiveness of the three Armed Forces, we don't want anyone in uniform who doesn't have to be. The fact of life is that we have people on airbases and we certainly have people in barracks whose need to be in uniform is questionable when things are tough as they are now. It is lovely to have all these people in uniform, but they are expensive. The HR costs of people are very significant and are rising. That is why the Navy has always been very tight on manpower, which is why we have always been delighted to have lots of civilians in support and why we have the most grown-up support relationship with industry in Babcock because we don't want those to be servicemen.

Q438 Thomas Docherty: If there were one area of the SDSR that you would like the Government to revisit what would it be and why?

Sir Jonathon Band: I would agree with the First Sea Lord. It is the carrier issue. To have no carrier air provision, even a small force, between now and when we get the new carriers is potentially quite destructive. I think, too, if I were a guessing man when we get to 2020 or 2022 if we've got two carriers, we will run two carriers.

Q439 Thomas Docherty: The First Sea Lord when he came before us said that he expected that we would effectively have a single squadron initially on the first carrier and that over a number of years that level would be increased. So for you, what is the point where we have an effective carrier strike? Is it when the first squadron lands or is it when we have built beyond that point?

Sir Jonathon Band: I don't know what today's definition of initial capability is for a carrier strike, but it is something like a worked-up squadron on board the ship, I would imagine. That is what it was in my day. In the end we will afford what we are prepared to pay for. But even a small force does something for you. At the moment off Libya there are six US Marine Corps harriers on the Kearsarge, providing 24-hour harrier carrier capability. It is only six aeroplanes and people laugh at six. That is quite a nice contribution. Now I would like it to be bigger. The basic thing is that it can do its job. It is very unfortunate that we are not in that position, but that is the way it has gone.

Q440 Chair: We know that the Prime Minister has said that it is his strong personal wish that defence spending should rise from 2015 onwards. A very distinguished predecessor of yours as First Sea Lord asked me whether I believed in jam tomorrow. What in your view would be the consequence if a significant increase in defence spending were not achieved from 2015 onwards?

Sir Jonathon Band: We are due to have the next review, aren't we, in about that time scale? Frankly, if that review is not done with a financial assumption of real increase, people will look back and say, "Well, they were dreaming for force level 2020, because force level 2025 will be much smaller than we are even trying to get to now." That is the key issue. Personally, I would like a slightly bigger force level than 2020, because I could just see us getting involved in something where we will need a bit more scale. I am very happy, however; I have worked in a democracy all my life and I would prefer to work in a democracy. I just want to make sure that whatever we have is coherent and efficient and that it works. If I have a worry about the CSR, it is the fact that at the moment we are driving the money throttle down. Can we pull it up at the right moment to achieve 2020? If we don't, you have to say that the whole SDSR is rather a waste of time. In the end, it is about combat capability. Force level 2020: an Army, a Navy and an Air Force that are equipped and do their job. It is great to have an aiming point, and we have to plan for that aiming point, but to get half way down

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and not to know what is happening in 2015 is not an ideal way of doing that.

Q441 Chair: What do you think of the decision to change the type of aeroplane that we are using on the carrier to the carrier variant, and to put cats and traps on?

Sir Jonathon Band: In an ideal world, if you are going to do carrier aviation in the ultimate form it is the US navy form. We will never, obviously, achieve the number of hulls that they do, but it is a physical fact that the longer the run you can give the aircraft, the more bombs it can take off with and the further it will go, so that is the best way of doing it. We knew that, and Ministers knew that, when the decision was made. I personally was always happy with the VSTOL way of doing carrier aviation for two reasons. I was persuaded that the vast majority of our target sets and target ranges were within the VSTOL type capability. It was also less of a change; to go from a small carrier to a big VSTOL carrier is much less of a conceptual change and much less of a skill set change. One half of me asked why we did not do that some time ago. I hope that everyone has thought through all the issues. My view is that that was quite a late call in the SDSR process, from all indications; I don't know, but I think it was a fairly late call. To make the change of variant call and at the same time to get rid of your Harrier force, which would have helped you to get there, is unfortunately a strange set of decisions—let me put it that way—in my view. The Navy has got the will, as I have said to one of your colleagues, to get over that problem, but in my view it is not a clever way of doing it; it is a destructive way.

Q442 Chair: Do you think if we had made that decision earlier in that process—clearly, there were pressures within the Ministry of Defence to do so—we would have saved some money and reduced some delay?

Sir Jonathon Band: I can't comment. I was not part of the process; I was not in the building; and I do not know exactly what the debates were. I could have a view, but that does not help your body of evidence. What I can tell you is the operational effect of various variants and things like that, but you know those. As I say, I have told you already in my evidence that I believe that reduction in the carrier air aiming point—I would prefer to have two carriers and more weight of effort planned to come from the sea, because I am absolutely sure when we get these carriers that is exactly how we will do it.

Q443 Chair: You were talking earlier as though you thought a decision had been made to have only one carrier.

Sir Jonathon Band: That is the force level. As written, the SDSR talks about one carrier in commission. I think I am right, am I not? Yes, I am sure I am right. It is one carrier.

Q444 Thomas Docherty: The Government have moved the Trident replacement into the MoD's budget, and, as you are aware, there are huge discussions about the future of the carrier and whether

or not we will commission the carrier ultimately. In the worst case scenario, given how strongly you have talked about the carriers, if you had to choose between the deterrent and the carrier strike, which is more crucial to the Royal Navy and to the UK's Armed Forces?

Sir Jonathon Band: That is not something I can or should answer. I am not going to muddle the position of nuclear deterrents with part of our conventional force structure. In my view, they are not an either/or.

Q445 Thomas Docherty: I think you're right, but were you therefore surprised that the deterrent has moved into the MoD's budget, given that very strong principle?

Sir Jonathon Band: Deterrent money has always been in the MoD budget. When the Navy managed the arrival of Trident, every pound that we signed off the cheque book came out of the MoD vote. The question is how much the Government give you to do it. The mechanism is always through the MoD budget, and there is no special Trident bank account. The MoD is the government department that runs the deterrent, so all the finance goes through the MoD. The question is, when the Trident programme first appeared as something that the MoD needed to do, was the MoD given the right amount of money to execute it?

Q446 Mr Havard: One of the things that the Secretary of State said is that, if you argue that we should reopen the SDSR, you are actually arguing that we should reopen the CSR, because it's the money that is important. You said that you thought the decision on carriers was wrong; what then would you recommend that we do in the interim period, before we get the new carriers? Is there something that can be done?

Sir Jonathon Band: I was absolutely clear—this is exactly what I said when I was First Sea Lord on whether we could afford to keep the Tornado and the Harrier going—that we needed that sovereign capability and a route to the new carrier capability, so we should keep a small Harrier force going, operating off the CVSs. When Queen Elizabeth arrives, she should be a Harrier carrier. If at some stage someone wanted to do a cats and traps change, it should go into the Prince of Wales, which would be worked up as the first JSF carrier, and then, if you could afford it, you convert Queen Elizabeth. That was a very, very simple plot, which I'd guess—though I don't have my hands on the figures—would be the cheapest decision, too.

Q447 Mr Havard: It was very interesting that, when the Secretary of State visited the George H.W. Bush, he said what he has said elsewhere, which is that it is not a case of regenerating between now and 2020, although there are a lot of capabilities, such as the MR4A stuff, that would have to be regenerated. He said that it is not a case of regeneration, but of generating.

One thing that Jock Stirrup said to us was that because of the way that the money is currently working and the cuts in the MoD, no one is actually planning for

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2020. They are planning on a flat budget, so there is no planning process in place to get to 2020, because of the way that the money works. Do you believe that this 10-year planning horizon argument is of particular importance for the future when we come to a reiteration of the SDSR? The process is not matching the declaration of policy.

Sir Jonathon Band: I think I know where you're heading. The fact is that we have a row of figures from the last CSR, which doesn't go for 10 years; no CSR gives you your in-years. But you still need a policy and planning horizon longer than that, so I am absolutely convinced that the Navy is planning how it gets to Queen Elizabeth—manning her up and getting her worked up. Then, if the decision is made, putting the cats and traps into the Prince of Wales, which seems to me to be the one they will take. So there will be people planning to do that with the expectation that there will be some resource. What the resource is we do not know. We hope that the Prime Minister is as good as his word and that the Cabinet of the day votes it in, but we make lots of plans in defence without knowing exactly what money will be there.

The interesting thing about this particular review and financial situation is that it is quite clear, because we've got the stick down to take money out of defence at the moment, that it will take a conscious political decision to pull up and put plus signs back in. That is what worries people. I've already answered the question; if it doesn't happen, the next SDR will be really very challenging in terms of who gets the priority for funding. Just because you don't know what the money will be in year five doesn't mean that you don't do any work for year five, year six or year seven. You keep going forwards, which is why the Navy has a transition plan for how we meet this challenging business. In broad terms, it is fairly obvious that the crew of *Illustrious* will go to the Queen Elizabeth, and then there will be people lent. I can just about imagine what the plan is, but I obviously don't have sight of it. The root worry of everybody is that money tap—whether the country will be able to afford to put the plus signs in in 2015. We very much hope so.

Q448 Chair: Do you think there is still a conspiracy of optimism in the Ministry of Defence? Do you think there are strong enough moves to get away from it, in terms of procuring things in defence generally?

Sir Jonathon Band: I don't think I can answer that. To answer that, I would have to be sitting on the Defence Board or on the Navy Board. There is a serious dose of realism around the whole defence scene at the moment, which I see from my small engagement with defence industries. There is a lot of uncertainty. We have the policy that came out in the review, and the Reform Unit is doing its work. You have a new Chief of Defence Procurement, who came with the backlog of his report. There has been a big change in personalities, such as a newish CDS, a new PUS and a new second PUS. A lot of settling in is happening.

Q449 Chair: Do you think too much is happening at the same time?

Sir Jonathon Band: I think that they need to steady the ship pretty soon. We need to know what the Reform Unit has to say; it needs to set the course of MoD. In my view, one of the consequences of the last few years—not just in procurement, but quite a lot around that whole issue—is that I do not find the standing of the MoD in Whitehall as high as it should be. In the end, it is a very important department. Getting defence right is challenging; it is quite a complicated formula managing defence. I tried it and was part of it. We need to change the ambience around the whole of the defence scene, whether it is procurement or force structure. If we don't do that, at a period when we are making people redundant, the human formula is quite a delicate one. It needs strong direction, strong focus and strong commitment by the Government to what they have decided to do. We don't want statements about we don't want to have these carriers. We want to hear that we want these carriers and that we want them to work, and we want to go with our allies to make them work. We want to do the force structure changes in the other services as fast as we can and look to the new ground.

Q450 Chair: You said earlier that you did not have a say in something. This afternoon, you do have a say. Is there anything else you would like to say about the SDSR, the NSS or any of the process that we have not asked you questions about?

Sir Jonathon Band: There are two areas. We have talked about the coincidence between the start of the new Government, the set-up of the security council and the SDSR and the CSR. The financial stricture was a defining issue in that review. It would be naive not to accept that every review must have a financial assumption, every review that I have been part of has had a financial assumption. However, one that was in debate while the review was going on and was not settled until during the review. Secondly, the consequence of 10 years of engagement in Iraq and Afghanistan was weighing on people's minds quite heavily. The Afghanistan factor was strong in the review, and I am not sure that I had the chance to say that.

The other thing that really worries me about resources is my rough calculation of the sums being spent on defence now and the projections into the future. It seems that once we are no longer doing Afghanistan, I fear that we are going to drop below the famous 2% of GDP. As a senior member of NATO, that would be an appalling example for us to set.

Q451 Chair: So, you share my concern that just at the moment we are leaving Afghanistan, it is going to be tricky to persuade the British people that we ought then to be increasing our spending on defence.

Sir Jonathon Band: I don't think it should be difficult. You have to explain what you want to spend the money on. It is about influence and intervention rather than expensive stabilisation. If you can't do that, then you can't. I think the British nation is quite happy to spend about that on defence, but it needs a modern articulation of the argument. It is about not talking down what the country wishes to do. I think the nation still wants us to have a level of ambition. I

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personally think that you need 2% out of the public cake to do that. If you can't explain that, you shouldn't be in the job. helpful, straightforward and punchy as ever. We are most grateful.

Chair: I entirely agree with that. Well, Admiral Band, thank you very much indeed. That has been very

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Members present:

Mr James Arbuthnot (Chair)

Thomas Docherty
Jeffrey M. Donaldson
John Glen
Mr Mike Hancock
Mr Dai Havard

Mrs Madeleine Moon
Penny Mordaunt
Sandra Osborne
Bob Stewart

Examination of Witnesses

Witnesses: **Vice Admiral Sir Jeremy Blackham KCB, Wing Commander (rtd) Andrew Brookes**, Director, Air League, and **Professor Julian Lindley-French**, Defence Academy of the Netherlands, gave evidence.

Chair: May I welcome you all to the Defence Committee. As you know, we are doing an inquiry into the Strategic Defence and Security Review and the National Security Strategy. Perhaps we could begin, please, by asking you to introduce yourselves. Shall we start with you, Sir Jeremy?

Vice Admiral Blackham: Thank you, Chairman. I am Sir Jeremy Blackham, an ex-naval Vice Admiral. I was 41 years in the Navy, and the latter part of my time was mostly spent on budgeting and planning. My last job at MoD was as the first equipment capability customer, responsible for setting up the first single equipment programme—but I am not, I am happy to say, still there to explain why it is not delivering.

After leaving the Navy, I worked for a while in industry, predominantly with EADS, for about three years. I then became an independent consultant. I am editor of *The Naval Review*, an independent professional naval journal. I teach defence management on a master's course at King's College, London and do a fair amount of writing and speaking, and a bit of defence and other consultancy.

Professor Lindley-French: I am Julian Lindley-French, a professor at the Netherlands Defence Academy at the University of Leiden. I am a member of the Strategic Advisory Group in Washington, and am on the board of the NATO Defence College in Rome.

Wing Commander Brookes: I am Andrew Brookes, a former RAF pilot. I was director of Air Power Studies at the RAF Staff College and an aerospace specialist at the International Institute for Strategic Studies for 10 years. I am now director of the Air League, which was formed in 1909 to encourage the nation to appreciate the vital necessity of air superiority. The Air League thanks you for letting me come along to put its views, because it has been very instrumental in pushing aviation, not least in helping found the Air Training Corps back in the late '30s.

Q452 Chair: Thank you. We have heard that you are from the Navy, the Army and the Air Force—well, Professor Lindley-French, you might not look very military, but you have concentrated mainly on the Army. We ask for a reasonably equitable range of views; we don't want to concentrate on any one service during this evidence session although, inevitably, there will be some skew one way or another, because of the events of the SDSR.

May I begin by asking what you think of the National Security Council, please? We will get on to other issues, such as what you think of the SDSR, in due course, but let us begin by saying what you think of the NSC and whether it is working. Would you like to begin, Sir Jeremy?

Vice Admiral Blackham: What I think is that, in principle, the NSC is an extremely sound idea. I have always felt that defence is much too important to be left to the Ministry of Defence and, quite clearly, security is a much more wide-ranging business than purely a military one. In principle, it seems to me an extremely good idea. It is quite difficult to make a judgment at the moment on whether it is turning out to be a good idea, because it hasn't been running for more than a year or so. Since one of the NSC's first deliveries was, indeed, the NSS and the SDSR, we might find that we have more to say about it. I think its formulation is correct; the Prime Minister chairs it fairly regularly and, in his absence, the Foreign Secretary does, which is at the right level.

I have some doubt as to whether the National Security Adviser is chosen from the right group of people—I do not mean this in any way personally, but I am not sure that an official is the right person to act as National Security Adviser. I doubt he has the political clout and he will, inevitably, be very much formed by his own experience. That is something that needs to be reviewed. In principle, however, the NSC seems to be the right way to approach questions of national security.

Professor Lindley-French: I would echo those views. I would contrast our National Security Council with that of the United States, and the National Security Adviser with his colleague in the US. With due respect to the current incumbent, for whom I have huge respect, it strikes me as inappropriate to have a civil servant as the National Security Adviser, in the sense that you need a very heavy political heavyweight, as it were, which tends to be the case in the US—not now, but it has been in the past. So, someone of very high stature indeed.

I would see the Civil Service playing a strong deputy role, which is very important to link across Government. Ultimately, strategy in this country has to be the whole of Government—if you are talking of influence in the world, with all our national means, given the nature of the world, then the NSC must have both the stature and the weight to carry across

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and Professor Julian Lindley-French

Government and to ensure that there are synergies and efficiencies in achieving our national objectives. I am not sure, as yet, that the NSC has that weight. Until it does, I find it hard to believe that it can perform the integrating, co-ordinating role that, surely, it must play in support of national strategy.

Q453 Chair: So, someone like the Deputy Prime Minister or a senior Cabinet Minister?

Professor Lindley-French: Indeed, of that weight—to have that voice consistently at Cabinet level. Even though it is chaired once a week by the Prime Minister, that is insufficient in terms of maintaining momentum on whole-of-Government approaches and structures.

Wing Commander Brookes: I have nothing to add to Julian's comments, other than to say that if we cannot find somebody of sufficient calibre in the Lords or some figure of sufficient clout to do that—I cannot think of such a figure—it will not get much further, because it will just be another layer of bureaucracy that will not get very far.

Chair: Moving on to a different area—Vice-Chairman, Dai Havard.

Q454 Mr Havard: I would like you to address the question of where the reductions currently leave us and what the strategy suggests about our position in the world. The strategy says that there will be no shrinkage of our influence. However, the Chiefs of Staff gave evidence to us and told us that they will not have full spectrum capability until 2015. Lord Stirrup gave evidence to us and he said that, given the drastic action that is being taken with the deficit—on which we can have differences—there will be a period of shrinkage as a consequence. What is your view? Should we be making greater efforts to maintain our influence? Is there really a shrinkage of influence and are we trying to pretend that there isn't?

Professor Lindley-French: I live in the Netherlands; I have lived abroad now for 25 years. I am in Washington an awful lot, and believe me our influence is shrinking rapidly. I am seeing that and hearing that. I am working closely with the French, who are very frustrated by this almost pretence that is going on in London.

What strikes me, ladies and gentleman, about the National Security Strategy is that it paints a very big picture of a big world and then promptly cuts all the tools available to influence it. That strikes me as the essential paradox of the two documents. There is a certain brand, internationally, that is the United Kingdom, and that brand is primarily diplomatic and military. Both are tired, and both are being overstretched, because they are being asked to do too much on too little. I strongly suggest that that has to be gripped here.

On the issue of recapitalisation of the Armed Forces post-2015, one of the things that I find bizarre about the relationship between the two documents is that building a new military, which is what we will effectively have to do, takes 15 to 20 years, and yet the suggestion is that there will be a review every five years. I cannot see the planning traction of the

National Security Strategy and I cannot see the planning delivery logic of the SDSR. Until these kind of inconsistencies are resolved, believe me Britain's influence will continue rapidly to diminish at a time when we need to be influential to keep vibrant the institutions essential to our security. It is a very serious point indeed.

Vice Admiral Blackham: I do not disagree with what the Professor has said, although it is quite difficult to answer the question fully without going into some of the detail of the two documents, which I dare say you may wish to do later. It seems to me that the National Security Strategy makes a fair attempt at painting a picture of the world. It is pretty selective about the bits that it sees as generally threatening to us or directly threatening to us, which somewhat distorts its view. But it is pretty poor at offering guidance to the Chiefs of Staff about what kinds of capabilities they should maintain or retain. I am not accustomed to feeling sorry for the Chiefs of Staff, but in this case I certainly do, because without clear directions about what things they are to do and what things they are not to do, it is almost impossible to plan a markedly shrunk defence force.

Q455 Mr Havard: Is that because the selection of things was wrong in the first place? You seem to imply that that selection was wrong.

Vice Admiral Blackham: I would go further; I would say that what neither document recognises is that, at the level of finance which is currently available, we cannot do the range of things about what the National Security Strategy demonstrates as potential threats and which the SDSR says we should do. Consequently, choices have to be made, if you are not prepared to afford certain things.

I might at this point just divert a moment and say that it isn't clear to me that it is sensible to start a defence review by limiting the budget. You clearly have to limit it at some point, but the right thing to do is to describe the range of threats. It is important to understand that the range of threats is in no way dependent on the amount of money that we choose to use to confront them. It is dependent on a whole range of other things, almost none of which are under our own control.

What we can control is which of those threats we decide to face. We must then understand what the consequences of that are, and what the consequences are of the things that we decide not to face. That piece of work is not done. Consequently, the Chiefs of Staff have an almost impossible job in trying to decide which capabilities they are going to maintain and which they are not, a problem made much worse—I expect that we will go into this—by the fact that the SDSR only, in the event, saved half the amount of money that was required to be saved anyway, so now they are having to go further.

Q456 Mr Havard: Are you saying that the question is not that it does not really protect against the shrinkage of influence, but that it does not meet the needs, as we identify them, of our national interest?

Vice Admiral Blackham: Yes. Exactly.

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Mr Havard: Is that what you are saying?

Vice Admiral Blackham: Yes. It is.

Mr Havard: That is a dramatic thing to say.

Professor Lindley-French: It is recognising only as much threat as we can afford.

Wing Commander Brookes: I just think that Brits don't do strategy. This is our fundamental problem. We have never done strategy. The Germans do strategy. Strategy is almost a dirty word. This is not strategy; this is almost a budget-driven laundry list, at the end of the day. We can put "strategy" all over it, and we can stamp it, but I do not detect a long-term strategy for, dare I say, solving the economic crisis—it underpins the way we do it—or a role in the world that fits our requirements, aspirations and where we should be. I was looking for all that in there. Sometimes people say, "If you do this, you will end up like a new Netherlands." Well, I don't see anything wrong with being a new Netherlands. I look in vain for a strategy. All I see here is a long list of budget-driven devices, followed by a period of haggling, and at the end of the day, we call this a strategy.

Q457 Mr Havard: What about national influence then, our influence in the world? Do you think that it is just axiomatic that it is severely, significantly or temporarily damaged? Which is it?

Wing Commander Brookes: Go anywhere now, and you see the sign. As the Americans say, when the rubber hits the road, you see that we do not have the influence that we used to have. We either pitch up with dodgy kit or with a lack of something, saying, "Please, can the Americans provide that? Please, can somebody do something else? Please, can we wait a bit longer?" If our strategy is to go out there to impress people with what we are delivering, I do not think we are doing it.

Q458 Mr Havard: Within that, is the NSS itself, the delivery of which all these other reforms are meant to support, coherent?

Wing Commander Brookes: I do not see any coherence in the NSS and the Strategic Defence and Security Review, which we will come on to later. There is a long list of Tier 1, Tier 2, Tier 3 and so on. But where you go after that in the Strategic Defence and Security Review, I see a mismatch. In my humble opinion, the one should lead to the other, and I do not see that happening in this case.

Professor Lindley-French: If I may add to that, Vice-Chair, as I have said, the message that one receives is that it is a way of managing decline more systematically. The inference in the document is an acceptance of British decline and the suggestion that we will recognise only as much threat as we can afford. The real issue with the strategy is the haggling over which is to be afforded. It is not even clear in the document which are the threats to be afforded.

Mr Havard: Sir Jeremy, did you want to say something?

Vice Admiral Blackham: Thank you, Vice-Chair. I was only going to add that it seems to me that the National Security Strategy, as I think I have said just now, has been slightly selective in those things that it

regards as threats. This leads me back a little bit to the National Security Council. We have, this spring, been confronted with the Arab Spring. The National Security Strategy talks about a world of change and uncertainty as if this is some magical new world that we have entered. Of course it isn't; it is a world to which we have returned following the end of the Cold War. Much of what goes on today would have been recognised in the back end of the 19th century or even earlier. That becomes a kind of cover for not having to address the questions.

I have done some comparison between our NSS and that of the United States. Interestingly, the United States NSS does not have a single use of the words "uncertain", "unexpected" or "unprepared", but it is informed by what I think was a key statement in 2005 by Condi Rice, who said, "For 60 years, my country, the United States, pursued stability at the expense of democracy...in the Middle East...Now, we are taking a different course. We are supporting the democratic aspirations of all people." That is a major strategic shift, which has considerable implications for what might have been going to happen in the Middle East, for the collapse of regimes and for the sorts of things that are going on. None the less, this appeared to take the NSC completely by surprise. Well, there is something wrong if that is what we are getting out of this apparatus and out of our review of national security.

Q459 John Glen: Julian, you made some very bold statements about your impressions of the diminished influence that Britain has, certainly in Washington. Could you try to give the Committee some clarity over what that actually means in terms of the practical view taken and what the implications of it are? It is one thing to say that Britain is not as big a player in general terms, but what does it mean? Can you give some more definition to that, please?

Professor Lindley-French: Absolutely. The new enduring relationship—I will avoid the "special relationship" phrase—is ultimately, in Washington's mind, with both Republicans and Democrats, built on our ability to leverage other partners, primarily Europeans but also Commonwealth members. If we lose that ability because of a profound perception of our decision not to be a major second-rank power, our influence in Washington will decline further. There will be very clear strategic, practical implications.

The specific impact will be on NATO, because what is generating and becoming very clear in Washington is that the Americans are increasingly becoming an Asia-Pacific power. What they will look for—in a sense, Libya is increasingly the test case—is Europeans under Anglo-French leadership to look after our bit of the world, which is a pretty rough neighbourhood, while an overstretched America deals with the epicentre of change in south and east Asia. If we cannot step up to that leadership role, and we are choosing not to adopt it, the fundamental assumption in the NSS that the Americans will always ultimately be there for our security and our defence is being undermined.

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The question then becomes: what level of capability does Britain require to ensure that the Americans feel that they can invest in our future security and defence because it is part of the overall whole? I was at a meeting in Tallinn a couple of weeks ago, and a senior German seriously said that Germany would not modernise its deployable Armed Forces, and that it would not even conceive of modernising nuclear forces, but that it might allow the Americans to pay for and put in place a missile defence system that protects Germany in Europe. The inference is that if we are moving inadvertently into that camp—the Dutch are certainly going into that camp—our loss of influence in Washington and, I would suggest, elsewhere, will be profound. The French, frankly, have a lot more traction than we do these days because they talk a better show than we do.

The tragedy, for me, for London is that after all the sacrifices of the past 10 years of our Armed Forces in Iraq and Afghanistan, we are almost snatching contempt from the jaws of respect, on the Hill in particular. I am not overstating this; that is the consequence of these two documents on the American political mind that considers these issues.

Q460 Mr Hancock: I would say, “So what?” I think you are a bit degrading to our services. The difference about when we turn up is that we do so with men and women who put their lives on the line without question, unlike many other countries. I thought that you were very degrading of the military commitment that we have shown over the past 10 years, and I thought that your comments about the way we are envisaged were rather insulting to those who have put their lives on the line and those who have died. Read the record, and you will see what you said, and you may not be so proud of what you said when you have read it. What I find questionable is that if we are not at the top of the second rank, who the hell is? I do not see anybody else rushing to take up that role, and we are all in the same boat, aren’t we?

Professor Lindley-French: My immediate right of reply to your comments, which I reject utterly, is that I have worked closely for many years with the UK Armed Forces and have seen the sacrifices that they have made. I suggest to you that these documents are in danger of showing a lack of respect to our Armed Forces. At the end of the day, they transfer risk away from this place on to our people in the field. That is the real lack of respect. The danger is that they suggest a role which is unfunded, and therefore they transfer the risk implied in that role down the command chain. That is a very serious matter indeed.

Q461 Chair: The second question that Mike Hancock asked was building on what you said about our rejecting of the notion of being an important second-tier power. Who would you describe as such an important second-tier power?

Professor Lindley-French: The French certainly have the ambition to maintain that position, and they would hope that we would be alongside them. There are emerging powers that could well occupy that position in future. China is the obvious choice; India is

emerging. My central point is that if we are not occupying that position, the entire system of institutionalised security, which we constructed as major architects, will be damaged. There are profound international implications if we choose to retreat from the position that we have traditionally held.

Q462 Mrs Moon: Professor, I did not hear what you had to say in the same way as Mike Hancock did. I heard it perhaps from what I see in the NATO Parliamentary Assembly, of which I am member, where there is a diminished role for Britain and a diminished voice, at a time when the message clearly is that America expects the NATO alliance to be largely managed from this side of the Atlantic, and not from their side. They are currently funding 80% of it and there is a requirement for us to stand up to our own defence. Is this stepping back something that is happening across Europe? Is it something that our defence review has allowed others also to step back from? That is what worries me—that we have almost given permission for others to step back, whereas in the past we were always pushing people forward to step up to do more.

Professor Lindley-French: That is a fair point; the Dutch are a case in point. They were the one small to medium-sized continental European country willing to give a balanced force a go. However, they have been in retreat for some time now. Last month the Minister, in announcing a further swingeing cut, used our SDSR as basically the permission to do so. There clearly are implications there.

I fully recognise that there are a lot of European countries—mainly because of the German position, I have to say—that have been in retreat for a long time, aided and abetted by poor American leadership. I have made that point in the US several times—that the Americans have a responsibility to lead well, not just lead. Our interest is to renovate a strategic concept in Europe that ensures that there is a genuine European pillar of the alliance stabilising this turbulent world. That is our mission; and we are not stepping up to that plate. Any chance of bringing Europe back on strategic line, if you like, is, I fear, in danger of being lost.

Q463 Chair: Sir Jeremy, did you want to add something to that?

Vice Admiral Blackham: If I might, Chairman. One of the consequences of what we have just been discussing is that, where we have decided to remove a capability or to take a capability gap, there is no one else in Europe about to fill it. They were not filling it before we removed it, and they are certainly not going to fill it after we have removed it.

I say, en passant, with respect to our retention or otherwise of influence, that the Chief of the French Naval Staff made a speech last weekend in which he described himself as astonished at what had happened in the United Kingdom. He announced—rather to my surprise, I must admit—that the French had always regarded the British Navy as a model. He followed that comment with a Gallic shrug. There is no

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question but that what we have done has been noticed in a major way by important allies.

Q464 Mrs Moon: I think he described himself as being shocked when he saw the depth of the cuts.

Vice Admiral Blackham: Indeed. I think “étonné” was one of the words used. I have seen several translations of it, some of which I could not possibly use here.

Q465 Sandra Osborne: I take your point. You are making very serious points; you use the word “retreat”. Surely every country has to review its needs in terms of national security and defence. You seem to be saying more of the same: we should just occupy the same position that we always have. Surely in the 21st century you have to look at today’s needs rather than yesterday’s. If you don’t like what is being done, what is your suggestion?

Professor Lindley-French: This is the critical question. It always comes back to what role Britain seeks to play in the world and what level of ambition we have. Again I have a point of departure here with the National Security Strategy. Its focus on counter-terrorism has an element of fighting a war that is increasingly passé. It misses a fundamental reality of what I call hyper-competition in the world. There are many states out there, including China; I am not vilifying China, but these states are legitimised by growth, not by democracy. As that growth becomes more central to the survivability of regimes, they will compete, as we are seeing, in a way that is very classical.

I almost read a 10-year rule into the SDSR and the NSS à la 1920s and I see change happening much more quickly. Is the world likely to be safer during this very profound period of change if Britain seeks to exploit its brand reputation as a stabilising power that can influence stability? I am absolutely convinced that that is the case. But if we choose to walk away from that for whatever reasons, we are contributing to change that is more risky than should otherwise be the case. Ultimately, it is a political judgment, but it is a judgment that I do not see being made in these two documents and nor do I hear it at the heart of Government.

Q466 Mr Havard: You painted a view of how the USA sees the world and how it perceives its interests in the world and its influence and what it might desire that the UK should or should not do and what it might not be achieving. That could be one discussion about whether we have influence in the world, dependent on whether the Americans decide we have or have not. The strategy and the establishment of the NSS, as I understood it, was both Foreign Office-led and meant to be the comprehensive approach. It had DFID in it. Our influence in the world, they tell us now, is much to be looked at in terms of trade. You just made the point about that. So how much of this is defence only? We are looking at the start that the SDSR is only part of a picture that the NSC should do. Do we really have shrinkage in influence or change of form in the way in which we achieve that influence, and to what

extent is the structure that has been put in place aiding and assisting that, if that is the aspiration? Is defence effectively the thing that will either make it work, kill it or whatever?

Wing Commander Brookes: Forgive me if I just step back. I think that the whole underpinning of this is economic. This is where the strategic document does not really give enough credibility to economics. Last night, and in Singapore at the weekend, the Secretary of State’s number one point was that we have to get the economy right to do everything else, yet I do not see the economic debate coming out through this in any way to underpin everything that flows thereafter. I always tend to quote Adam Smith on this. As he said in Edinburgh 200 years ago, “Little else is required to carry a state to the highest degree of opulence... but peace, easy taxes and a reasonably tolerable administration of justice.”

It’s the peace we don’t get any more. It should be saying here that our number one requirement is peace. When Smith said that in that century, we had been at war one year in two throughout the whole century. In this century, we have been at war one year in one. For 11 years this century, we have been at war. I look in vain for something that says, “Is that a fundamental requirement for the underpinning of everything we do?” Because at the end of the day, peace is what we need to build on and unless somebody says that emphatically, we are going to continue to go to war and spend money and not have enough of this, that and the other. That is my problem with this document and the whole strategy: unless we get the economics right, we are not going to do any of this and we are not going to get the economics right while we seem to go into conflicts almost at the drop of a hat.

Professor Lindley-French: I would reinforce that. It is the ends and means argument, which, if as you describe this document and its methodology had been the case, I would say was absolutely fair. But my concern about the way it has worked is that a profound structural change is implied in the NSS, which is that it is a way from engagement to a very defensive defence posture. In a sense, security is not working with defence, but security is consuming defence. Security now is defined in terms of security resiliency, prevent, contest, counter-cyber and that kind of stuff, and that cannot be measured. The question then becomes, to what extent is the balance to be struck between protection and projection of influence? Again, that is not systematically addressed in the document as it should be.

Q467 Chair: Sir Jeremy, you are nodding.

Vice Admiral Blackham: I am nodding, Chairman, because I agree. It seems that the NSS does not, in fact, specify the ways and means. It specifies ends, but there is very little about ways and means. Indeed, as I said in my opening remarks, there is a range of instruments that are necessary to preserve a nation’s security, but I find missing from the NSS any assessment of what these ways and means actually are and what the potential penalties of not doing certain things are. Of course, I accept the right of any Government—and, more particularly, any

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Parliament—to decide what the national stance should be and what we are prepared to do and what we are not, but I am concerned that the NSS makes a claim that we will do something, which it then fails to support with the ways and means that it proposes, and, of course, with the finance that it has available to it.

Chair: I am going to call Mike Hancock, but before I do, I give the Committee due warning that we shall be stopping at 4.15 because there will be a vote. We shall not be resuming, so we will try to fit everything in before 4.15. Brief answers and brief questions would be helpful.

Q468 Mr Hancock: Can I pursue one thing, if I may? The strategy was a three-way split: the Foreign Office, DFID and Defence. The one thing that the Government have done is support DFID. They had given guarantees on that. If the three of you had to choose, would you say that that was a mistake and that we should not have given more money to DFID, but should have actually spent more money on the Armed Forces of this country? We cannot have both, so a choice had to be made. That is the problem the Government faced—not only this Government, but the previous Government.

Vice Admiral Blackham: I do not entirely accept that premise; perhaps you would not expect me to. There is a limit to the amount of money that the Government will spend. What they choose to spend it on, and in what proportion, is entirely a matter of choice. There is no economic law that says defence or anything else should have a particular proportion of national income. In fact, following the SDSR, defence has the lowest proportion of national income devoted to it that it has had in modern times, so there has been a deliberate choice to reduce.

Q469 Chair: What do you mean by modern times? Can you put a date on that?

Vice Admiral Blackham: I am going back to the 19th century.

Chair: The 19th century?

Q470 Mr Hancock: So for the past 150 years?

Vice Admiral Blackham: Yes. There has been a deliberate choice to do this. As I said at the outset, one of the difficulties with defence is that it does not really matter what we decide to do; that has no impact whatever on the threat. Indeed, it is perfectly possible to argue historically that the less you do, the greater the threat gets. We have to understand that if we decide to spend less to do less, there will be consequences. That is what I see no sign of. If we make judgments about things, which any Government are entitled to do as to what we will and will not do, there will be potential consequences to those judgments. No one has explained to me—a taxpayer and member of the public—what the consequences might be.

Q471 Mr Hancock: Surely you cannot have it both ways. The problem we have is that we do not have peace. We have no peace. Going back to quoting from Adam Smith, the situation is that the DFID money

was, in fact, part of the process of building peace, was it not?

Vice Admiral Blackham: Yes. There does not seem to be much evidence, if I may say so, that it succeeded in that case.

Q472 Mr Hancock: So we should cut it, in your opinion?

Vice Admiral Blackham: We should certainly not regard it as a fixed item, which is what we are doing.

Professor Lindley-French: There needs to be a much better strategic communications effort to explain why the development budget is increasing by 34% and diplomacy and defence are being cut significantly. If all three are part of an influence campaign, we want to see a balance in investment between the three. But, on the other hand, if aid and development, which increasingly seem separate from diplomacy and defence, are largesse, I would ask why we are giving the famous India all this money when it is going to launch 12 guided missile destroyers this year and it has a nuclear programme and a space programme. If Indian poverty is so important to India, given the levels of corruption in the Indian Government, frankly, and where their money is going, it seems to me to be a very poor influence campaign. If, on the other hand, they are truly largesse, there are other countries and societies in much greater need than rapidly growing India. Even on the assumptions of strategy and influence, the imbalance between the three pillars is very much open to question.

Q473 Mr Hancock: I think that that is important for the report we are writing.

Wing Commander Brookes: Another thing missing in this is the voice of the British people. Nobody seems to canvass their views as to whether they want to be part of an interventionist strategy. If I go and canvass them, they are very happy to have the forces ready to go to tsunami relief, famine relief and all the things that you are talking about with DFID aid. In my day, we had a quick reaction alert to take on the Soviet Union. Why don't we have a quick reaction alert for famine relief or disaster relief—to go to areas with helicopters, doctors and air transport—as part of a joint DFID-Foreign Office-Defence response, rather than just the old-fashioned stovepipe against whoever is the mythical great beast who is coming out?

If we ask the general public, they are happy to pay their taxes for that sort of modern approach. Are they wanting us to punch—that is the term—above our weight? We always say that, but to me if you punch too much above your weight you end up brain damaged. Therefore, we really need to revisit our terminology and our thinking. Get the people on side, and they will pay the taxes for everything that you and I agree with. I don't think that just paying for more and more fast weapons is necessarily the answer.

Q474 Mr Hancock: Okay. Can I develop that? To what extent is the National Security Strategy just that—a strategy—or is it a method of getting to one?

Professor Lindley-French: Strategy implies that choices are, indeed, being made—that there are

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capabilities that come out of it and changes that are really driven by analysis. That is where this document is more of a shopping list or a wish list than a document for changing our position, our structures and our approaches—I recognise that the NSC comes out of it—which might in time change. I welcome this new culture. Frankly, these things take time to develop momentum where—let's face it—there is a lot of resistance to them within the stovepipes of bureaucracy. One really wonders how far a vision can trickle down and across Government given the nature of Government in governance. Certainly, my strong view is that this document does not go far enough as an agent of change to make Britain credibly efficient in the level of influence that we should aspire to, given the world that we are in.

Q475 Mr Hancock: If all three of you agree with that—to shorten this bit—that leads to the point that choices now have to be made by the NSC, and some of those choices are not going to be very easy to make. What would you suggest it has to start to do? Taking what you have just said, that ultimately leads to difficult choices, doesn't it?

Vice Admiral Blackham: Obviously, I have an opinion, but it is only my opinion and, happily, I am not accountable for it. There are, however, some clear tasks. Do we see our prime function as being to defend our homeland against whatever it is that has been identified? Do we see our primary role as getting out and influencing the world? Do we see ourselves as doing that militarily? Clearly, we do, because we are doing it all the time, and we are doing it voluntarily all the time, most recently in Libya. So it seems to me that choices are being made. I, personally, might make a different choice from the Professor, and I am not sure that my choice is particularly relevant.

Q476 Mr Hancock: Tell us what your first choice would be for it to have to make a decision on.

Vice Admiral Blackham: My first choice, personally, would be to secure the United Kingdom, but I would be perfectly ready to accept that other people might have perfectly valid different choices. Indeed, on the face of it, the Government have done so.

Q477 Mr Hancock: Would you not think, Admiral, that that is what the strategy starts off by saying—that this strategy will secure the United Kingdom? You are just asking the same question that it has already answered by saying that it has produced the strategy to secure the United Kingdom.

Vice Admiral Blackham: Indeed, but then the first thing it has done is remove from it the prime defence of our deterrent—namely, the Nimrod aircraft. That does not make sense to me.

Q478 Mr Hancock: But that follows on. That is one of the things I was looking for. What do you feel was the consequence? What were the mistakes? What can they do?

Vice Admiral Blackham: My argument is that if they indeed have made that choice, what they have not

done is support it with the appropriate resources and force structures and then see what is left for the next thing. That's my problem.

Professor Lindley-French: I would reinforce that. The first thing I would do is resolve the essential paradox at the heart of the process between a strategic analysis, which suggests quite radical solutions, and an incremental set of solutions that thereafter comes out of it. We would have to put everything back in the pot—aid, diplomacy and defence—and make a much more reasoned and methodical judgment about what balance of effort we would need across the piece. At the moment, it is a Treasury-driven cuts agenda, where cuts pretend to be reform.

Q479 Mr Hancock: But do we have the time to do that?

Professor Lindley-French: If we started now and did it properly, I think we would, with the proviso that the 2015 review of the military would be a proper 2015 security review—properly analysed, structured and considered. If we wait longer, my analysis of the nature of change is that the level of risk grows exponentially, and possibly becomes unacceptable.

Q480 Mr Hancock: So what leads you to believe that that will not be the case in 2015?

Professor Lindley-French: Because the assumptions about growth and recapitalisation, and the inability of both the FCO and the MoD to know how much they really are in hock, make it hard for me to believe that there is a stable platform upon which to establish sound strategic and financial planning for the next defence planning cycle.

Chair: We will come on to that in just a moment.

Q481 Mrs Moon: I want to put a stop to the nonsense where we are told about choice and that the choice is between funding DFID and funding defence and diplomacy. I think that that is such a red herring, and it is an old game that I used to see played in local government. If you took the entire DFID budget and put it into defence, it would not even make a splash, so let's not talk about that nonsense.

Can we look at whether our concern is about the choice between providing defence and security and providing the cuts that Government are seeking? What we have in fact ended up with is less equipment, less capacity, less flexibility and less personnel, and greater risk, when it is the risk that should have been at the heart of our security policy. What concerns me is that we are pretending that we can have the cuts and not the risks. Would you agree that that is the game that we have been playing?

Wing Commander Brookes: Yes, indeed. I am sure, Chair, that we will come on to some examples where we have hollowed out and all these things.

Chair: We are just about to.

Wing Commander Brookes: So I won't steal sandwiches. On the question of security, I am just simple ex-air crew; I look in vain for guidance as to why we went into Libya and not into Syria. I pick up the national priority risk, looking for guidance as to

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why we helped out an ex-Italian colony but not an ex-French colony. I can't find it in here, and that is within less than a year of it coming out. Whatever the problems, it is a flawed document.

Professor Lindley-French: Briefly to build on that, Libya is a case in point. We are saying that we are deciding to be something different from what we have been in the past; then Libya comes along and we behave exactly as we have always had. My sense is that that will happen in future: we will go ahead cutting the Armed Forces and then find that we will deploy them anyway; and the military being the military, with its can-do attitude, will try to close a gap that frankly becomes uncloseable. That is what I mean by transferring risk down the command chain on to the squaddie, and that is unfair.

Q482 John Glen: Can we look at what will happen, looking ahead to 2015–2020? In terms of the implications for security policy if there is no real-terms increase in the defence budget after 2015, what do you see are the risks, if that does not happen as the Prime Minister says he expects and wants it to happen?

Vice Admiral Blackham: In brief, the risk seems to me, in a word, to be incoherence. Where we are now is that we are trying to deliver a range of cuts that the SDSR produced. Many of these cuts are not, you will not be surprised to hear this, or perhaps you already know, producing the levels of savings that were claimed for them, partly because of the MoD's inability to understand the cost of what it does, and partly because people's eyes are always bigger than their stomachs. There is a problem.

We also know that the MoD is having to conduct what may not be called a second phase of SDSR, but certainly is, possibly without the first "S", in that it is having to find sums of money that are about the same as were found in the SDSR in the first place. In addition to that, the new Chief of Defence Matériel, perhaps sensibly, has decided to reassess the risk premium of all his programmes based on past performance. We are going to discover that the cost of the equipment programme has risen further. So there is no question that the MoD still has a massive financial mountain to climb, and it will have to take the cuts where they can be found.

Q483 Chair: Can you expand on what you have just said about reassessment of risk?

Vice Admiral Blackham: My understanding is that the Chief of Defence Matériel has concluded that, as well as the well known conspiracy of optimism that informs the MoD's launch of projects, the MoD has been over-optimistic with the levels of technical and other performance risk in those programmes.

Q484 Chair: Can you give us an example of that?

Vice Admiral Blackham: The aircraft carrier is a fine example. We initially put it in a programme at a cost of £2.9 billion—a figure that no industry and no student of the cost trends of aircraft carriers over the years would recognise—and we then discovered that it could not be done for that. I suspect that we did not

put in the right levels of technical risk, because they made the programme even more expensive and anyway the Ministry was under financial pressure at the time. The programme now turns out to cost substantially more, partly of course because it was deferred as well.

There are other programmes in which the same sort of thing has happened, deferral perhaps being the most common. Mr Gray has decided, probably very sensibly, that the levels of risk in the assumed costings are insufficient and should therefore be increased.

Q485 John Glen: Are you saying that the SDSR and the financial package associated with it, as projected over the period of the CSR, is already highly questionable and that if we do not achieve the real-terms increases subsequent to the end of that period, it will be considerably worse?

Vice Admiral Blackham: It is already unsustainable. The Secretary of State himself has said publicly that without an increase in the defence budget he cannot deliver Force 2020. I am saying that the mistake would be to assume that the gap is only that between the SDSR and Force 2020. It will be much greater.

Professor Lindley-French: What we have, in effect, is a hire purchase military that for 10 years has tried to follow American strategy on British resources. It has taken 10 years to break it; my estimation, on the current recapitalisation, is that it will take 10 years to fix it. Remember that high-end equipment has defence inflation of between 5% and 7% per annum. Many of our solutions will have to be high-end because we will always have a small, high-tech force. None of the figures actually add up in terms of achieving Force 2020 as outlined in the SDSR.

Wing Commander Brookes: I thought that the whole aim of the exercise was not only to close the financial gap but to make headroom for the sunlit uplands when we get across the bridge of austerity, but we all now find that we have to save another £4.4 billion over four years. We are now looking at further things to cut such as the Rivet Joint that we are currently flying. That means there is no coherence, if we want our own eyes and ears. Cutting our own eyes and ears means that we will get less and less global efficiency and will be of less and less use to our American friends who might say, "You are bringing nothing to the party. Get thee hence." It is worrying that not only are we not solving the current problem, but we are making no headway on producing money for the things that are supposed to come—the carriers, the aeroplanes that go on them and the Trident replacement, whatever we think of it. They have not been funded, and that has to come from somewhere.

Q486 Chair: May I break in for just a moment? Professor Lindley-French, you said just now that there is 5% to 7% defence inflation on the top-end equipment, which is a controversial statement. Rather than hijack this evidence inquiry to ask you to go into that further, could you provide us with a paper—a couple of sides of A4—to justify what you said? Several people say that defence inflation does not

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exist, and if it does, it shouldn't. If you could, we would be most grateful.

Professor Lindley-French: Of course.¹

Q487 Mr Havard: Our research in the past has shown and we have been told that it is 1.6% as a generality and an average across defence expenditure, but if you could grade—

Professor Lindley-French: Put the higher end.

Mr Havard: That would be helpful.

Chair: We would be most grateful, since you may be in a better position than many people to give us that sort of paper.

Q488 John Glen: Last summer and in early autumn we examined the process of the SDSR and we were repeatedly told in our sessions that there were 48, I think, groups looking in detail into all the different capabilities that would be required, yet four, five, six months later we discover this apparent shortfall. Given the amount of resources that were intensively applied within the MoD to come up with a funded outcome to the SDSR, how do you account for the fact that, in such a short space of time, new information has come into our understanding showing that those assumptions were flawed? It goes to the heart of probably flaws within the MoD, but given that they were looking into themselves so intensely over the summer it is still quite confusing why we have got this outcome.

Vice Admiral Blackham: It is a very complicated problem, which I would be happy to harangue you about for a long time, but I will try to be brief. The first thing to say—I am not giving these in order of priority or importance—is that not all the decisions with which those groups came forward were, in the event, taken. That is, if you like, a responsibility that lies beyond those groups—possibly even beyond the Ministry of Defence. There was a proposal, for example, to cut the Army substantially. That proposal was not taken up. That is costing £1 billion or £2 billion a year, I understand, so there is one example. Secondly, as I said a little while ago, the Ministry of Defence has an imperfect understanding of the cost of things that it does and most particularly of the cost of avoiding them. There are regularly cancellation charges. If you are the only customer to a shipyard or some other kind of factory, as we frequently are, when you cancel a project the overhead has to go somewhere else, but it still finishes up on your bill, so the savings are less than we think they might be. Where you defer things, extra costs are incurred both in the Ministry of Defence and in the industry that has to keep things together and so forth. A number of things make it difficult to realise savings that you think you might make—in other words, the savings from something are not the same as what it costs to buy it, and I think that is something the Ministry of Defence has a great deal of difficulty with, because it does things by subtraction. It has a programme; it takes things out, and says, “This is what they cost, so it'll cost this much less,” but it is not true.

Then there is what happens when you start with a programme that is excessive—and now I think I must be kinder to my colleagues in the Ministry of Defence. If you are running a long-term programme—programmes are very long; even if equipment procurement was done much more efficiently than it is today, programmes would be very long—and you order items against a budget that you have at the time, and that budget changes, you immediately have a set of problems, which you tend to deal with by deferrals, descoping and so forth, all of which tend to add cost. Finally, there are costs of disposal. It is well known that the disposal of the Nimrods has cost sums in the hundreds of millions—just to get rid of them. There is a whole range of things that mean that the savings are not as clear as they should be.

Wing Commander Brookes: It is also a question of the methodology. I have done a bit of research into this and asked people who are involved in little groups how they came up with the figures. In one particular case there is a headquarters; it has a dedicated group. On a Friday, they get a figure from the MoD or whomsoever—the Treasury, say—“You have to find this saving by Monday.” This small cadre of people are not allowed to talk to anyone else in the headquarters; they are not allowed to talk to industry; they are not allowed to talk to the forces they are affecting, and they come up on Monday with a figure, having consulted really with nobody with knowledge. I said once, “Well, how did you get that figure?” The answer came, “Wet finger in the air.” The answer is, if you haven't already started smoking you might as well take it up; at least you will have a fag packet to write it on the back of. That seemed to come across as the way a lot of this was.

With another major project—a real major project we have touched on several times today—the lead officer in charge of it was told on the Friday it was safe; he came in on Monday and was told it had gone, because of the £X billion that had to be found. The figures in themselves must be suspect, and no wonder. If they are produced with that degree of haggling and guesswork, they are not likely to be correct.

Professor Lindley-French: I agree with both my colleagues. There is also what I call the pocket superpower problem. We try to hang so many systems on platforms that we make the platforms so complicated, and the number of platforms is so few, that the unit costs grow exponentially. There are no economies of scale and we simply become over-ambitious in what we try to hang off any one platform. Although I lament the cutting of MRA4, you end up with that kind of situation, whether with FRES or a whole range of other programmes, which are only too well known.

Q489 John Glen: Collectively, you paint a depressing picture of an inadequate process that is not rigorous enough, that is contrary to the Secretary of State's aspirations to avoid pushing things to the right. Sir Jeremy, you said there was perhaps a political dimension to the decision making that overrode what might have been the natural conclusion of the

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outcomes. Is there anything positive you can say about the SDSR process or outcome?

Chair: Oh, come on!

John Glen: To get some balance into the proceedings.

Vice Admiral Blackham: It showed an ability to make decisions, which had not always been evident in the past. It is just a pity that some of them were not necessarily the right ones.

The idea of cancelling programmes that are performing badly is in principle a good one. If I had had my way in 2000 or so when I was still in post, I would have cancelled Nimrod myself, but that would not run with No. 10 at the time. There are things that one could do. It was done; it was just a pity that it was done on a programme with a capability that we shall have to replace sooner or later anyway. There were some positive things in the way that the culture was changed, yes, but I don't think that removes the depression which you feel and I share.

Professor Lindley-French: I would say that it is the beginning of a process that will lead the country back to independent strategy making. For the past 50 or 60 years we have basically tried to find the middle ground between American grand strategy and a French European strategy in our diplomatic and defence postures. As we develop this way of conceiving of our role in the world, we will start to make more intelligent judgments about how best to achieve our national interests in a world in which we cannot always rely on the Americans to be there, or we cannot always rely on alliances to work. There will be coalitions as well. It will force us to build new partnerships with partners we have perhaps ignored for the past generation or two. The process of strategy-fying, if you like, is extremely important and should be encouraged. I just do not think this was done very well.

Wing Commander Brookes: The SDSR is very good in so far as it has made us all realise that we have to do better. Throughout my service career I have watched study after study: defence cuts first, Denis Healey, front line first. They have just gone. At least with this we are sitting down and seriously revisiting, in the wider sense, as you say, how to do it better. If it is a wake-up call that we have to do better, it is long overdue.

Q490 Bob Stewart: I have listened carefully to what you have all said. May I make a statement and ask for your comment on it? The NSS is mad, unrelated to reality and impossible to achieve. The SDSR is equally impossible to achieve, is unrealistic, and to achieve it will cost us a lot more. Am I wrong?

Wing Commander Brookes: I do not think you are wrong. We could all argue about the words and the emphasis. I think we all agree that the NSS in itself has not provided the guidance we hoped it would. I do not see Syria, Libya or anything else sitting there. I do not think the SDSR, which came out literally a day after it was published, was anything other than an economically driven document, which has seriously affected the military, a lot of people and our position in the world. I do not think that that is what it set out

to do, but that is what it achieved, so it is unintended consequences.

Q491 Bob Stewart: So you would say that I am right. What about you, Professor?

Professor Lindley-French: I would say that you are right in principle, but wrong in language.

Bob Stewart: That is normal.

Mrs Moon: That is not unusual.

Bob Stewart: Thanks, Madeleine.

Professor Lindley-French: I would suggest that conceptually it is sound, but it is very poorly executed, warped by factors that are really not strategic at all and driven towards a conclusion that was established before any analysis was undertaken. As a concept in its own right, as a way of turning this country to thinking about its interests at what cost in this world and future worlds, I applaud it.

Q492 Bob Stewart: I was not talking about concept; I was talking about effect.

Professor Lindley-French: Well, then I think we are very close to agreement.

Q493 Bob Stewart: So, in effect, you agree with me?

Professor Lindley-French: I accept that.

Vice Admiral Blackham: I agree both with Bob Stewart and Julian Lindley-French in the sense that I think it is the right way to set about things. I have already made some remarks about the NSS. It fails to do the things that it ought to do, but that is not a reason why we should not continue to do it and why the NSC should not go on getting better. I would use slightly different language, but I think that the outcome was unsatisfactory. It failed in its main objective and it failed to give the right guidance to the SDSR, which consequently failed as well.

Q494 Chair: Can we get into some of the equipment programmes that were affected by the SDSR, such as the decision to stop the Harrier and to pursue the Tornado, and the decision to continue with the Joint Strike Fighter, but the carrier variant rather than the STOVL variant? Do any of you have any comments about that?

Wing Commander Brookes: The JSF decision was exactly the right one. The carrier variant goes further and carries more; it is far more potent and has much more utility. Once you have decided to go for the 65,000-tonne carrier, you don't even need the jumping bean up-and-down capability that the other carrier had, so I think that is a very good decision.

Q495 Chair: Even with the delay that it might cause?

Wing Commander Brookes: I don't think it will, Mr Chairman. We are still looking at 24 by 24—24 aeroplanes by 2024—and I don't quite know what the carrier alignment is, but we need to make sure that we don't get one before the other. I suspect that that is the sort of framework you can work on before the carrier is up and running. Sir Jeremy might correct me, but I think to be up and running by 2024 with all the people re-trained—learning how to do steam catapults again or whatever—it will take until 2024 to

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get a decent air wing on that carrier, so I don't have a problem with it.

Professor Lindley-French: This is where I become positive, which will surprise you. There is a very great danger that by default, if we hold our nerve, we could end up with quite a sound defence strategy. There will be two carriers, strategic mobility, Astutes—not enough, but in time you could build more over 20, 30 or 40 years—Type 45s and Type 26s. It is a concept whereby there is projectability, not globally but regionally-plus.

Almost 75% of the world's population lives less than 100 kilometres from the sea. It is a defence strategy in which, given the capabilities envisaged, no one owns land, sea or air—no single service—so a genuine jointery comes out of this. We could actually have a defence strategy worth talking about, by muddling through and from the bottom up, which has nothing to do with the NSS or the SDSR. The issue is, can we hold our nerve over that longer investment period?

Q496 Mr Havard: A good old British tradition.

Professor Lindley-French: There you go. As a good Yorkshireman, I would say that is very sound. But I would rather talk about Future Force 2030. If the carriers—which I believe are important not only because of what they can do but because of what they say about our strategic seriousness—are built, if we have the other assets around them, we have a deployable military. Why is that important? Because I don't think we will do more Afghans. I see no political appetite for engaging all our forces in one place over long periods and losing them.

Q497 Bob Stewart: You don't think we'd do another Libya?

Professor Lindley-French: We could do Libyas, but even then, if you had a carrier off Libya, serious people have told me that air sorties would double the time over target and halve the cost. We are moving back, for want of a better phrase, to a punish, strike and support short-term defence strategic concept. I would definitely not want to build our future defence strategy on Afghanistan or indeed Iraq.

Vice Admiral Blackham: I will try to answer your question. First, with respect to the Joint Strike Fighter, perhaps I should declare an interest. I was one of the down-select panel. There were two Brits on the down-select panel for the Joint Strike Fighter so I have had a long involvement with it. I have always believed that the provision of a conventionally catapult-launched aircraft added vastly to the capability of any aircraft carrier. The payload is greater, the range is greater, you can recover them more easily and so on and so forth. So I think that decision is extremely sensible in principle, although it does, to my mind, open the question as to which aircraft we should buy, because the Joint Strike Fighter would not be the only possible contender for such a role. But it is certainly the most expensive.

Q498 Chair: The other would be the Hornet, or what?

Vice Admiral Blackham: The F-18—I suppose, conceivably, Rafael. They would both be cheaper and are proven, which the Joint Strike Fighter most certainly is not as yet.

On the matter of the Harrier, I think it is much more complicated. It is important to understand—I fear that some of my naval colleagues have slightly confused this issue—that we are talking about an RAF aeroplane, not a naval one. This is the aircraft procured by the RAF for close air support, now the GR9. Interestingly, the Americans off Libya have used the AV-8B, which is the equivalent aircraft, as the aircraft of choice in preference for the work that they are doing in Libya. They have a ship—the Kearsarge—between 50 and 100 miles off Libya and are able, therefore, to generate a sortie rate, as the Professor has said, which is vastly in excess of anything that can be generated either from the UK or, indeed, from the airbases ashore in Europe, which are rather further away than that.

By removing that capability, we have removed our ability to get up close and dirty and do things at a high sortie rate, which is a pity. I understand—it is common ground in the Ministry of Defence—that the decision to get rid of the Harrier and retain the Tornado, which was a reversal of a previous position in the early days of the SDSR, costs about £5 billion across 10 years. That by itself is not the only argument for reversing the decision, but it certainly makes your eyes water. I cannot compare the capability of the two aircraft; I am sure that Andrew Brookes can do that much better than I. All I would say is that we need to remember that the Harrier was procured for precisely the purpose of giving close air support to troops on the ground, as the aircraft of choice for that purpose. More importantly, the loss of the Harrier means that there is now no fixed-wing aviation going off aircraft carriers in the United Kingdom. There will not now be until the Joint Strike Fighter arrives, unless we buy another aircraft. So there is going to be a gap of between 12 and 14 years, when there will be no aviation off decks at sea.

We also need to understand that the CVF—the future carrier—is on a wholly different scale of operation from that conducted by the Invincible class. The last time we did this sort of thing was in 1978, with the previous Ark Royal. Rather than be retained, the range of skills would have to be generated from scratch. The use of steam catapults and all that implies would have to be generated from scratch and all this is with a 10 or 14-year gap, when everybody who knows anything about it will have left the Navy. Indeed, they are leaving now.

If we wish to maintain carrier aviation—there are strong arguments either way and you will not be surprised to hear that, on the whole, I agree with the Professor about its value—we are setting about it in a very curious way and making it extremely difficult. It certainly means that it will take longer to do than we currently envisage. I do not follow the logic of that.

If we think that an aircraft carrier is a strategic requirement for the United Kingdom—which is what the SDSR says on page 23 and it then explains what it can do in the world in 2023, which the NSS tells us

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we cannot possibly predict—how on earth do we not need to maintain the skills now, first to deploy the same sort of capability at a lower level, and secondly to maintain the ability to generate it when the time comes? I think we have given ourselves an enormous problem for a Navy that may well have only 20,000 or 21,000 people by then. Remember that 7,000 or 8,000 of the numbers given are Royal Marines. This is a terrific burden to put on top of a small force at a time when it will have lost the skills. So I think if we really intend to maintain carrier aviation, we are setting about it in a very curious way.

Q499 Mr Havard: Do you think that it was perhaps unwise to get rid of all the Harriers all at once—maybe retain some of them that operate off the amphibious ships to help plug this capability gap in between? Do you think that that is a recoverable thing?

Vice Admiral Blackham: We have *Illustrious*, which has just come out of refit this week, I think, and will be able to be in service for quite a long time yet, if we wanted to do that. So it would have been possible to keep a ship that was prepared, ready and able. Temporary detachments to other ships work, but they are not the real thing. It would be very difficult to maintain the skills that way. What I am saying is that we have allowed short-term considerations—because the SDSR is dominated by short-term considerations—to undermine our long-term vision. That seems to me to be anything but strategic.

Wing Commander Brookes: Although I hear everything that everyone is saying, we have probably gone past the point of no return. I think you will find that the crews who flew the Harriers are now going through Typhoon training. Much as I agree with him entirely—it is a bit silly to have an aircraft carrier with no aircraft on it—I think that that is past.

I just want to flag up for the record, if I may, that the F-35 is a winner—not just militarily, but for the UK Government and taxpayer. We have put so much into it that we get something like 15% of every one sold. If they sell in the numbers that the F-16 did, we will get them for nothing, effectively, because the amount that the British taxpayer gets back will cover the cost that we put in. I have to flag that up only because a lot of people think, “Oh, this is very expensive. This is a thing we don’t need.” If you bin that, not only do we lose what we have put in, but we lose the jobs and, dare I say it, all the income that will come from its success, and a success it will be. It is 15 years beyond the F-22 in terms of technology, and if I have one message to try to get across to everyone, it is that this is a world beater, not only for the military, but for the UK economy.

Q500 Mrs Moon: I wonder whether we could return to your comment, Professor, about the future being much more one of punish, strike and support. That is not something that is detailed or seen as a future option within the Strategic Defence and Security Review. Do you think that that is a major gap? If we are going to look at punish, strike and support, is the decision to cut, specifically, numbers in both the RAF

and the Navy quite savagely a major mistake that we are making now, which we will have a long time to regret?

Professor Lindley-French: Two excellent questions. My first point would be that it is never a good idea to cut defence budgets when you are fighting one war, let alone two. We are still in Afghanistan right now, and we have the Libyan operations. Afghanistan is land-centric for the moment; that is very clear for the rubric of the SDSR. Part of the problem with the SDSR and the NSS is that they do not confront those realities, because those realities are uncomfortable. The idea that the United Kingdom would adopt a strike, punish and support strategy—you might have to find a different wording—is the reality of it.

All the evidence from my own analysis as a strategist is that we are indeed moving into a world of hyper-competition of unstable states, naive states, and state competition again over the next 50 or 60 years. That will be a reality in parallel with fragile states and everything else. Stabilising will take on as much of a classical form as a novel form, and that will include flying the flag, riverine operations and putting big, grey stuff a bit away from the littoral, but still being there and supporting land operations for a time ashore. All those elements require projectable capabilities.

May I tell a quick anecdote? I headed up a big project for the head of the Royal Dutch Navy on riverine operations. The idea was that although part of the problem with those operations—it was looking at Africa, primarily—would be that there was no infrastructure, air support or even land support, there are significant numbers of commercial assets that we could use to offset the cost per platform per operation. A lot of work went into it. The Americans were interested; they are now taking it up. The Dutch were interested. There were creative solutions involved. The UK representatives—I will not say who—were very sniffy indeed.

One of the things that frustrates me about our country on these kinds of issue is that we do not explore creative solutions. One issue was that Smit International and Mammoet were represented in the conference, and the Brits said, “We can’t have civilians involved, because they don’t take risk.” The chairman of Mammoet said, “Hold on a minute—we’re in Iraq,” and his quote was, “We don’t shoot, but we get shot at all the time.”

I am not suggesting that we are trying to rebuild the Grand Fleet; I am suggesting that we need a Navy that, rather like Fisher said, can launch the Army at times, with air power supporting, and which can do so in support of the United States, so that we can have influence in Washington, and lead European coalitions when we need to do so. We also need to look at the whole set of creative civil-military solutions to offset costs that are relevant to this century. We are simply not thinking creatively about how to solve these gaps.

Q501 Mr Havard: Two things. The first thing you came out with was, you referred to strike, punish and—I think you said—short-term support. That is a really important point, because we get into things very quickly and we spend a hell of long time getting out

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of them. There is the question of who would do this stuff. Do you see the Reserves, and the whole debate about what the composition of various forces should be and about Reserve elements as opposed to standing forces, as hugely important or not?

Professor Lindley-French: There are two elements to this. Are we tough enough to be tough? In other words, sometimes we confuse our values with interests. I am treading on very dangerous ground, but I am going to do so anyway. There are occasions when our interests are marginal to a crisis, but we get involved anyway—often not on our own, but with one or two allies.

Secondly, leadership is surely working with allies, particularly with UN allies and partners—those who provide peacekeeping forces—to improve their quality, so that there are more countries able to work with us and we are not reinventing the wheel every time. So, if we are doing the forced entry bit—to get in there and set things up—there is a much more natural synergy with potential partners, who can follow on, stay in places longer and in some ways have regional legitimacy, and perhaps more so than we do.

We have a strong leadership role that our Armed Forces can play in a kind of strategic defence diplomacy, where we are improving the quality of UN peacekeepers of EU colleagues, so it is not always us taking the body-bags.

Vice Admiral Blackham: May I make one comment on the remark about Reserves? Reserves are of considerable importance. One of the difficulties, though, with the Reserves is—if I may put it this way—the intensity with which you are going to use them. It is important to remember that the Reserve has another job and another career, and another set of career expectations, and as and when the economy improves those expectations will probably grow. The difficulty with Reserves is to know not whether you can use them in a crisis, but how much you can rely on them in the longer term to do routine things over a long period. I am not saying that you cannot do that, but I am saying it needs quite a lot of thought and quite a lot of protection of the people concerned in terms of their careers, promotion prospects and so forth, so there are difficulties.

The task of riverine warfare, which Julian mentioned, is an ideal one for Reservists, but if you give it to them, you want to be sure that they can do it for, in the case of Iraq, eight or nine years—in other words, a long period. It needs to be thought about with some care.

Q502 Mrs Moon: You talked a lot about the importance of allies and partners. One of the things that has not been factored in is what are the implications, having made the cuts that we have made, if America decides that it does not want to pay 80% of the cost of NATO, and wants to come back to 75% or 70%? What are the implications for us, and are we going to be at far greater risk in terms of our defence and security if that happens?

Professor Lindley-French: My answer is that the alliance would be in very grave danger indeed, and the

United Kingdom would be in grave danger of losing influence within it. A very, very senior person told me on Friday that the trajectory of these two documents could mean that the United Kingdom loses DSACEUR—to the French, on current trajectory—because we are perceived as an unreliable ally, which is unfair but that is how it is.

The Americans will not go on funding this bill, and there is going to be a row over missile defence. Congress has not woken up to the fact yet that the missile defence system currently proposed is one that the Americans will pay for that can protect Europe but cannot protect the United States. Already, a high-level congressional delegation last week at NATO asked the specific question, “Are there any US enablers being used for operations over Libya?” The US MilRep jumped in and said, “No.” That is not the correct answer, and Congress will soon learn that. There are all sorts of implications. Whereas for the US, alliances are extremely useful but not critical, for the UK our influence in functioning alliances and international organisations is absolutely critical.

Q503 Mr Hancock: There is a serious problem, isn’t there? If you talk to French politicians in the Assemblée Nationale, they believe that French defence policy will change dramatically if there is an incoming Socialist president. Their priorities will change dramatically. The Americans must be factoring that into the situation. If they abandon us, they cannot readily accept that the French are going to be there to take our place, can they?

Professor Lindley-French: No, I think they would abandon Europe. They would say, reasonably, “Look, Europe, you’re a strategic backwater right now. If you are not prepared to work with us to stabilise the world and our grand strategic mission, you can look after your own neighbourhood.” The logical consequence of that is that this neighbourhood is rough. We would end up spending more, or we would take a much higher level of risk—probably the highest level of risk we have taken since the 1930s. That is the choice that we face.

Q504 Penny Mordaunt: Leaving aside the Secretary of State’s point that to reopen the SDSR you would have to reopen the CSR, and the points you have made about the strategic vacuum, if there were one area of the SDSR that you would like the Government to revisit, what would it be and why?

Wing Commander Brookes: If I can start, it is to provide the money that they promised initially. I don’t think we are going to get anything coming back that has been lost. Already we are seeing it in the SDSR. If I can remind you, there are three tasks that are laid down: an enduring stabilisation operation, a non-enduring complex and a non-enduring civil intervention—that is, an Afghanistan, a Libya and rescuing everybody out of Zimbabwe. We can no longer do the third; the third is beyond us. We already do not have the funding to do what is in there. If I had a magic wand, I would just ask, “Please can we have the money to do the SDSR?” Not to bring back Harriers or anything like that, because I know that is

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a dream too far. It saddens me that if we have a major crisis in Africa there is not a military aircraft that can go and help. Basically, the Air Force is so hollowed out—so Potemkin village—that there isn't anything there to go and do what is required, which is a great shame.

Q505 Chair: I have the impression from what has been said so far that it is not a question of the Treasury failing to provide the money that was promised by the SDSR; it is a question of subsequent analysis of the Ministry of Defence budget discovering that there was a huge amount of money not there already. Is that right?

Wing Commander Brookes: All I know is that there is a gap that was not identified before. Who did not identify it, I don't know. You are right, Chairman, it is still a £4 billion gap after the SDSR that still has to be filled. It is being filled as we speak by hollowing out personnel and overstretch. All those good issues are having to take the slack.

Professor Lindley-French: My response would be the "I would say this anyway" response. The SDSR is not going to be revisited before 2015. I would invest in defence education. We have a world-beating asset in Shrivenham. If we can't afford new kit over the interim, we should improve our ability to improve the quality of our people. The 30% cut proposed for the UK Defence Academy strikes me as extremely short-sighted. There are new concepts of lifelong learning and distance learning, reach back to knowledge and strategic communications—all areas that are cost-effective but have an impact on influence in the field in the short term. That is what we have to discuss now: how to mitigate the more extreme impacts of NSS and SDSR on our own people. Defence education strikes me as an area where we could do that. Under current planning we are moving away from education to training; that shunt strikes me as very short-sighted.

Vice Admiral Blackham: I agree that it is not going to be reopened, but I would like to think that we could re-examine the scene from a rather less short-term perspective than we have been doing. The whole exercise has been seriously skewed by the Afghanistan operation, and the skewing has probably been reinforced by the Libyan operation. That has prevented us from looking more long-term.

Why does that matter? It matters because it is important to understand that the wars we are now fighting are being fought with equipment and with training that was provided 15 or 20 years ago, which is the gestation period. We owe it to the perspicacity of our predecessors that we have things with which to do these operations.

If we are going to stop providing the levels of training and the equipment that we need, our children are going to be in a pretty poor pass. For the most part, the equipment we are talking about is not going to enter service until 2020 or later. We are creating a gap for our children that they will be unable to fill. Not only that, we are creating an industry that will be unable to fill it, because the industry cannot survive on the current level of activity. I would like to see a

different take, a longer-term vision, in which the short-term has much less skewing effect on the process.

Q506 Penny Mordaunt: If I understand you correctly, although you might wish things were different for Harrier and so on in the SDSR, those concerns about immediate capability gaps are much less than your worries about the future and about being able to deliver what is in the document.

Professor Lindley-French: Hobson's choice.

Vice Admiral Blackham: They are serious concerns, but I am much more worried about the longer-term and the legacy we are leaving.

Professor Lindley-French: One plea if I may. We so often present defence acquisition as a burden. The carriers, we have them. If you look at the way those carriers are being built, they are innovative and world-beating. Tell that story to the public. Strategic communication at the highest level of Government is appalling. There is a great story to tell.

I was in my pub in Yorkshire a couple of weeks ago, and there is a desperation. People want to be proud, and the Armed Forces are still at the centre of what makes us proud as a people in this country. I see so many missed opportunities for telling a great story. Turn it around. There are good stories to be told about certain programmes, and we should be telling them.

Q507 Chair: But doesn't that innovative way of buying an aircraft carrier go against what you were saying about the failure of the Ministry of Defence to adopt creative solutions?

Professor Lindley-French: The actual construction programme—the way the carriers are being built with the sections being brought together in a very innovative way—is a good story about British industry, and I think that story needs much more telling. For me, it is almost the rebirth of a Navy. Living abroad and travelling around as I do, the one thing I find is that the British Armed Forces, not least the Royal Navy, are a brand that still has a lot of traction internationally. One of the things that a French admiral told me in Paris recently is that the carriers will announce that Britain is back.

Q508 Chair: You are sounding more optimistic minute by minute.

Professor Lindley-French: If you last long enough, I might get even more optimistic, but I cannot promise that.

Q509 Mrs Moon: One of the things that has worried me considerably since the demise of the Nimrods is our capacity to look forward, gather information, and make intelligent choices and intelligent decisions before we deploy anything anywhere. With the Nimrods gone—at Northwood we were told that one Nimrod is the equivalent of 12 ships in terms of our capacity—have we lost our ability to project forward, look forward and make intelligent decisions for the future of our forces? As you have described, they are already using outdated equipment and will be doing so for some time.

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Professor Lindley-French: I was at RAF Kinloss the day that the Assistant Commander in Chief, Air Ops, came up and announced the closure. As he was speaking, an American P-3, which happened to be there, took off looking for two Russian hunter-killers that were messing around on the edge of our water space. For me, the tragedy of the Nimrod was, first, the name—it was a tainted brand. Secondly, the system on board the MRA4 was extremely capable and the corporate knowledge of those three squadrons was genuinely world-beating. They were finding things very early on in the competitions in which they took part.

Q510 Chair: Should we have just shoved that equipment on to an Airbus?

Professor Lindley-French: A representative of a certain American company asked me whether its platform could take that equipment, and the answer would appear to be yes. Again, what saddened me was that I approached the Dutch and spoke to the French about offsetting operating costs with potential multinational forces. The initial response was very interested; the French told me that they would even offer the Breguet Atlantics that they had in store if we upgraded their electronics suites. I don't know whether that is possible, but the point is that of the seven military tasks in the SDSR, the MRA4 could have played a very important role in all of them. It was the loss of the enablers, because the single services were forced back to defend their own core competencies by the process, which for me was the biggest failing of the SDSR process. Forget all the strategic stuff: there was a haggle at that last weekend, which was utterly unacceptable in terms of the national strategic requirements.

Wing Commander Brookes: There are 15 security priority risks. I have gone through and listed the ones that require the maritime reconnaissance, and eight out of 15 require that. Here we have over half the tasks, and they are not being met because the MPA aren't used. I remember the Falklands; we only retook the Falklands, arguably, because we had the Nimrod and we had the Victor with its radar in the front that could sweep everywhere around the Falklands and South Georgia to make sure there were no naval vessels in the area. That capability is gone. We're a maritime nation, and we do not have that capability. That seems the biggest sin of all.

Professor Lindley-French: Protection of the deterrent.

Q511 Chair: I should allow an admiral to answer this question, but I'm afraid I'm not going to, because there are still some other questions that we have to get to before 4.15.

Vice Admiral Blackham: I was only going to say that it is worth coming to this just to hear Andrew Brookes say that we are now a maritime nation.

Q512 Chair: The question I want to ask is about the three-month review that the Secretary of State has announced. What is that about, what is it going to come up with and what do you have to say about it?

Vice Admiral Blackham: My understanding is that it is like a wire brush scrubbing of the various capability areas to see how we can best deliver them, but I do not think that we should be under any illusion: the aim of it is to find a substantial sum of money ahead of the next spending round—to clear the decks, so to speak. These reviews are looking for ways in which capabilities can be delivered either more cheaply or possibly not at all. In other words, they will be attacking the SDSR, inevitably, because they will be bound to water down, dilute or remove capabilities that the SDSR has put in print. The reason for this we have already been over—namely, the need to save a great deal more money. These exercises are trying to do at high speed what the SDSR didn't do.

My guess is that there would be decisions to remove further aircraft. For example, I would not be surprised, although I would be shocked, to learn that the Tornado was going to follow the Harrier into oblivion. Maybe I am wrong, but I think there will be one or two things on that sort of scale. I hasten to add that I don't have any information that tells me that last thing will happen. There will be, I think, large-scale recommendations to remove or dilute capabilities ahead of the next spending round to make that planning round more palatable.

Q513 Chair: What do you consider to be the risks of such an exercise, and how do you think it is going to pan out?

Vice Admiral Blackham: The operational risk is self-evident: the further erosion of the capability of the Armed Forces generally. There will be substantial financial risks, too, because it will not be possible to calculate in the period involved what the savings actually are, what the implications are for industry, what the implications are for the sharing of overheads—something I mentioned earlier—and what the implications are for manpower in that time. Typically, a three-month exercise has to end after about five weeks in order for it to be processed through the system, written up and approved. It will be a very rapid dirty dash at some pretty drastic things. They will all have to be low-hanging fruit; they will all have to be things that can be taken and really will lead to savings. Consequently, there will be no strategy informing it—that would be my assumption—and savings will be taken where they can be found, almost irrespective of whether they meet or do not meet the philosophy of the SDSR.

Q514 Chair: So the issue of coherence will be sacrificed.

Vice Admiral Blackham: The issue of coherence will inevitably be sacrificed, and we will have growing incoherence and a greater mismatch than we have at the moment. That would be my assumption.

Professor Lindley-French: If it once and for all establishes the true level of unfunded commitments, and therefore produces a baseline upon which proper planning can be established, it will have some merit. But from what I am hearing, it is a kind of SDSR 2 with even less strategic input.

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Wing Commander Brookes: As you said, the only low-hanging fruit are things like the Rivet Joint—the Air Seeker, as it is called. We are currently converting crews on to that. One option would be that we do not take the aeroplanes any more and just have joint manning with the Americans. But the strategic impact of that would be, again, that we get rid of our independent eyes and ears and become even more dependent on America, which would be the upshot of trying to scabble around to save a billion here and a billion there.

Chair: We will now spend two minutes on the issue of the French alliance.

Q515 Mr Havard: There was a more general question about other bilateral arrangements. This is a bilateral arrangement, but what does it do? Does it help us with immediate capability problems? Under the treaty, there is also the letter of intent and the programmes that go with it, which are meant to be much longer term—unmanned vehicles and a whole series of things. What is your take on the bilateral relationship we have with the French and how it helps us in the immediate and longer terms? Are there other bilateral or trilateral arrangements?

Professor Lindley-French: I have close links in Paris and the feedback I am getting is very clear. The French are becoming frustrated with London. They are very serious about the relationship. They are concerned about the briefing by Downing Street not to expect too much from the treaty. They are concerned that, by the first anniversary of the treaty in November, there will be nothing to show for it, other than the Libyan operation. The French are serious about this, because of the reasons we have discussed. They face similar assessments and believe the partnership vital not only for their own security, but for bringing Europe to strategic seriousness. Their sense is that London is not taking this relationship seriously, which we should be so doing.

Wing Commander Brookes: On the air side, the French are way behind in many respects. People talk about maritime patrol, for example. We got rid of the Nimrods. The Breguet Atlantics are different. We had two air shipping disasters recently and I think that the French pitched up for a couple of hours and went away. That is because, out of 26 aeroplanes, they have, I think, seven serviceable. They are also hollowed out, like we are, so, on the idea that, somehow, they are going to come, they are—certainly

on ground attack capabilities—way behind the RAF. So yes, they are up for it and are very keen to do it, but again, I think we are leading in a lot of areas. Of course, when you are leading, it is very difficult for the French to follow. Quite often, they are quite happy to get on board as long as they are allowed to lead. In many areas, they are not the ones who are equipped to do it.

Vice Admiral Blackham: I am rather more upbeat than that. We have long experience of operating with the French at sea. I am leaving aside the question as to whether we can find political agreement about what we should be doing and so forth, because obviously there are areas where the two countries have very different sets of interests. Operating together in naval terms presents no problems. It has been going on since World War Two without much difficulty. Trying, for example, jointly to man equipment or something like that is a completely different story—cultures are different, training is different, equipment is different, command systems are different—and that would be several steps too far.

On the other hand, the French could undoubtedly give us great assistance in bringing the aircraft carrier into service, because they are operating one and will be able to help us train not so much the air crew, but the deck crews and the command crews and so forth. So I am a bit more upbeat about it. I think that one of the important things is to keep expectations at a realistic level. Operating together is fine, but—

Q516 Chair: That was four minutes. You now have one minute in which all of you can tell us what you have failed to get across during the rest of the afternoon. *[Interruption.]* You do not even have that.

Vice Admiral Blackham: I have already aired my major concern, which is what we are doing—or, more particularly, not doing—for the next generation.

Chair: That point has come across clearly, so thank you.

Wing Commander Brookes: The pressure on waiting for decisions on RAF base closures and thrashing the trade groups is corrosive of morale. That is the point that I want to get across. We talk about kit and strategy, but we must not forget about the people.

Chair: Let me say to all three of you that this has been an absolutely fascinating afternoon. It has been extremely helpful to us and has given us a lot of things to put to the Ministry of Defence to say, “Answer this if you can,” so we are most grateful.

Wednesday 22 June 2011

Members present:

Mr James Arbuthnot (Chair)

Mr Julian Brazier
Thomas Docherty
John Glen

Mr Dai Havard
Bob Stewart

Examination of Witnesses

Witnesses: **Nick Harvey MP**, Minister for the Armed Forces, **General Sir Nicholas Houghton, KCB, CBE, ADC Gen**, Vice Chief of the Defence Staff, **Bernard Gray**, Chief of Defence Materiel, Ministry of Defence, and **Lieutenant General Sir William Rollo, KCB, CBE**, Deputy Chief of the Defence Staff (Personnel and Training), gave evidence.

Q517 Chair: Welcome to the final evidence session of our inquiry into the Strategic Defence and Security Review and the National Security Strategy. Minister, may I say welcome to you, for the first time. To everyone else, may I say welcome back. Before I ask you, Minister, to introduce yourself and your team, I would like to say that it is a great pleasure to have you in front of us. As you know, however, we hoped that we would have the Secretary of State in front of us. Can you tell us why he is not able to be here today?

Nick Harvey: The Secretary of State sends his apologies to the Committee. This afternoon he is engaged in a governance meeting with the Treasury, No. 10 and the Cabinet Office, relating specifically to the three-month exercise and the financial issues that the Department is confronting. That session has been scheduled for some time and he considered it in the vital interests of defence that he fulfilled that engagement and continued to fight our corner.

Q518 Chair: While the importance of governance is not to be underestimated, the importance of parliamentary scrutiny is also considerable. This meeting has been scheduled for considerably longer than the meeting with the Treasury, I suspect. If the answers that we receive this afternoon are not as adequate as the Secretary of State might have been able to give, because of his overall control of the issue, it will be the Ministry of Defence that will be to blame and it will not be satisfactory. Nevertheless, having said that, I am sure that you will make an admirable fist of it. I would be grateful if you could pass on to the Secretary of State the Committee's disappointment that he is unable to be here, because it is one which we feel strongly. Having said that, please could you introduce yourself and your team.

Nick Harvey: Thank you, Mr Chairman. I have with me this afternoon General Sir Nicholas Houghton, Vice Chief of the Defence Staff; Bernard Gray, Chief of Defence Materiel; and Lieutenant General Sir William Rollo, Deputy Chief of the Defence Staff responsible for personnel and training.

Q519 Chair: You are all most welcome. Let us begin with the National Security Strategy, which states, "The National Security Council has reached a clear conclusion that Britain's national interest requires us to reject any notion of the shrinkage of our influence."

At a time when we are making large cuts in our defence budget, that is surely nonsense.

Nick Harvey: No, I do not believe it is. Influence is not just a question of the size of our military force. The UK exerts influence in a variety of ways: diplomatic and economic, development assistance and technological and cultural exchanges. Even in the case of our military force, size is only part of the consideration. What we do with it and our willingness to use it is part and parcel of our strategic influence. We aim, as the NSS said, to deliver a distinctive British foreign policy that extends our influence and, as I said, that covers trade, economic and all sorts of other considerations. I do not believe, taken in the round, that the NSS amounts to strategic shrinkage.

Q520 Chair: And we were not having that sort of foreign policy before?

Nick Harvey: We were, but all the different components of influence have to be taken in the round. I think that the NSS and the apparatus that lies behind it—the National Security Council—bringing together the different Departments of Government with a newer and keener focus on security issues actually enables us to pack at least as much influence in the future as we have in the past.

Q521 Chair: The evidence that we have had suggests otherwise. The evidence includes warnings of a danger that, in Washington particularly, the United Kingdom is perceived "as having decided not to be a major second-rank power". You have read that evidence, no doubt. Is it completely wrong?

Nick Harvey: Yes, I think it is completely wrong. Washington puts enormous value on our willingness to act, to participate, to use the force that we have, to sign up to coalitions of the willing and to be there when it really counts. They also put a great value on the influence that we have among other important allies, and no one should underestimate the significance of the relationship that we have with Washington. During the course of the Strategic Defence and Security Review, naturally we consulted our American allies about what aspects of our security capability they put particular value on. We took those views into consideration in arriving at the conclusions that we did. We should remember that Future Force 2020, which we have set out in the SDSR, retains an

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impressive array of capabilities, and the British political culture retains the willingness to use them.

Q522 Chair: We will come to whether you really believe in Future Force 2020 in a moment. When the Chief of the General Staff, the Chief of the Air Staff and the First Sea Lord were asked the question, “would you still describe our national ambition as being a full spectrum capability”, they each answered no. Can you really maintain that there is no shrinkage of our influence?

Nick Harvey: Your question presupposes that we had a full spectrum of capability prior to the SDSR. I do not think there is a universal definition of full spectrum capability. If you were to take it as meaning that we were militarily capable of doing anything that we wanted in any theatre in the world while being totally self-reliant, I would suggest to you that it has been decades since we retained that sort of definition of a full spectrum of capability. If you were to ask whether our future capability across the air, maritime and land domains retains a wide spectrum of capabilities, undoubtedly it does. But I do not think that we have had a full spectrum of capability in decades.

Q523 Bob Stewart: Is the National Security Strategy a wish list rather than a harsh choice between different options?

Nick Harvey: The National Security Strategy is an assessment of the security environment in which we operate. It is an assessment of the threats, an ordering into priorities of our perception of how important those threats are, and the efforts we should make to meet each of them. The SDSR, in a sense, takes that process on. The strategic ends having been identified in the National Security Strategy, the SDSR is then a prescription of the ways in which, in the defence and security realm, we will try to achieve those ends. The Comprehensive Spending Review, for the first four years at least, endeavours to provide the means by which we do that. You have to see the three things in conjunction. The National Security Strategy is not a wish list; it is a hard-headed appraisal of the threats we believe we will face in five and 20 years’ time.

Q524 Bob Stewart: Our problem is that we do not see it flowing well. We see the National Security Strategy put there—and then there is a break, because the SDSR does not seem to answer the exam question. You think it does, but I’m not so sure.

Nick Harvey: The SDSR, flowing from the National Security Strategy, defines military tasks that we are asked to fulfil. We then try and develop the forces and capabilities to carry out those tasks. The Vice Chief might like to comment on the extent to which the challenge we have set our military personnel is assisted by and flows from the National Security Strategy.

General Houghton: I absolutely support the Minister’s view on the three elements of the National Security Strategy in the round, which are reflected in the three documents that were published last October. The National Security Strategy, which in many

respects was not a strategy within itself, set the policy ambition for the nation. The Comprehensive Spending Review set the resource envelope—the means. From that were deduced the ways, which were in the SDSR, and a force structure.

Q525 Bob Stewart: It should be called a national security policy rather than a strategy, because a strategy implies much more link to reality, doesn’t it?

General Houghton: And as a military purist, as you are, you would make that observation.

Q526 Bob Stewart: Thank you. No one has ever called me that before—certainly not you.

General Houghton: Some esoteric arguments are going on—more widely than just defence—about who owns the definition of strategy and so on. But the important thing is to take them as a combination of an NSS, which sets the policy aspiration; a CSR, which sets the resource envelope; and an SDSR, which interprets the best force structure within it.

It is important to remember that part of the discipline of the SDSR was that it tried to keep benchmarking itself, not against the here and now, with Afghanistan and the fiscal challenge and so on, but against a force structure, posited in 2020, constructed around the three design criteria of being militarily coherent, relevant to the strategic circumstances of the time—to the extent that studies, thoughts, think-tanks and our work on global strategic trends and future character of conflict could define—and sustainably affordable.

The other thing that is perhaps worth mentioning again, but from a military purist’s somewhat esoteric view, is not to have the idea that strategy is something set in concrete. The art of strategy is to constantly and dynamically achieve coherence between the three. If you like, the work we are now embarked on, both in the capability and force structure area and in the resource challenge, is to do our absolute level best to try to make certain that the aspiration for the 2020 force structure is realised. When he presented the SDSR, the Prime Minister himself made the point at the Dispatch Box that in his judgment there will need to be a real-terms increase in the defence budget in the out-years to realise that aspiration.

Q527 Bob Stewart: As a defence purist, as you are, would you say that the word “strategy” should be taken out of the National Security Strategy and replaced with “policy” and that “strategy” should be put in the SDSR, where it properly fits? Strategy then leads to how you do the job.

General Houghton: In order properly to define strategy, you have to have three components: the policy aspiration, the resource and the defence capability.

Bob Stewart: Resource capabilities—

Chair: Might I break into this esoteric discussion? John Glen.

Q528 John Glen: I would like to get to the heart of how we get from where we are now to where we will be in Future Force 2020. As you have just said, it is

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reliant on a real-terms increase in the defence budget after the CSR period. The issue for a lot of people is how it is going to happen. We can accept the political reality of the CSR period and how you cannot go beyond it, but at the moment we are hearing from senior serving naval and RAF officers a lot of questions or doubts about the capacity and capabilities of personnel and assets in the Armed Forces to withstand the existing operating environment. What is very frustrating is that we hear those things just a few months after we've had a comprehensive settlement in the SDSR.

Would you care to comment, sir, on what is the critical mass of the Armed Forces' capabilities? How near are we to those capabilities falling below that critical mass? Will you paint a picture of what needs to happen from 2015 to 2020 in real terms if we are to achieve the aspiration of Future Force 2020? What gaps and risks are inherent if we do not?

General Houghton: That's quite a big question. If I may start off with the business of critical mass within the Armed Forces, you can probably treat it on at least three levels. One would be, as it were, the institutional critical mass of an armed service. Whether it is the Navy, the Army or the Air Force, the critical mass is borne on the ability of a service as an institution to be of sufficient scale to generate the seed corn to maintain it at a professional level of excellence and to grow its future leaders.

If you take the Royal Navy, it needs to have a finite number of frigates and destroyers. I think the First Sea Lord would say that the 19 frigates and destroyers that are posited for the 2020 force structure are at about the critical mass of that element of the Navy. You would say the same for the amphibious capability, the carrier strike and the strategic submarine force.

Similarly, the Army would probably speak to a critical mass of being able to conduct combined arms manoeuvres at brigade level and being able to sustain that brigade level over time on a long-term operation. The RAF, as well, will have its own sense of what the critical mass of its service is institutionally. It would speak to that better than I can, but I give you a flavour of it. The number of fast jets posited for the 2020 force structure is close to what that institutional sense of the critical mass would be.

Then there is the critical mass of the combined Armed Forces—the combination of all the Armed Forces of the country—in meeting what is expected of them in terms of the military tasks. Here, you can sensibly break out critical mass between those things which, if you like, are nationally non-discretionary, which relate to the committed force—the security of the United Kingdom, the security of the overseas territories, the maintenance of the nuclear deterrent and a whole range of standing commitments—and those things that, on a wholly national basis and on a non-discretionary footing, we would need to do. Some of those relate to the security of people overseas—the ability to conduct an evacuation operation, to do strategic raiding, to maybe launch a small-scale focused intervention to take out a terrorist plot in the act of being generated, which might relate to a CBRN-type device. There you therefore have a critical mass

of the combined force within the standing commitments in the non-discretionary area.

Within the adaptive element of the force in the 2020 outcome is where you potentially have some trade space, because you are talking about things that you will do not wholly nationally, but in coalition. There you can become more selective about what you have to nationally own, and what you need to have a pretty strong sense of conviction that you can share within an alliance.

Q529 Chair: Could I ask you to come down to the precise? Do you think we are below the critical mass?

General Houghton: No, not at the moment, because in many respects we are drawing down elements of the force to the 2020 force structure in terms of numbers of destroyers, the size of the Army and those sorts of things.

Q530 John Glen: Excuse me for interrupting, but presumably there comes a point where the use of discretionary activities—the call to do things that you did not anticipate were going to be called for at the start of the process—will mean that you will fall below that critical mass, because you will not have that capacity. It is obvious: if you keep doing more and more activities and you have only a finite amount of resources—

General Houghton: Correct, and that is why I have talked to that.

Q531 John Glen: When are we going to get to that point? We are hearing from some of your senior colleagues in the services that they are pretty concerned that we are at that point, or will be in a few weeks' time, if we do not have more resources ploughed into the MoD.

General Houghton: The issue of resources and the sustainment of current operations does not, in my view, relate to the force structure itself; it is the ability to finance the operating of that force structure. What I mean by that is that the core MoD budget buys a force structure. It is the Treasury that funds the cost of contingent operations, so if you look at something like Libya—

Q532 John Glen: I understand that. Forgive me, but if you are doing multiple non-discretionary activities that are outside the original plan, yes, you have the get-out of saying that the Treasury will fund them, but you also use your assets in a different way than you had planned to, because you have got to—you are forced to—because of the sense responsibility or duty. You do what you are asked to do, but you are distorting your planned attrition rates and the way that you organise yourselves. That is the key point, you see: people are concerned that, because of this extra call, yes, the money can be found in the short term, but you are going to distort the priorities and impact on notional aspirations towards Future Force 2020.

General Houghton: Yes, and ultimately that is a decision that is made politically. We can inform Ministers of the degree to which running two

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operations hot over a period of time would stress the force structure.

Q533 John Glen: That is what I am trying to ask you. How is that impacting on things now, because we are getting to that point? We need from a service perspective—not from the politicians; from your perspective—to know what is happening on this, and is it getting to a critical stage?

General Houghton: No, I do not think it is. It does involve the requirement to run elements of the services hot for a sustained period of time, but the force structure is sufficiently resilient to do that.

Q534 Chair: You said that the Treasury covered the contingency costs of operations. How much has the Treasury paid out of the contingency reserve to the costs of recovery from, for example, Iraq?

General Houghton: At the moment, I am pretty confident that the absolute negotiation on the maths of reconstitution has not been completed. To my certain knowledge—I do not want to go outside my certain knowledge—the Treasury has paid for the attrition to major capital equipments. So if we have lost a Chinook helicopter and a C-130, it has paid for the replacement of those. But there has not yet been, as it were, the balancing of the books in quite what degree of detriment to the sustainability of the force structure in resource terms—capital platform terms—the two back-to-back series of operations have brought, and therefore the degree of additional money we need from the Treasury to effect reconstitution.

Q535 Chair: Mr Gray, is that a question that I should have put to you: the amount of money that the Treasury has applied towards the recovery from Iraq?

Bernard Gray: The reconstitution—it has not yet. That amount of money is not yet settled and therefore has not yet been paid, so that leaves the cost of the operation and the cost of the capital replacement. The question is then about the restatement of the Armed Forces back to a conditioned precedent, as it were. That discussion is still going on. So it has not been paid yet.

Q536 Chair: So far, the answer is nothing.

Bernard Gray: Yes.

Q537 Mr Havard: Can I step back a little? It was a big question and it was a big answer. There is a lot in what you said. You ended up talking about coalition-type activity. This is not a debate that we are having in the UK alone. I have been watching very carefully the debate over the last two weeks in the United States of America, and that plays very heavily in terms of what we are going to do here and how we configure because of this coalition relationship.

It was very, very clear last week: Bob Gates is saying, “We are paying for 75% of NATO now, not 50%. We cannot keep paying this money because our allies are not pulling their weight.” There is a reassessment of whether they look east rather than west, in terms of their foreign policy and how they’ll deploy their forces. All of those big strategic questions colour this

as well, but back to the point that John is trying to make: when we are therefore doing the things that we want to do about a sustained force against our ambitions, we have a declared plan that we are going to move in a particular way to 2015. Then we have some sort of aspirational plan to move to somewhere else by 2020, but no mechanism has been described clearly to me about how you get from one to the other, and that is the point we are trying to get at.

Just like the debate in America, our fear is that you will get to the interim point and will have hollowed out your forces. That is the language that they use in the United States of America. This is about critical mass. You will not be able to respond in the way in which you planned to respond because you will have failed to do it. Stemming from that, who is actually doing this plan? The information that we have is that no one in the Ministry of Defence is actually planning to get to 2020, because, given the way in which the processes are currently run with budgets, nobody can plan beyond 2015 because they are not certain about what money they’ll get. Who, then, is actually trying to prepare for 2030?

Chair: Minister, would you like to take us through this?

Nick Harvey: This is very much cutting to the heart of the three-month exercise which the Ministry of Defence is involved with in discussion with the Treasury, the Cabinet Office and No. 10. The SDSR, as we have acknowledged, is a 10-year programme. It is aiming for a strategic end point of what we want the force to look like in 2020. But the CSR is a four-year funding settlement, and the Prime Minister observed on the day he made the statement about the SDSR that, in order to achieve the end point we want to in 2020, there will need to be real-terms increases in the defence budget between 2015 and 2020.

Q538 Chair: Do you support him in that?

Nick Harvey: I do. Clearly, because the mechanisms do not exist in Whitehall for setting budgets for that length, these are political voices giving political opinions. We are unique as a Department in having the sort of lead times on our projects that we do, and that is why we are now in dialogue with the Treasury to see what undertakings they can give about the out-years that will then enable Chief of Defence Materiel and the Permanent Under-Secretary to make rational decisions about, for example, equipment purchase where if we signed contracts now, the financial impact of those would be felt in those latter years for which, at the moment, we do not have a clear picture of what our available resources would be. It is precisely the question that you raised, which is at the heart of the three-month exercise.

Q539 Chair: Am I wrong in thinking that the issue is actually that the increase in spending from 2015 is an aspiration by the Prime Minister rather than Government policy? Is not that one of the problems for the Ministry of Defence?

Nick Harvey: At the moment, that is the case.

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Q540 Chair: Why is it not Government policy?

Nick Harvey: Because, by traditional Whitehall financial architecture, we only set budgets four years in advance, but because of the unique problems—

Q541 Chair: Then how can we ever buy railways?

Nick Harvey: Clearly, all Departments make commitments that run into the future, but they do not know precisely what resources they will have in the future to pay for them, so they negotiate them with the Treasury, and that is exactly what we are now doing in the three-month exercise. We are asking what the Treasury can do for us that will give us the certainty to enable us to make decisions now, the spending implications of which will be felt in the out-years.

Chair: We will come back to that.

Mr Havard: I would like to come back to that too, but Mr Gray wanted to say something.

Bernard Gray: I just wanted to add to what the Minister said, and to address your question: are people doing strategic work inside the Ministry of Defence? There are a lot of people doing strategic work inside the Ministry of Defence around the generation of Future Force 2020, so I do not recognise the description that you give. One can argue that there are rather too many people inside the Ministry of Defence doing strategic work.

Q542 Mr Havard: So you can give us a description of who these people are, the projects they are working on, and what the time lines are.

Bernard Gray: I can.

Mr Havard: Good. Thank you.

Bernard Gray: The strategy director, the finance director, the capability director, the chiefs of staff, myself, Ministers and others are all involved in exercises in fleshing out Future Force 2020—taking it below the high-level statements about five multi-role brigades. We are cascading down to the detail of what all that means, what needs to be done by when, what capabilities need to be fielded and the financial requirements for all those kind of things. All that work is going on and has been going on throughout the period since the election. At the same time, mapping that against the financial envelope is also an exercise that is going on and to which we have just referred. I absolutely do not recognise a picture that says there is no work on what Future Force 2020 is. That is not the case.

Mr Havard: I was saying what had been reported to us, so if you could explain, perhaps by writing to us, what the individual projects are, what they are called, what the structure you have outlined is and the time frames, it will be very useful to us. Thank you very much.

Q543 John Glen: There is a general understanding of the limitations of the Treasury's cycle. There is also a general understanding of the critical needs of the Armed Forces between 2015 and 2020, and what needs to increase. We need to know and understand what the nature of that increase—although not backed yet by a firm commitment and political will from 2015—needs to look like in percentage terms and

capability growth, so that you have something out there to handle the political debate that will go on about the allocation of resources in the next CSR. That must exist. That is objectively identifiable, notwithstanding the lack of bite behind it in terms of money.

General Houghton: Again, you have referred back to the point of the three-month exercise. In the absence of any other financial direction from the Treasury, we could only plan on an increase—of flat real—from 2015 onwards. Patently, SDSR force structure 2020 is not affordable on a flat real profile.

Q544 John Glen: What is the irreducible minimum that the armed services need?

General Houghton: The Prime Minister has accepted the fact that it is not affordable, therefore, in the process of the three-month exercise, we are trying to absolutely understand what that delta is to inform the debate. Hopefully, we can then get the planning authority from the Treasury to plan with confidence against those out-years.

Q545 Mr Havard: In all this, we have heard talk about revisions to the yellow book. I have been trying to decide—some of this stuff is a pretty esoteric exercise for me—whether that is important in real terms, or whether it is some sort of side-show in how the money works. We have talked before about 10-year planning horizons. Was it a horizon or an assumption? What will the mechanisms be and will they be different from what we have seen before? Will the Ministry of Defence have a 10-year planning horizon in future to be able to deal with some of these things?

Q546 Chair: Mr Gray, in a previous incarnation you were in front of the Committee and expressed some mocking doubt about the difference between a 10-year planning horizon and a 10-year budget.

Bernard Gray: I do recall.

Q547 Chair: You do recall. Have you changed your view?

Bernard Gray: Not really.

Q548 Chair: You would prefer to see a 10-year budget?

Bernard Gray: Personally, my view is that Defence is significantly different from many other Departments, most of which exist with their cash flowing within a year or thereabouts. If they have capital programmes, they are relatively small compared with ours—nonwithstanding Transport, which is still significantly smaller than the MoD for these purposes.

My personal view is that it would give greater stability to the planning of defence if we were able to give the long-term certainty that we are—kind of—discussing here. We could then say, “Okay, what is the financial planning horizon and how do we map against it?” That would allow us to plan, and indeed order, with greater certainty than the current Whitehall structure gives us. You must ask the Treasury for their opinion,

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but clearly they tend to be reluctant to have their hands tied in such matters.

Q549 Chair: Do you think it would save money to have such a 10-year budget?

Bernard Gray: On the assumption that it was used wisely, yes.

Q550 Chair: So the Treasury should be pleased about it.

Bernard Gray: I suppose, to argue their case for them, they might say, "Well, economic conditions could be significantly different in 2015 and we should respond to those circumstances at the time. It might create unfortunate precedents, with everyone else arguing that we should be setting 10-year budgets." There are arguments on their side, but my personal view is that it would be an advantage and a useful discipline on all sides. But I am one individual.

Q551 Chair: One further question. Will Future Force 2020 be a full spectrum capability future force?

Nick Harvey: I would not want to add to what I have already said. I believe it will have a wide spectrum of capability. The Vice Chief may want to say more.

General Houghton: If it is positive, made affordable and delivered, you can have a dance about the meaning of full spectrum. I read what Sir Rupert Smith said, and full spectrum is, in many respects, relative to one's enemy, not to the universe. You have to constrain your boundaries.

It meets the National Security Council's adaptive posture in its considerations of the time. So it still has the ability to project power in all three environments at a strategic distance, and the ability to commit to a sustained operation on the land in the messy environment as depicted in our "Future Character of Conflict". In that respect, it would be full spectrum within sensible bounds; it must be bounded in the reality of national ambition.

Q552 Chair: Mr Gray, without a major increase in the Defence budget, can we afford the Future Force 2020?

Bernard Gray: I am tempted to agree with the Prime Minister. It will require a real-terms increase beyond 2015, and we are in the process of calculating precisely what that would be.

Q553 Chair: But you haven't yet calculated it?

Bernard Gray: No, because we are working through all the exercises, not only on the underlying funding assumptions, but on the equipment structure possibilities and the real cost of equipment. I have been conducting an exercise to re-test the costing proposals for each of the individual programmes from the bottom up, for example. I have been looking at what we might do through efficiency savings, what the Reserves review might generate and so on. A bunch of moving parts within this are being brought together as part of the three-month exercise to determine what it would be. As the Secretary of State and the Prime Minister have said, it will require significant real-terms increases.

Q554 Mr Havard: May I ask you the plan B question? With the Treasury we are not supposed to be talking about plan B, but what happens if you don't get it? I know you will tell me that you are not going to plan for failure, but what about planning for expediency? What happens if the United States of America, for example, takes a very different position on NATO? Is there a way of building that into a process from 2015 onwards? If America reduces its expenditure and its attitude towards the European theatre, would that have implications for the UK? How would you address such implications? What happens if you don't get this money? What happens if the economy does not take off and you don't get the expenditure?

Bernard Gray: That is why we are doing this work now. Bearing in mind that we're talking about generating a force structure build-up beyond 2015 towards 2020, we are doing the work today, in discussion with colleagues from other Departments, precisely to determine what the art of the possible is and what the frame will look like. When we get to the end of that process, I hope that we will know clearly what the frame will be—and, therefore, we will be able to plan accordingly either to achieve our aims or not to achieve our aims.

If you say that we can only plan on the basis of the known world as it is today, and if you say that in 2015 the US takes a different position on NATO or someone, clearly we would have to come back and revisit the assumptions on which we were planning. We would inevitably ask, "What is the state of the UK's economy, the UK's aspirations and global strategic threats, as well as the position of the US?" We would have to make some revised plan based on those changed facts.

Q555 Mr Havard: Is all that packaged in the various elements of the work that is taking place, which you were about to describe to us and which I would be interested to see? With all the questions about coalitions and bilateral arrangements—with the French, for example, because it's not only the Americans—is there a view of what things will look like and how you position yourself?

Bernard Gray: To be clear, we are not in a situation in which the Americans are strategically withdrawing from Europe.

Mr Havard: Yet.

Bernard Gray: We are not in a situation in which they are doing that. So, to be clear, we are planning on the basis of what is in the National Security Strategy, which is based on the facts as we know them today. There are many opinions about things that could happen in the world over the course of the next 10 years, and some things that none of us expect to happen doubtless will.

All we can do is act on the basis of the information we have today. If at some point in the future, in one year's time, two years' time or five years' time, those facts are materially different for some reason, we will need to reappraise it, but that is not the case today. We have to plan on the best information we have today.

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Q556 Mr Havard: You don't think that the financial architecture helps you in that at the moment? In the process would you rather have a more certain period in which to plan?

Bernard Gray: In any situation you have to have a central assumption, your best estimate about what you think the future is going to look like. So we have to use our best estimate. From my perspective, and I am at the capital end of the process, the greater the certainty, the better able I am to plan for the future and decide whether or not to commit to various different capabilities. If in the event something different happens, clearly we would have to re-plan. But one can either withdraw and pull the duvet over one's head or plan on the best information available today. That is what we are trying to do.

Q557 Mr Havard: From your point of view, will some of that be in the White Paper or Green Paper on the industrial side of the DIS, as I used to call it—there isn't going to be any industrial strategy any more—that is due out in the autumn? So the industry will be able to understand better how it might sequence with you.

Bernard Gray: There are various different dimensions to this. What is the strategic framework in which we are operating? What is the proposed force structure? How do we plan to equip that force structure? And what is our policy for approaching the marketplace to equip that force structure? That logic hangs together.

Q558 Bob Stewart: I think you have answered this, General Houghton. Do Afghanistan and Libya fit into the defence planning assumptions or are the costs of those operations outside the Ministry of Defence?

General Houghton: The contingent costs of the operation are met by the contingency from the Treasury. We provide the force elements at readiness: everything to do with consumables, infrastructure, fuel and munitions is paid by the Treasury. The defence planning assumptions do not prescribe how we use the force structure; they are simply the maths that inform the construction of the force structure. How they are then used is a matter of real-world events and political choice.

Q559 Chair: Are they of any use?

General Houghton: Like a different version of Bernard's answer, you have to start from somewhere. Therefore you start with an idea of what the policy ambition for the force structure is. Then you have an idea about how many operations you want to do concurrently and at what scale and for what duration. When you put your people and equipment in, you consider the tour lengths and tour intervals. This is no more than informed mathematics to give you a force structure with a set of capabilities. How they are then used in the real world and the degree to which they can be stressed is a matter of political choice, and in some ways it is a matter of the essential nature of the mission on which you have embarked.

Q560 Bob Stewart: I accept that. So, at what point does the Libyan operation change from, say, a non-enduring complex intervention to an enduring stabilisation operation? At what point does that happen? How long is a piece of string?

General Houghton: You have described quite a big change there, which would have to be justified by a change in the UNSCR, which was the legal framework under which we were conducting the operation. At the moment, it remains primarily a humanitarian mission to protect.

Q561 Bob Stewart: An enduring humanitarian operation to protect.

General Houghton: By the rules of our mathematics a short term operation becomes an enduring operation after six months. Within the tolerances of the force structure over time, you can stress it for quite long periods. It does not suddenly succumb to critical failure.

Q562 Bob Stewart: It's a bit elastic, then. It's flexible.

General Houghton: Indeed.

Q563 Mr Havard: But you can't use it in two places at the same time.

General Houghton: You can't use the same things in two places, albeit the flexibility of air power is one of its primary characteristics.

Q564 Thomas Docherty: In a written answer, the MoD said that it had received 2,295 valid applications for the compulsory Armed Forces redundancy programme. That was straight across the three services. Can you update us on how that splits into each branch?

Lieutenant General Rollo: Certainly. For the Navy, it was 806. For the Army, it was 869. For the Royal Air Force, it was 620. I think that should come to 2,295. That is out of a requirement to find 1,600 people from the Royal Navy, roughly 1,987 from the Army and roughly 1,000 or 1,020 from the Royal Air Force in the first tranche of redundancies.

Q565 Thomas Docherty: Maths is not my strongest point, but I suspect that means that you are still required to find some redundancies in some areas. Is that correct?

Lieutenant General Rollo: That is certainly so. We never anticipated that we would get all volunteers in any of the tranches of redundancy. The aim of the redundancy programme is to make sure that at the end of the process of reduction we have the right mix of skills, experience and numbers to man the future force structure, otherwise we would simply have stopped recruiting, which, in a bottom-fed organisation, is not a sensible thing to do. Clearly, we will take volunteers wherever we can—it is a common-sense thing to do—but if the number of volunteers in the right bracket do not come forward, I am afraid that we will have to make people redundant.

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Q566 Thomas Docherty: In my experience, when you have voluntary redundancy programmes, one of the great challenges is that you do not necessarily get the people that you want to step forward, and the people that you desperately want to keep hold of often come forward.

Lieutenant General Rollo: Yes.

Q567 Thomas Docherty: From your answer, that is obviously partially the case in this case as well. What proportion is the right number of people at this stage?

Lieutenant General Rollo: The answer is I don't know.

Q568 Thomas Docherty: When do you think you will know?

Lieutenant General Rollo: The single services are going through the selection process at the moment and they will come to conclusions in early September, which is when announcements will be made.

Q569 Thomas Docherty: One point, for clarification perhaps, that has been concerning the House for some time is about the Secretary of State's announcement in the House on redundancies a few months ago. Minister, was it in March that he came to the House?

Nick Harvey: Yes.

Q570 Thomas Docherty: He gave an undertaking that no personnel who were on operational duty in Afghanistan would be selected for compulsory redundancy. It is I am sure an entirely accidental event, but there is some concern that the Secretary of State might have misspoken to the House. Can you confirm whether somebody who was on service at the time the Secretary of State made his announcement is exempted from that process?

Nick Harvey: The critical word is "current". If the Secretary of State had meant now, he would have used the word "now". He used the word "current" because what he meant, and he went on at considerable length to explain his usage of the word "current", is that at any given point in time, when any of the tranches of redundancies that are anticipated over the next couple of years are made, nobody who at that time is currently serving, is in the work-up to a tour of duty or is in the recuperation period after it—nobody in the circumstances current at that time—would be selected for redundancy. I regret the fact that it seemed to have been misunderstood.

Q571 Thomas Docherty: You are saying that the three words that were missing were "at that time".

Nick Harvey: Yes, but the word "current" means at that time. If he had meant now, he would have said "now". He did not say "now"; he said "current", because at the point that these redundancies are made no one currently serving will be selected. He did not misspeak; he just meant it rather more literally than some of those listening perhaps understood.

Q572 Thomas Docherty: Clearly, *Hansard*, the Speaker, the House and the wider public.

Nick Harvey: He went on to explain exactly what he meant.

Q573 Bob Stewart: I understand that. Of course, it is grossly unfair. Just because you are on operations and your number comes up, you have a get-out-of-jail card, haven't you? If you are preparing for an operation or you happen to be in Afghanistan, the MS branches or whoever it is makes the choice across the whole spectrum, saying, "That one, that one and that one have got to go, and that one happens to be in Afghanistan, so he or she gets a free out-of-jail card." It is difficult—I know it is difficult—but it is actually unfair, isn't it? It is fair, but unfair.

Lieutenant General Rollo: Let me try to qualify that a little. First, there are four tranches.

Q574 Bob Stewart: So you can get them the next time round, you mean?

Lieutenant General Rollo: Well, these are people's careers. What the service has to do is to try to make sure that within the inevitable constraints of people's individual wishes, as Mr Docherty pointed out, they end up with the right mix. From a technical point of view, you want to have as wide a field as possible, and you want to minimise the number of people you cannot consider for redundancy within the chosen areas. But there is a reason why we do this: we do not want to break up teams in the six months before they deploy, we do not want somebody who is actually on operations to have to be worrying that he is going to be hauled in and given bad news and it seems at least reasonable that if somebody happens to be in the 30 days after their period of service, they should not do so either. That is why we have done it in the way we have.

Q575 Bob Stewart: You will know, General, why I asked that; I had to make four officers redundant in the middle of a battle, when they were fighting. At a certain time, at a certain place I had to tell them, which was not exactly great for morale.

Lieutenant General Rollo: In that case, you will understand why we have done it in the way we have.

Bob Stewart: I totally understand.

Q576 Thomas Docherty: Turning to the issue of the Reserves, the Prime Minister announced in October that a six-month review was to be carried out on the role of Reservists. Can you update us when that will be published?

General Houghton: It is planned to publish this side of the parliamentary recess, so hopefully in mid-July.

Q577 Thomas Docherty: General Rollo, the Ministry of Defence Votes A were qualified by the Comptroller and Auditor General in respect of Reservists. What improvements have you made to make sure that does not happen again?

Lieutenant General Rollo: We have changed the system for collating the data to make a single organisation responsible. One of the reasons why they were qualified was that different bits of the defence organisations were collecting data, or not collecting

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data, in different ways. I understand that the NAO is likely to remove that qualification. The straight answer to your question is that we have changed the way that we collate it.

Q578 Chair: On the regeneration of capabilities, the SDSR states that “we will maintain the ability to regenerate capabilities that we plan not to hold for the immediate future.” How is progress on the regeneration of capabilities going? How are those capabilities being prioritised?

General Houghton: Primarily, I think the carriers and carrier strike is the thing that we are thinking about in the regeneration, particularly the second carrier. At the moment, we proceed with the build of both carriers. We proceed to abide by the SDSR outcome that one will be in operational use and a second at extended readiness. But we sensibly delayed till 2015 a decision on whether or not to keep it in extended readiness in perpetuity or actually to use the existence of the second carrier in the context of what might be a different financial situation, whether or not we want to make operational use of it. Therefore, we give ourselves the ability to have a carrier available 100% of the time rather than just what would be five years out of seven.

Q579 Chair: Do you agree with the proposition that if you have only one aircraft carrier, every time it goes into refit you are proving to the Treasury that you do not need it?

General Houghton: Um.

Chair: You are allowed to say yes.

General Houghton: That is palpably a serious risk. That is one of the areas where, as it were, in international collaboration, it would make sense—would it not?—between, for example, ourselves and the French, that we made certain, in terms of the availability of our single carriers, that we so rostered them that there was a seamless availability between the two nations.

Q580 Chair: Are you suggesting that we would use the Charles de Gaulle to fight from?

General Houghton: No, but what I am saying is that, patently, we have a defence co-operation treaty with France. Patently, between the UK and France, we are the two leading defence nations of the European pillar of NATO. There will be many occasions on which our security interests absolutely coincide. Therefore, would it not absolutely make sense that if we both as nations happen to be in possession of solely one carrier, we so rostered their availability to make certain that one of them was available at all times and that we did not make the period of two-year refit the same two years? To me, that would make absolute common sense.

Q581 Chair: On a technical issue, do you accept that the joint strike fighter could not land fully laden on the Charles de Gaulle?

General Houghton: My understanding is that the stresses on the deck of the Charles de Gaulle would mean that the joint strike fighter could not, under the

current physics and dynamics of what we know, land. The reverse is not true.

Q582 Chair: The reverse would clearly be not true. Rafale could land on our aircraft carriers, but not ours on theirs.

General Houghton: Yes. But again, within an overall coalition force mix, it is not ridiculous to suggest that the French might generate the carrier strike capability, and that some of our ships would be used as escorts. We might use an Ocean and fly attack helicopters on them. There are some wholly sensible joint capability agreements that we could reach with a coalition partner, which keep carrier strike capability an option for coalition operations.

Q583 Chair: In view of all our recent memories of the Falklands and Iraq, one cannot really see the French alongside us for such an operation. So do you think it is okay to take such a risk?

General Houghton: This, to me, is in the political space.

Q584 Chair: You would need to give some military advice on that, wouldn't you?

General Houghton: I am not certain that it takes military advice; it is a pretty pragmatic statement. If there is a political agreement that there will be defence co-operation and political decision making about the commitment of a coalition force, everything flows from that. We cannot just say, “I'm not certain that we get on with the French.” There will be issues of interoperability, but if the political will is there to make the defence co-operation treaty a reality of political will in real-time scenarios, we would salute, turn to the right and match our capabilities accordingly.

Q585 Thomas Docherty: I will come back to Harriers in more detail shortly. Two things, first to the General: I think you might have misspoken—HMS Ocean is coming out of service in 2016 according to the Secretary of State's most recent statement, so we will not have an Ocean—it is QE or nothing for the Royal Navy.

General Houghton: Yes, but we still have another LPH.

Thomas Docherty: But we would not have Ocean.

General Houghton: Not Ocean, but another LPH. I was just picking Ocean as a current-day example.

Q586 Thomas Docherty: On extended readiness, it occurs to most people that there will be a problem if you do not fit cats and traps to both carriers. For argument's sake, let us say that Queen Elizabeth does not have cats and traps fitted by its entry date and you tie it against a wall at Portsmouth. If you wanted to get it out into service, you could not then fly the Rafale or the joint strike fighter—either our version or the American one. Am I right in saying that extended readiness means that you must put cats and traps on both of them, or they will be one, big, glorified pile of scrap?

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General Houghton: It depends how extended your readiness is.

Q587 Thomas Docherty: In that case, General, do you accept that if you took a carrier into either Brest or Rosyth, stripped its deck off and tried to put cats and traps on, even working 24 hours a day, you would be looking at many months, if not a full year?

General Houghton: That is not to say that a carrier without cats and traps has no utility.

Q588 Thomas Docherty: As a fighter jet carrier?

General Houghton: Yes. What I am trying to stress more publicly is that carriers are associated purely with strike. But they are a sovereign air base that can, with relative security, go to strategic distances—you can fly attack helicopters off them and you can use them as a platform for amphibiousness. In future—these things will last 40 years—one would hope that they will have UAVs, UCAVs, Cruise missiles and all sorts of things. So it is not right to narrowly say, “If you can’t fly those jets off in that time frame these things have no utility.” All I am saying is that we can afford to wait for a 2015 SDSR to say, “Okay, what do we want to do with that second carrier? Is it extended readiness? Is it to fill it with cats and traps? Is it to use it as an LPH?” There is a range of options.

Q589 Thomas Docherty: But do you accept that although the SDSR and the Government refer to extended readiness, when the wider defence community refers to it, it means an ability to fly fast jets off carriers? You have already said that we will have an LPH in addition. And would the Minister like to comment?

Nick Harvey: I do not think that we would accept that definition. It would be one option to take the carrier away and work 24/7 to put cats and traps on it, as you say. But as the Vice Chief has laid out, there will be a variety of other uses to which it could be put that would help plug the gap that would need to be filled if the first carrier was not in operation at that time.

Q590 Chair: The Vice Chief suggested that it was a relatively well defended piece of real estate. But one of the main defences of an aircraft carrier is the fast jets that it has on it, which it would not have on it in such circumstances.

General Houghton: No, but it does not deploy in isolation; it deploys within a maritime task group.

Q591 Chair: Assuming we have them.

Q592 John Glen: May I come back to the explanation about the nature of the relationship with France on aircraft carrier use? If I understood you, there is scope for realising the synergies and creating a sort of co-dependent military solution in which they could help us and we could help them. The Chairman suggested that, from recent history, we could see a divergence in terms of political aspirations and how to use those military assets.

So what you are really saying is that, in order to make that military solution work, you need a pretty robust

set of protocols for politicians to work out how they could be used. If you disagreed, you would still want to have that sovereign capability at your disposal, and vice versa. So you are saying that we would need to have an arrangement by which we would have rights over those in circumstances where we wanted to use them, even if the French did not. Is that realistic, given your experience and the way you have seen political power working over the last generation?

General Houghton: I think you are being slightly over-prescriptive in the nature of the detail. It almost becomes legalistic. I would rather say that the strength of the political agreement indicates the extent to which you can surrender wholly national capability to become a more shared capability. You can do without a national capability in the knowledge that the strength of the political relationship will mean that your partner nation will fill that gap for you. But I would not want to be able to say, “We have now got a 20% share of a particular platform of yours.”

Bernard Gray: Can I add something that might be helpful? One of the key things is to recognise that one is piling a number of lower-probability events on one another to generate this scenario. The situation that you are discussing assumes that you happen to be at a period of time in the two years out of seven in which the UK carrier is in refit and therefore not available; that circumstances required us in this particular mission to have fast air delivered from a non-land air base somewhere; and that the French and US were unwilling to participate in that mission.

Q593 John Glen: So if Obama won the presidency, Sarkozy lost the presidency and all four of those conditions—

Bernard Gray: I am not saying that it is unrealistic; I am saying it is a relatively low-probability event that you are describing. The issue always is how much money one puts against a set of probabilities. The reality of the situation is that in most of the operational circumstances that we would face, we are able to cover that gap for most of the time.

Q594 John Glen: So there is an element of risk in this strategy.

Bernard Gray: There is an element of risk in anything.

Q595 John Glen: So you think it is acceptable given the configuration—

Bernard Gray: The Government have made that judgment.

Q596 Chair: What other capabilities should this apply to, if this is relatively unthreatening? Apart from carrier strike, what other capabilities would you say we could take this sort of risk with?

Bernard Gray: Carrier strike—

General Houghton: Strategic air transport. In many respects, the further it is from the point of the bayonet, the easier it is to share national capabilities: strategic air transport, ISTAR, slow air movers—

Chair: Nimrods.

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Q597 Bob Stewart: Let us turn to the decision to remove Nimrod MR4, its consistency with supporting a nuclear deterrent and its other roles, such as obtaining strategic intelligence, and its involvement in stabilisation operations, such as anti-piracy patrols. Do you agree with the decision? I know that we've done it and it must have been one of the most difficult decisions of all, but it seems that we've put a bit of a hole in the strategic nuclear deterrent for example—a bit of a hole.

General Houghton: It would be fair to say that among the Chiefs of Staff and in the military advice, it was one of the most difficult decisions to come to terms with, because it has multiple uses. It was made easier by the fact that there were still some residual challenges—there is still a bit of a debate about that—so it was not a capability in hand but one that was promised downstream. There was still a significant amount of money involved in bringing it into service and then running it. It was a difficult decision for the Chiefs of Staff to support because of its multiple uses, but the ultimate judgment was that there was manageable risk in all those areas of use, including deterrence, where you know there are several layers to it—not for discussion in open session.

Q598 Bob Stewart: And to take it away from the front edge, this is something that the French might help us with—he says wryly.

General Houghton: I would not want to comment in this forum.

Bob Stewart: I am sure. The intention is that perhaps the French could help us or we will have alternative ways of doing it. I know we cannot go further here.

Chair: The Vice Chief does not want to comment in this forum on that issue. I think we will move on.

Q599 Thomas Docherty: A thing that concerns us is the regeneration of our carrier capability. It is obviously easy to focus on the aircrews, but let's start there. Minister, how many aircrews trained in carrier landings and takeoffs do you believe we will require?

Nick Harvey: It is too early to calculate at this stage how many we will need, and it is a good many years off in any case. At the moment, we have Navy and RAF personnel in the United States who are working up skills in carrier strike and all aspects of it, which will help us to bring in our capability when we are able to do so. You talk about “regenerating” carrier strike, and literally you are right, but the scale of the carrier strike capability we will build with the Queen Elizabeth carrier and the JCA aircraft is of a wholly different order and league from anything we have had in the past. The reality is that we will be generating from scratch a capability on that scale. Bluntly, we are only able to do that with the assistance of the United States, and that is already, as I have described, well under way.

Q600 Thomas Docherty: We would probably agree, Mr Chairman, with some of that analysis. Please tell me if you think my assumptions are incorrect at any point, but in terms of it being a great many years away, if we make an assumption about having an

operational aircraft carrier in 2020, as the document states, with some strike fighters, hopefully—you might want to update us on that as we go along—we will need at least one squadron of fighters in 2020 on the Queen Elizabeth or the Prince of Wales and a ship's crew of about 800 on the naval side plus an air element.

But we do not have a ship beyond 2014 that comes anywhere near that. For us to train the air side—having visited the US very briefly—we would have to have that squadron or squadron-plus with the Americans no later than 2014–15. Mr Gray shakes his head. It takes five years from scratch to train a fast-jet pilot to fly off the deck of an aircraft carrier. Do you disagree with that, Mr Gray?

Bernard Gray: I am mentally looking at the schedule. We have a schedule around all of this development. The reason why I am shaking my head is that the JSF will not be available in squadron-level training numbers in 2014.

Thomas Docherty: Absolutely.

Bernard Gray: You said that we would need a squadron in 2014. The fact of the matter is that there will not be a squadron available to the United States or us in 2014.

Q601 Thomas Docherty: We need to have a squadron size of trainee pilots.

Bernard Gray: You said a squadron of F35s; that is why I was shaking my head.

Q602 Thomas Docherty: No, sorry. Obviously, because it is not in construction. But in terms of the crew size, we will need to have those aviators—as Americans call them; pilots, as we call them—beginning their training with the Americans no later than 2014, except that it would be a long way before they would be anywhere near fast jets.

On top of that, we will need to have deck crews as well. That is a specialist skill. Given that it has been 30-something years since British vessels used cats and traps, it is a whole new skill. Thankfully, I am not in charge of the Navy, but my understanding is that handling a 60,000 tonne vessel requires some skill. Do you have a plan that gets us from where we are today—which as you say, Minister, is from a zero base—to having a fully operational aircraft carrier with a complement of 800-plus aircrew, plus the skill base, by the end of the decade?

Nick Harvey: Manpower. Yes. The Navy and the RAF in co-operation are working that up now. As I made clear, it is absolutely reliant on our partnership with the United States. Every aspect of it is being worked on with the United States and on its larger vessels so that we can bring those skills in when we need to. The details of that are being worked up, but the points you make are correct and will lead them into the process.

Q603 Thomas Docherty: When you say that it is being worked on, can I assume that that is work in progress?

Nick Harvey: Yes.

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Q604 Thomas Docherty: When would you expect to be able to demonstrate to the Committee that you actually now have a plan? It strikes me that what happened last October was that a decision was made—I will not get into the details of the exact time of that—on the carriers that fundamentally altered the previous 10 years’ thinking on how we would generate the carriers, and you have been back-fitting all the way how you develop both your air and your naval crews, the aircraft that you would purchase and so on. When would you expect this Committee to be able to scrutinise your plans?

General Houghton: My personal ambition is to scrutinise the plan at the DOB Carrier Strike—subsequently re-titled DOB Carrier Enabled Capability—on about 13 July, when the senior responsible officer, Rear-Admiral Amjad Hussain, is presenting his Level 0 Plan to me.

I am absolutely confident that there will be some holes in that plan; of that, I have absolutely no doubt. But I am also pretty confident that sub-strands of work will be beaver away to plug the holes in that plan. I recognise most of what you said as some of the challenges of bringing about the regeneration of this capability in a 2020 time frame. It is significant.

Q605 Thomas Docherty: I do not know whether the Minister or the General should answer; I am conscious after the Prime Minister’s comments yesterday that we need to be careful not to make Generals answer Ministers’ questions. When will the House get the opportunity to scrutinise the completed plan, because I accept that it is work in progress?

Nick Harvey: When it is ready.

Q606 Thomas Docherty: That is really not a great answer. When you do anticipate being able to say to this Defence Committee, “We have a robust plan that we are ready to share”?

General Houghton: I think that it is within the power of this Committee, is it not, to summon witnesses to brief it?

Q607 Thomas Docherty: As we have seen this afternoon, that is not always successful.

General Houghton: What I would say is that the longer you allow us, the more comprehensive and robust the plan will be. From a personal perspective, I am only seeing the Level 0 Plan—the basic building blocks of carriers and traps, vessel in-build or post-build, initial operating capability and the training seed corn.

In terms of complexity, this thing is about the size of putting on the Olympics. Do not underestimate the complexity of this thing; I am sure you do not. The closer we can get—the more time you give, the more robust the plan will be—and, therefore, please wait until the autumn at least, so that we are confidently maturing it.

Q608 Thomas Docherty: Minister, would you be very surprised and disappointed if by Christmas this Committee was not able to bring perhaps you, the

General and Mr Gray before us to go through that plan in some detail?

Nick Harvey: The Committee should call us in whenever it suits the Committee to do so. Whether the plan will be in a 100% foolproof state by Christmas I could not say, but I think with the caveat that the Vice-Chief has given you—that we can give you answers on wherever we have got to at that point—to schedule something in before Christmas would not be unreasonable.

Q609 Thomas Docherty: You probably saw that Monday’s *Financial Times* talked about our counterparts in the United States airing some concerns about the maintenance cost of the Joint Strike Fighter. They have estimated that the lifetime maintenance cost is now going to be \$1,000 billion. Obviously, they have a slightly larger complement of them. What discussions are you having, Minister or Mr Gray, with your counterparts in the DOD about the rather large costs of the F-35?

Bernard Gray: When I was last in the United States in April, I discussed exactly this issue with my opposite number, Dr Carter. As we are, Dr Carter is concerned to drive down the cost of ownership of the F-35. He has said, I think in a public forum, that he viewed the currently quoted prices from the manufacturers as being an unacceptable number. Interestingly, in bilateral conversations with us, he was very complimentary about the progress that the UK had made towards contracting for availability and reducing the cost of ownership of fast jet fleets. He was and remains very keen to get into conversation with us about how we drive down the cost of ownership in the “sustainment” phase, as the US calls it. I anticipate that in the coming years we will have significant conversations with him about this.

It is fair to say that the Americans are in the early stages of thinking about the process, because their primary focus at the moment is both to drive forward the flight test programme, which is going ahead very well, and to drive down the cost of production of the early rate aircraft numbers. Most of their attention is going on driving down the cost of production, tooling up for mainstream production and completing the flight test programme, but they are beginning, as pressures come on the US military, to turn their attention to how they drive down the cost of ownership for them and everybody else, and we are all looking at, in the US phrase, a “global sustainment solution”, which is effectively a sort of common logistics pool.

Q610 Thomas Docherty: On the issue of Apaches, do you believe, Minister, that the recent use of Apaches underlines the need to have deployable air power between now and 2020 on a continuous basis?

Nick Harvey: I believe that we will have the ability to bring some deployable air power to theatre constantly throughout this period. The addition of the Apache to what we are doing in Libya has been very useful, but I would stress again that most of what we would do we would do in coalitions with other countries and, depending on the nature of the engagement, we will

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all put into the mix the assets that would be appropriate in the circumstances at the time.

Q611 Thomas Docherty: From an Army point of view, General?

General Houghton: Sorry, I am not quite certain about the nature of the question. The ability to have deployable air power is a feature of our ongoing capability. I am just not certain of the twist that you are putting on the attack helicopter. Are you saying that we ought to have the ability to deploy an attack helicopter at high readiness as part of our enduring contingent suite?

Q612 Thomas Docherty: Yes.

Q613 Chair: From the sea.

General Houghton: From the sea. A marinised attack helicopter is part of the forward plan. That capability is part of the forward plan.

You would not necessarily always deploy a maritime task group with it embarked. You might just have a plan to get it embarked, and that would depend on other priorities and how you configure the fleet for other things, just as, come the day when we have JSF, we would not always embark it on the carriers. We might plan to embark it some way into a patrol or a voyage. You would always want to have the ability to embark different sorts of air power.

Q614 Thomas Docherty: I am just checking, because page 23 says we would “routinely have 12 fast jets embarked for operations while retaining the capacity to deploy up to the 36 previously planned”. Just so that I am clear, did you mean that on occasion you might withdraw the 12?

General Houghton: Yes, because that says routinely for operations. Quite often, they are just going out on a work-up exercise. If they go on a work-up exercise, you might marry up the fast jets in Cyprus or Oman, as has quite often been the case historically. You do not have to embark them all the time.

Q615 Thomas Docherty: Once they have been worked up, you would routinely expect aircraft carriers to carry aircraft, but I take your point about work-up.

General Houghton: No, not at all.

Q616 Thomas Docherty: Do you mean that when she leaves Portsmouth on her regular patrols or exercises, you would expect her to have—except in special circumstances—12 JSFs on board? Or are you now saying there is a nuance that says, “We will, as we need to, routinely have the ability to put 12 on board”?

General Houghton: There is a very definite nuance there. It might well be that, if it was departing on a specific operation, which it thought was going to be a shooting war, it would almost invariably go with a tailored air package that included JSF, but it might be going on defence diplomacy or work-up training. We are not going to just keep it for contingent purposes; we are going to use it as an instrument of defence

diplomacy and national power. In that circumstance, we might plan to marry up the air package en route. There is a variety of ways in which we might do that.

Bernard Gray: That is standard procedure in the United States.

Q617 Chair: Can I ask about the rising costs of the joint strike fighter? Is it right that the increase in development costs is borne largely by the United States rather than by the United Kingdom?

Bernard Gray: That is correct.

Q618 Chair: When will we have a feel for the through-life costs of these aircraft? Will it be before or after we know how many we are buying?

Bernard Gray: It is an extension of the conversation we were having a moment ago. We are at a relatively early stage of costing the logistics support for JSF, and in part that depends on what structure the United States chooses to employ. At the moment, the objective of all the partner nations in the JSF is to have a single logistics chain; the US, being the predominant buyer of that system, will therefore have a significant impact on the cost of that logistics pool as a whole, because how they choose to operate the logistics support for their aircraft will in significant measure determine how expensive it is for everybody else to maintain them as well. That is at a pretty early stage.

I do not anticipate the full logistics cost to become clear for some time. That is not an unusual situation in the introduction of a new fast jet type. At the stage where you are only beginning to do low-rate initial production on an aircraft—until you have got some significant experience of operating it—the full logistics costs are essentially a modelling exercise, both around how you do it and what the rate of arisings tends to be. It takes a significant period to determine what the real cost is going to be.

Q619 Chair: That sounds like after.

Bernard Gray: It is after, I think.

Q620 Thomas Docherty: Have you resolved the cats and traps issue yet?

Bernard Gray: In what way?

Q621 Thomas Docherty: How is the resolving of the cats and traps issue coming along?

Bernard Gray: What I am trying to ask you is what is the cats and traps issue in your mind?

Q622 Thomas Docherty: There are two parts to it, effectively, although correct me if I have got this wrong, Mr Gray. First, we are currently deciding which of the two versions of cats and traps we wish to purchase: steam or electromagnetic. Secondly, we are working out how to not get gouged by suppliers, given that if we go for the new electric version, my understanding is that the only current workable bearings are held by General Atomics. When the Secretary of State had lunch with the Press Gallery last month, he suggested that the cost of cats and traps

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was adding up to £2 billion. I would suggest that that was a bit of a problem.

Bernard Gray: What is the question?

Thomas Docherty: How are you getting on with driving down the £2 billion cats and traps problem?

Bernard Gray: I do not recognise that number.

Q623 Thomas Docherty: It is a number that the Secretary of State used.

Bernard Gray: You say that, but I wasn't there, I didn't hear it, it's not an on-the-record conversation, so I don't know. I am telling you that I do not recognise that number. We are doing work, which we would expect to come to a head over the course of the next three or four months, in determining what the most appropriate technology is and into which carrier it should be fitted.

Q624 Thomas Docherty: Or both? Has that decision been taken?

Bernard Gray: I believe we said in the defence review that we were intending to fit one of the carriers with cats and traps. That is reasonably clear.

Q625 Thomas Docherty: What the Prime Minister said in the House was that, as part of this process, they would review that—General Houghton is nodding. It was a minimum of one, but a decision would be taken on the cost of two.

Nick Harvey: The situation is unchanged from the SDSR.

Q626 Thomas Docherty: Is that one, or one and possibly two, or two?

Nick Harvey: A minimum of one.

Bernard Gray: If we were to go down the route that you are suggesting, which is one of the options under evaluation, to procure what is called the EMAL System, which is manufactured by General Atomics, the most probable procurement route for that would be through a foreign military sales agreement with the United States, where the United States system is responsible for handling aspects of that. I would not regard it as reasonable to describe us as "gouged" by a contractor with whom we have done some business in the past. It is as it is with references made earlier to the Yellow Book. When one gets down to the selection of a particular piece of equipment supplied by one person, you are in a negotiation with them. That would happen through FMSLs, as the acquisition of C-17s has been handled. I do not see any difference between the two. I do not see any evidence to suggest that there would be any difference.

Q627 Chair: I think we ought to move on now, but in a sense move back, as well, to the three-month review, which you, Mr Gray, are carrying out.

Bernard Gray: I think we all are, actually.

Q628 Chair: I do not know whether this is the right thing to say, but, while we are grateful that you are here, should you not be with the Secretary of State, discussing this with the Treasury?

Bernard Gray: That feels like a "Have you stopped beating your wife?" question. You're unhappy with him for not being here and you're unhappy with me for being here.

Q629 Chair: In a sense, I am unhappy with both, because I want to see the Secretary of State here and I want to see as good an outcome as possible from the Treasury on the three-month review. Let me put this scenario to all of you. The Strategic Defence and Security Review committed the Ministry of Defence to some £1 billion of savings that it had not identified. The Ministry of Defence has spent the past six months or so scrabbling around, trying to find £1 billion. One of the reasons for the three-month review was to see if extra money could be found. You, Mr Gray, have noticed that risk has been dangerously stripped out of a number of projects, as a result of which you have returned £6 billion of previously unidentified risk into the projects. If I may so, that was the right thing to do, if it should have been there. As a result, the Ministry of Defence is now scrabbling around, not for £1 billion but for nearer £8 billion. Is that a fair way to put it?

Nick Harvey: It is certainly the case that we were left with the need to find more savings, that we have been spending our time in recent months identifying further savings, and that we have been able to do so. However, there are many other issues that feed into the three-month exercise. One is Mr Gray's recalculation of some of the procurement liabilities; another is the implications of Lord Hutton's recommendations on pensions. There are many variables at large in this calculation. Those are the issues on which we are in dialogue with the Treasury, No. 10 and the Cabinet Office.

Q630 Chair: Have you put back that £6 billion of risk, Mr Gray?

Bernard Gray: I am not in a position to comment on a component of the three-month exercise. You might expect me to take a vigorous view of where our liabilities might lie and what I think are the realistic costs of the programme. As the Minister said, that is only one of a number of moving parts inside this equation; there are others of significant magnitude in that. We are putting all of these things together, and attempting to calculate, not just at a point in time in the short term. The three-month exercise is particularly aimed at understanding the situation beyond 2015 in the development of Force 2020, so that we can understand how we arrange ourselves now for the generation of Force 2020.

Q631 Chair: You may be surprised to hear that I am content with that answer. If you are, for the first time, bringing a degree of honesty to the Ministry of Defence procurement budget—a degree of honesty that never existed when I was in charge of it—you are to be commended. I hope you do not back down from it, whatever the Treasury might tell you to do. However, it is going to leave the Ministry of Defence in real difficulty, isn't it?

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Bernard Gray: The facts are what the facts are, regardless of whether one chooses to look at them. If there were any difficulty, it would exist, whether or not one chose to recognise it.

Chair: Okay. Fair enough. Moving on to the £38 billion black hole.

Q632 Thomas Docherty: Page 31 of the SDSR states that there is a £38 billion over-commitment, sometimes described as a black hole. Can you tell us, Minister and Mr Gray, whether your programmes have now put the procurement budget back into balance? Can you afford everything that you currently have? I don't know if the Generals would also wish to answer that. What is your estimate of the remaining gap that you currently have?

Nick Harvey: Clearly, we have not yet put the budget back into balance. The purpose of the three-month exercise is precisely to address that issue. The gap between the programme and the budget cannot be calculated clearly. I cannot answer your question of what it is right now, because of all the moving parts to which Mr Gray referred. When we have bottomed out the moving parts and when we have concluded our dialogue with the Treasury about the sort of funding that can be guaranteed in the later years, I will be in a position to hazard a figure. The SDSR is a 10-year programme and the CSR is a four-year one, so we only know what the available resources are for the first four years; we do not know what they are from 2015 to 2020.

Mr Gray can take on the issue of the equipment programme, however, because we are committed to resolving those issues. We will issue a statement on that in due course.

Bernard Gray: The £38 billion is composed of both a current force structure, personnel and estates component and an equipment component both for new equipment and the support of existing equipment. In the order of £20 billion of the £38 billion is associated with equipment. Some significant measures were taken in the defence review on forward equipment. We are having discussions and, under the Vice Chief's direction, the Chiefs are considering the most coherent package of force elements going forward. We are conducting the three-month exercise, and I have also conducted an exercise to drill into the costs in the way we have just described. When we then try to settle down on the base-line comparator in terms of an agreement on funding, we should, after the conclusion of that exercise, be able to publish. The NAO can then audit the forward equipment programme for us to determine its affordability.

Q633 Thomas Docherty: Forgive this question, but it is one that the Committee has tackled a few times. It goes back to the answer you gave, Minister, about spending up to 2015. Understandably, by its very nature, it might appear that procurement takes longer than the current spending round, because we are buying equipment in the long-term future. The Prime Minister, although he has an aspiration, cannot guarantee it. Doesn't that always lead, or almost always lead—to give you more wriggle room—to a

situation in which you set a series of spending plans with the Chiefs, both for current use and future use, but you don't necessarily have the money from HMT to meet those spending needs? Isn't that built into the structure of Defence spending?

General Houghton: In normal times it would be, because in normal times you would be able to plan on flat real. The Treasury would be perfectly happy to plan on flat real, but we are not in normal times. There has been a 7.5% reduction in the defence burden. It is not only the £38 billion debt, therefore, but the 7.5% reduction in the CSR settlement. That effectively makes the provision in the out-year subject to a certain amount of negotiation. The prime ministerial statement agreed intuitively that the SDSR 2020 force structure is not affordable without a real uplift. Part of what we're trying to establish here are the ground rules against which we can financially plan in the out-years. The conventional flat real isn't sufficient for our purpose.

Q634 Chair: When will we hear the details on Planning Round 11?

Nick Harvey: When this is resolved.

Q635 Chair: Has Planning Round 11 not been resolved?

Nick Harvey: The three-month exercise is, in a sense, the tail end of Planning Round 11 because it's the 2011 plan ahead.

Q636 Chair: When will Planning Round 12 start?

Nick Harvey: Pretty much as soon as the three-month exercise finishes.

Q637 Chair: When exactly does the three-month exercise finish?

Nick Harvey: If one was to take the three months, it would be up at the end of June. If you are asking me whether I can guarantee with certainty that all the issues will have been resolved precisely by the end of June, then, no, I can't. All concerned are determined to bring matters to a conclusion as swiftly as humanly possible.

Q638 Chair: Will there be a statement to the House of Commons on it?

Nick Harvey: I would hope so, but, obviously, it will depend on precisely when matters are resolved as to whether the Commons is in session.

Q639 Thomas Docherty: You have quite a lot of statements due to the House, don't you?

Nick Harvey: We do. In a sense, this overlays most of them.

Q640 Mr Brazier: May I move on to a techie, process question for Mr Gray? In the excellent report you wrote as an independent consultant under the previous Government—

Bernard Gray: I was never a consultant. I resist the term.

Mr Brazier: An unpaid, highly qualified adviser—whatever one wants to call it.

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You identified one of the key problems in the procurement process as the relationship between the organisation you now head and the lack of a defined customer in the centre. In any circumstances, that would be difficult. In the current, extremely difficult circumstances, with finances and competing pressures, the operational requirement systems—they seem to change their names every few years, but what used to be a strong centre of excellence—have got more and more watered down. Are you satisfied that you have a tri-service customer left that is capable of sorting the issues out in the round? I can give you an example: it seems rather strange that we are committed to buying a very expensive transport aircraft designed to carry armoured vehicles, when we cannot afford the new generation of armoured vehicles to go in them. Perhaps that is too specific an example, but would you like to comment on what you see from the other end of the telescope?

Bernard Gray: I would not—I don't think I did, and I certainly wouldn't now—describe Admiral Lambert's organisation, which is the capability area that I think you are principally talking about now, as "watered down". My personal opinion is that Admiral Lambert and his team are doing an extremely good job, in difficult circumstances, of trying to corral all these forces. I wouldn't recognise that point, and for my part, I would describe the relationship between myself and Admiral Lambert, and between our teams, as being extremely good and co-operative. We have worked together on looking at the cost of the programme exercise, in recent times, along with the finance director.

I think they are doing a good job, but what they are trying to do is balance very difficult sets of circumstances, where the proposed forward equipment plan, as it were, came into contact with the financial crisis; that was one thing that happened, at least. We were at a particular point when that happened, which means that, for example—to address your point—we have already contracted for air transport, by which I am assuming you mean A400M.

Mr Brazier: Yes.

Bernard Gray: We have already contracted for A400M, but we have not yet contracted for some of the medium-weight armoured vehicles; I guess that you were talking about those in the FRES environment, for example. We then have to deal with the outflow of the fact that we are financially stretched, as a result of the crisis that arrived in the middle. Admiral Lambert and his team are doing a very good job to try and square that circle. It is difficult.

Q641 Mr Brazier: If you will forgive a point of granularity, you said—in fairly general terms, but it was a strongly made statement—that there was a lack of clear separation between the customer and the provider. This is just as an example, but given that the bottom tier of Admiral Lambert's organisation have their confidential reports written by the project managers in your organisation, it is difficult to see how, even in principle, you can have an arm's length organisation.

Bernard Gray: I am not sure that is true.

Mr Brazier: It is true.

Bernard Gray: To be honest, I'm not sure that is the principal problem they face today. What I described in my report is a potentially collusive process that might lead to requirements growth and cost underestimation. The purpose of the separation of powers, as it were, was to try to ensure that there is honesty and robustness in the costing and development of programmes. That was the strategic aim. In the intervening two years, the Department has invested significant amounts of money in the cost-estimating service, which had previously been run down, in order to regenerate that capability for costing forward programmes. The service sits within my organisation and is independent of any of the project teams or single services, to attempt to ensure that the costing of the forward programme is more accurate than it had been in the past. As always in life, it is a work in progress, but they are making significant progress with that, and I am pleased that in my absence, in a sense, the Department has made that investment.

The thing that I am pointing to is the fact that Admiral Lambert's organisation today has to struggle with a historical situation that it has already inherited. It had to struggle with it during the defence review and also following the outflow of that three-month exercise. It is not about whether, if we were starting some new programme tomorrow, there would be an appropriate separation of powers between the person doing the specifying and the person doing the procurement. We are improving the separation of those two things and doing that better, but the real problem they face today is around handling the extant programme.

Q642 Chair: May I put two final questions to you? The first is about the airframes of the Tornados being used up at an alarming rate. Am I right to be alarmed that the rate at which those aircraft are being used over Libya means that we have less and less contingency capability? Ignoring for the moment what might be seen as a spat between the Commander-in-Chief of the Air Force and the Prime Minister, are we using up those airframes alarmingly quickly?

Bernard Gray: Not as far as I am aware.

Q643 Thomas Docherty: Fifty per cent of our fast jets are now on active duty somewhere.

Bernard Gray: The airframe of the Tornado is remarkably robust. It is, and was designed as, effectively a bomb truck, and it is not operating at anything like its maximum operating capacity in terms of the performance that one needs to drive out of it under current operational circumstances. It is a stand-off weapon. You are not making it turn and flex as fast as you could, for example. It is not in a terribly hostile aerial environment. We have had a variety of debates about the Tornado force over time and the long-term longevity of the airframe has never come up as an issue. You may be aware of something that I am not, but I am not aware of any issue.

22 June 2011 Nick Harvey MP, General Sir Nicholas Houghton, KCB, CBE, ADC Gen, Bernard Gray and Lieutenant General Sir William Rollo, KCB, CBE

Q644 Chair: It is very interesting that you say that, because I suspect that it might generate a fair bit of correspondence, either to you or to me, from those who say that it is an issue. I will ensure that any correspondence that comes to me is passed on.

Bernard Gray: Most grateful.

Q645 Chair: This is my final question. You will have seen the evidence that we have received on various occasions over the past few weeks from people who have commented on the SDSR using words like “incoherent”. Is there anything that any of you would like to say to put right any evidence that we have received before now that you have not had the opportunity to put right during the course of this afternoon?

General Houghton: The only thing I would offer is that if you see it in the context of the aspiration towards the 2020 force structure—the design criteria of its being militarily coherent, allied to the security context of the time, as best as we can judge it, and of its being sustainably affordable, I actually think that the strategic defence review did a good job. You must also, however, put that in the context of, as it were, the wider grand strategic challenge of closing the fiscal gap and ensuring, therefore, that we have a sufficiently resilient economy to pay for our defence into the future, which is why there are some rocky financial waters between now and 2020. That is actually what the whole of this three-month exercise is all about.

Q646 Chair: I have to say that I have been, and no doubt will continue to be, extremely critical of the military result of the Strategic Defence and Security Review, which I am able to be, but I haven’t yet come up with any brilliant solutions to close that fiscal gap. Minister?

Nick Harvey: The Government made it perfectly clear when we published the Strategic Defence and Security Review that it involved painful decisions that in an ideal world we would not have wished to take. We have to view this in the financial climate of the day and, as the Secretary of State and others have said, Britain’s economic stability is an essential prerequisite of its overall security, and in that context we have had to play our part in it. In common with the Vice Chief, I genuinely believe that the Future Force 2020 strategic end point of the SDSR is a coherent force, but we have acknowledged that the route to 2020 will not be without its bumps and we are taking capability gaps, which we acknowledge and about which we have answered your questions this afternoon, that in an ideal world we would not have wished to do. At every point, this has been on the basis of calculation of risk and with the firm belief that taking some pain in the short term is worth it for landing that strategically coherent end point.

Q647 Chair: Okay. This may sound a rather odd question, but when do you genuinely think we will reach 2020?

Nick Harvey: The strategic end point is the target towards which we are aiming. Between now and 2020, there will be at least two, maybe even three, Comprehensive Spending Reviews; there will be a 2015 Strategic Defence and Security Review, which will update the thinking and probably update what the Future Force for 2025 should look like. This will be a constantly evolving process, but there is a planning methodology for looking 10 years hence and trying to aim where you want to be then. I think it has been a useful exercise.

I noted your criticisms as a Committee that it was conducted too fast. Frankly, I have acknowledged that on the Floor of the House; it would be preferable to do this at a slower pace and I very much hope that the next SDSR is able to take it at a more gradual pace. We will have further revisions to the financial and strategic calculations along the way.

Bernard Gray: Could I echo and add to the points made by the Vice Chief and the Minister? There are two competing imperatives. There is the imperative for sound public finances within the UK. We have seen on a number of occasions over the course of the last 12 months what the lack of sound finances looks like and that is not a recipe for security in defence stability. Therefore, both the requirement and desire for a coherent force structure going forward competing with those financial imperatives is a real issue. As you have pointed out, reconciling the two is, as my maths teacher used to say, non-trivial. I noted some of the remarks made by people giving evidence; they also did not offer a significant alternative. One can’t criticise the plan unless one has another plan; simply to say, “I don’t like it” is not really a sufficient answer to the question in these circumstances.

Earlier in this session, reference was made to whether the Americans take us seriously and whether they might turn their attentions elsewhere, partly predicated on Secretary Gates’s speech at NATO. My experience of going to the United States and talking to our colleagues there is that they understand the nature of this binary problem and, indeed, experience it to a significant degree themselves. They value our contribution and they understand the difficulties through which we are going. They would clearly like us to end up in a more robust 2020 force structure state and they look forward to us doing that, but they take us seriously along the way and they understand the problems that we face. I do not think we have lost credibility with them as a result. That’s certainly not what they say to me.

Chair: Thank you. We are grateful to all four of you for coming to give evidence this afternoon. While it wasn’t, as I said at the beginning, the cast we would have chosen, it is a cast that has done, if I may say so, very well in the circumstances, which are not easy for you or for any of us. We are extremely grateful. Thank you very much indeed.

Written evidence

Written evidence from Vice Admiral Sir Jeremy Blackham KCB and Professor Gwyn Prins

We are Vice Admiral Sir Jeremy Blackham, former naval officer and first holder of the DCDS (Capabilities) post in MoD. Since retirement he has worked in the Defence industry, has written, lectured and taught higher defence studies. He is currently Editor of the Naval Review, is a frequent contributor to international defence journals, and is a visiting lecturer at King's College London. From 2000–10 he was a Vice President and associate fellow of RUSI.

Professor Gwyn Prins is a research professor of the London School of Economics. Formerly as a Fellow in History and University Lecturer in Politics he ran military education programmes at Cambridge. Subsequently he served as Visiting Senior Fellow of the (former) Defence Evaluation and Research Agency and in the NATO Secretary General's Special Adviser's Office. He has served as a foreign assessor of the US National Intelligence Council's outlook studies. Currently he writes, lectures and teaches higher defence studies at all British senior staff colleges where he is also a curriculum adviser and at the NATO Defense College. He has conducted research and development on strategic assessment methodologies for 15 years. He is a member of CDS's Strategy Study group.

In response to the Defence Select Committee's call for evidence on 13 January 2011 entitled "The SDSR and the NSS" we wish to offer views to the Committee on the following points.

We have written publicly on all these points and therefore for convenience attach two essays which indicate context and some of the substance of what we wish to ventilate for the Committee.¹ They therefore underlie the headline points offered here.

The creation of force structures, consisting of equipments, fully trained personnel and adequate support infrastructure, is necessarily a long-term business. We are fearful that preoccupation with the closing phase of the Afghanistan operation is seriously distorting the nation's ability to retain that essential balance for the long-term future, as well as its ability to respond to different near-term shocks.

Our particular concerns within the calling notice list are:

1. That the strategic analysis offered in the NSS and hence assumed to underlie the SDSR is flawed and incoherent. This has been concluded already by another Select Committee (the Public Administration Select Committee in its report, "Who does National Strategy?") and we endorse that finding. In particular we would emphasise three key failings:
 - (a) the assumption that in today's environment of real world risks, correctly assessed, a meaningful distinction can be drawn between tasks and means required for "homeland" defence and security and "other things". It cannot be;
 - (b) the inability of the assessment methodology employed by the SDSR team which focuses principally upon "known unknowns" to value, or even to notice, the essential intangible culminating product of a coherent defence capability. That product conforms to Sun Tzu's guiding insight that whereas "to fight and conquer in all your battles is not supreme excellence...supreme excellence consists in breaking the enemy's resistance without fighting." This demands a posture which project an aura of power and influence that confirms national will, which thereby leverages positively all other instruments of national power, hard or soft. The SDSR methodology is innocent of any discernable concern with what we have described elsewhere (see attachment) as the silent principles of national security. In our judgement, it therefore risks leaching those higher qualities, with the unwelcome twin effects of diminishing national ability to leverage comparative advantages and increasing temptation to enemies; and
 - (c) the patent contradiction underlying the NSS and SDSR exercise. From the NSS title onwards, it claims to be centrally focussed upon uncertainty; yet the SDSR makes the enormous assumption of certainty that we can take the risk of a new Ten Year Rule. But a series of strategic shocks since the publication of the SDSR have already shaken this assumption. (By definition such shocks are all not predicted and not predictable in detail beforehand.) Because of the limitations of its chosen methodology there is no valuing in the SDSR assessment of the need for and means to provide credible conventional deterrence. There is no frank discussion of the risks of a "bare bones" establishment, such as is the SDSR outcome, in such times as these. We remind the Committee that the need for defence is the one area of government policy which cannot be subject to government decision. The initiative always lies with our potential enemies.
2. Capability gaps: consequent upon this first order failure in analysis, the SDSR has accepted inappropriate capability gaps which we believe cannot stand. We are confident that they will be changed before the next defence review in 2015: they will be changed either by courageous decision and frank admission of error or they will be changed more cruelly by events, with all the risk which that implies. Amongst these gaps, most worrying are:
 - (a) a loss of the capability that was to have been provided by the NIMROD MR4A; and

¹ Not published: see www.standpointmag.co.uk; www.rusi.org/downloads/assets/blackhamprins.pdf

- (b) loss of continuity in maritime fixed wing air operations with consequent serious risk to the ability of the nation to reconstitute a safe and coherent carrier strike capability, even if the material means to do so are eventually provided.
3. We do not contest at all the strategic importance of reducing the very large fiscal deficit. But we do submit that it is neither prudent nor realistic to install this type of strategic risk ahead of all other risks; for the nature of the world is, as the Secretary of State for Defence stated on 2 November in the House, that "...we live in a world in which our national and overseas interests are likely to be threatened in more places and by more people than at any time in the past." Furthermore, because initiative always lies with the enemy, defence is by its nature a different activity from all others of government. And in light of Dr Fox's summary of real world risk, with which we agree, it is perverse as well as dangerous to reduce the proportion of GDP devoted to defence and security in the round at such a time of deep uncertainties, beset by so many "unknown unknowns" which keep on revealing themselves as strategic shocks. We note reports that MoD remains well short of meeting its reduction targets even under SDSR. Self evidently, further reductions will increase incoherence, capability gaps and further dent morale thereby increasing country risk.
 4. The Committee asks how the implementation and success of the SDSR will be measured. There are two main yardsticks. The most important is never under the control or choice of government and is whether, when events test us, we can meet those tests. The yardstick which is under government control is whether a force structure will exist after this exercise which retains three things: (a) coherence; (b) a full set of properly trained people to man it; (c) options not foreclosed for our children in ways that cannot be reversed. We fear that SDSR could fail these tests.

February 2011

Written evidence from Professor Malcolm Chalmers

This note seeks to respond to some of the specific questions asked by the Committee in its call for evidence. Members might also find two of my recent publications of interest: "Keeping our Powder Dry? UK Defence Policy beyond Afghanistan", *RUSI Journal*, 156, 1, forthcoming, February 2011; and "Unbalancing the Force: Prospects for UK Defence after the SDSR" *RUSI Future Defence Review Working Paper*, November 2010.²

How do the NSS and the SDSR relate to each other as strategic and coherent documents?

One of the main innovations in the NSS is the attempt—in the National Security Risk Assessment—to prioritise across risks. It identifies four Tier 1 risks that are "judged to be the highest priorities for UK national security over the next five years, taking into account both likelihood and impact."³ It lists eleven other risks that are judged to be important, but of lower—"Tier 2" or "Tier 3"—priority. It suggests that "overall, the risks in the top priority band drive a prioritisation of capabilities."

The SDSR is intended to set out "the ways and means to deliver the ends set out in the National Security Strategy". It starts by setting out its own "strategic policy framework", or "adaptable posture". It explains that this posture, in addition to providing capabilities for responding to Tier 1 risks, will also include (a) the broad spectrum of capabilities needed "to respond to the low probability but very high impact risk of a large-scale military attack by another state" and (b) capabilities needed "to respond to growing uncertainty about longer-term risks and threats".

There is no explicit reference to Tier 2 and Tier 3 risks in the SDSR's "policy framework". By adding these latter two elements to the NSS's language on priorities, however, the SDSR appears to be shifting its emphasis towards longer-term risks. It is right to do so. National security capability planning—especially in defence—has to operate on a time-frame stretching well beyond the five-year horizon on which NSS prioritisation of risks is based. The NSS would have benefited from a more developed discussion of how its "Tier" model relates to this longer-term dilemma.

Chief of Defence Staff Sir David Richards used his initial evidence to the House of Commons Defence Committee to support the need for more longer-term planning, calling for the production of a "grand strategy" that would "look at the world as it is going to be in 2030 or 2040 and deciding what Britain's place in that world is." It is impossible to predict with confidence how key regions or problems will develop over the next decade, far less two or three decades into the future. But security planners still need to decide how the country can hedge against those risks that would have high impact if they were to materialise. This may mean, within the limited resources available, that Government has to prepare to mitigate long term risks even at the expense of capabilities for responding to immediate, Tier 1, threats.

² Not printed, see www.rusi.org

³ These are: "International terrorism affecting the UK or its interests, including a CBRN attack by terrorists, and/or a significant increase in the levels of terrorism relating to Northern Ireland; hostile attacks upon UK cyber-space by other states and large scale cyber crime; an international military crisis between states, drawing in the UK, its allies as well as other states and non-state actors; a major accident or natural hazard that requires a national response, such as severe coastal flooding affecting three or more regions of the UK or an influenza pandemic."

At an early stage of the SDSR process, the National Security Council was asked to examine three alternatives for the UK's military posture, including options that involved optimising the force structure for enduring stabilisation missions or, alternatively, or short intervention operations. The government instead endorsed the recommendation for an Adaptable Posture, essentially a middle way between these two extremes. In the short term, the stabilisation mission in Afghanistan has been given top priority. If this mission can be substantially down-sized over the next four years, the commitment to an Adaptable Posture suggests that some rebalancing, favouring short-intervention capabilities, may be likely.

The SDSR has indicated that some gaps in intervention capability are being accepted in the short run, but will need to be filled by 2020 because of longer-term uncertainties. Thus, for example, it states that, in the short term, "there are few circumstances we can envisage where the ability to deploy airpower from the sea will be essential", while suggesting that this may not be the case in the longer term. Decisions to keep some elements of naval capability in extended readiness are consistent with such a risk assessment.

Such a trade-off is not unique to defence. But more could be done to make it explicit, and to make clear how the government intends to guard against the pitfalls of focusing too much on the short term. The commitment to increase the share of development assistance to conflict-prone states, for example, seems to assume that we know which of our main aid recipients are in this category and which are not. The danger is that, as in defence, our development policy will be too geared to responding to conflict once it emerges, while ignoring opportunities for investing in the longer-term capacity-building that can help prevent conflict arising.

The NSS, therefore, is a work in progress. One of the main tasks for the NSRA update, planned for 2012, should be to find methodologies that allow the Strategy to take greater account of the longer term risks that, rightly, underpin the SDSR's commitment to an Adaptable Posture.

What added value has the establishment of the National Security Council has brought to strategic defence and security policy?

The first National Security Strategy was published in 2008, and it anticipated many of the themes in the 2010 document. Both publications built on a trend towards joint working across Whitehall departments, as evidenced by the Conflict Prevention Pools, the Stabilisation Unit, the Counter-Terrorism Strategy (CONTEST), and a range of country-specific joint strategies.

The role of the newly-established National Security Council will be crucial in implementation of the NSS and SDSR. Matt Cavanagh has argued that the new government has maintained the basic shape of the national security machinery, with the changes announced amounting to little more than "a tinkering and rebadging exercise".⁴ The change which has been most remarked upon by officials is the degree of political commitment to the NSC, with weekly meetings, a wide range of papers, and strong Ministerial engagement. If one is looking at the NSC as a reflection of significant structural change, this can play both ways. For this increased engagement may primarily be a reflection of a different style of Prime Ministerial leadership, combined with the eagerness of new Ministers and the requirements of coalition government.

Importantly, the remit of the NSC goes well beyond those areas covered by the NSS and the SDSR. This suggests that the government is aware of the potential pitfalls involved in giving "security" too central a position in its conceptual vision and organisational structure. Thus the FCO has made clear that the NSC is the "centre of decision making on all international and national security issues". It will, for example, "develop a long term programme to enhance UK 'soft power', co-ordinated by the NSC".

This direction is consistent with the recommendations of the Public Administration Select Committee, which has argued that the development of Grand Strategy—or National Strategy—should cover a wider range of issues than those included in the NSS. In particular, in addition to the NSS's focus on risks, national strategy also needs to look at opportunities for enhancing UK interests. The establishment of an Emerging Powers NSC sub-committee reflects this broader remit, as does DFID's emphasis on poverty reduction.

What capability gaps will emerge due to the SDSR, including how these were assessed as part of the development of the strategies and what impact this may have on the UK's defence planning assumptions and the ability to adapt to changing threats or unforeseen circumstances.

The rationale for adopting an "Adaptable Posture", maintaining a broad spectrum of intervention and stabilisation operations, is derived from the SDSR's strategic policy framework. But this analytical framework provides little guidance as to what the appropriate scale of this posture should be. The capability decisions announced in the SDSR essentially reflect an assessment of the level of effort, balanced between intervention and stabilisation, that can be afforded within the agreed budgetary settlement. On the question as to whether the resultant total level of effort is sufficient, the Adaptable Posture does not provide an answer.

The Defence Planning Assumptions (DPA) provide a greater degree of specificity on scale of effort, at least in relation to land forces and their related enablers. But it is more difficult to calculate, on the basis of the DPA's alone, how many combat aircraft or ships are required, or indeed whether or not a carrier capability is needed at all. Significant increases, or reductions, in any of these elements could be made without breaching the DPAs.

⁴ Matt Cavanagh, "Inside the Anglo-Saxon War Machine", *Prospect*, December 2009, pp. 70–71

There is some difference in emphasis between these two frameworks. The Adaptable Posture highlights the need for a wide spectrum of capabilities, while the DPAs provide more specific requirements in relation to land capabilities, especially in relation to extended stabilisation operations. Even for land forces, there is some room for flexibility within DPA guidelines, for example in relation to the composition and size of the requirement for a brigade-level ESO.

*Will the prescriptions of the SDSR allow the MoD to balance its budget and make the required efficiency savings? Does a funding gap still remain, how significant is it and how will it impact on defence capability?*⁵

The government believes that it can save 25% on the costs of non-frontline organisations, amounting to £2 billion a year by 2014–15. It also plans a 25% cut in MoD civilian personnel, from 85,000 to 60,000 by 2015. Even if these ambitious plans can be realised, the MoD will be hard-pressed to balance its books without further reductions in procurement plans and frontline capabilities. Assuming no real growth in the defence budget, and no changes in inherited plans, the MoD had calculated that it would have faced a ten-year over-commitment amounting to around £38 billion. Despite the additional need to reduce spending by 8%, the SDSR has been able to make significant inroads into this “funding gap”. But it has not closed it. On the assumption that the budget remains flat in real terms after 2014–15, a large funding gap remains, amounting to an estimated £15 billion over the next decade.

Most of this gap could be closed if the MoD budget were to increase by around 2% per annum in real terms after 2014, in line with long term GDP growth. But there is no agreement for such an increase.⁶ The MoD will argue that it needs post-2014 increases in order to close the capability gaps left by current austerity measures. The Treasury will be reluctant to concede this point, not least because of the encouragement it could give to other departments that will want to obtain similar assurances.

Because the SDSR failed to identify all the savings that will be needed to close the funding gap, and given the long time-lags involved in defence planning, it will not be possible to wait until the 2015 SDSR for future capability choices to be made. The annual Planning Rounds will, instead, have to be used for this purpose.

There is now an expectation that large savings can be made by improving the MoD’s management of equipment acquisition, and in particular by adopting the measures proposed in the 2009 report by Bernard Gray, now appointed as the new Chief of Defence Materiel. If Gray does make a successful effort to root out the “optimism bias” that he identifies as the central dysfunctional feature of the current system, however, he will simply focus further attention on the unaffordability of current plans. And further cuts in planned acquisitions, and in the capabilities they support, will then have to follow.

How will the implementation and success of the NSS and SDSR be measured?

One important indicator of the success of the MoD in balancing its books would be an estimate of the level of over-commitment that remains in its forward 10-year defence programme. In the run-up to the SDSR, the Government estimated that it had inherited a ten-year “overhang” of £38 billion, calculated by comparing the level of spending needed to maintain planned force levels and modernisation commitments with a budget that was assumed to remain level in real terms. The SDSR has reduced the level of this overhang, but it has not ended it.

The government has agreed to publish an estimate of the level of overhang in the ten-year equipment budget, on the assumption that this budget is maintained in real terms after 2014–15. It should now agree to publish a similar figure for the defence budget as a whole, to be annually updated after each Planning Round.

It would be important that key assumptions used in this estimate (eg on pay growth) should be agreed by the NAO. One of the problems with past defence budget planning is that it has paid insufficient attention to the rising cost of non-equipment commitments. The SDSR’s assumption that service personnel numbers will fall by only 2.2% between 2015 and 2020 reflects the continuing existence of “optimism bias” in this area.

In response to concerns that such an estimate could be seen as prejudging the results of future spending reviews, the MoD could agree to publish a range of estimates, depending on what assumption is made on spending levels after the current Spending Review period.

The government might also want to examine the potential for developing indicators of UK defence efficiency compared with other selected NATO member states. Although some efforts are now being made by the MoD in this regard, it is remarkable how little comparative analysis has been undertaken in the past, either by governments or by non-governmental analysts.

⁵ The answer to this question is based on “Keeping our Powder Dry? UK Defence Policy beyond Afghanistan”, *RUSI Journal*, 156, 1, forthcoming, February 2011. For further discussion, see Malcolm Chalmers, “Unbalancing the Force: Prospects for UK Defence after the SDSR” *RUSI Future Defence Review Working Paper*, November 2010.

⁶ David Cameron has made clear his “own strong view” that the planned force structure will require “year-on-year real-terms growth in the defence budget in the years beyond 2015”. “Strategic Defence and Security Review”, *House of Commons Debates*, 19 October 2010, col. 799. This careful formulation, however, does not commit the government to maintain current force plans. Nor does it commit the whole coalition government to post-2015 real-terms growth. It is also strikingly similar to the Government’s commitment to “real terms increase in overall NHS spending each year”. The resulting NHS settlement equated to an average annual real increase of only 0.1%.

The timing of future SDSR's and the ability to plan for the medium to long term; and the process for renewing and updating the NSS, including the regeneration of lost capabilities

The current NSS and SDSR were timed to coincide with the Spending Review, and it would be wise to continue this practice. Decisions on strategic priorities cannot be taken in the absence of information on available resources. Simultaneity with a Spending Review also provides an opportunity for government to allocate additional resources to SDSR areas considered to be high priorities. In 2010, the MoD probably got a better budgetary settlement than it would have obtained had the SDSR been postponed until after the Spending Review had been completed.

If the next General Election is in May 2015, this raises the practical problem of how departmental budgets for 2015–16 will be set. Unless there is a marked worsening of the country's economic position, forcing a new round of austerity measures, the Government is unlikely to hold a further full Spending Review before 2015. The most likely scenario, therefore, is that interim departmental allocations for 2015–16 will be set during 2014, followed by a full Spending Review—together with a new NSS and a new SDSR—in autumn 2015.

One of the regrettable features of recent defence planning has been the large amount wasted on commitments that the MoD was then not able to finance. If a repetition of this cycle is to be avoided, indicative budget allocations after 2014–15 should be agreed well in advance of the next SDSR. The most realistic central assumption at present is that the MoD budget will remain broadly stable in real terms between 2014–15 and 2019–20.

Yet world events do not operate on parliamentary timetables. Events in Afghanistan will have a crucial impact, both on the overall budget allocation to defence, and the distribution of resources within that budget. And, if the last twenty years are any guide, new strategic surprises are likely. As these appear, it will make sense to revisit medium-term budget assumptions on a regular basis.

February 2011

Written evidence from Professor Julian Lindley-French and Commander Simon Atkinson, Royal Navy

Defence Inflation or Defence Cost Inflation (DCI) (after Pugh 1986) exists at the system level. It is therefore an indicator of systems performance. Pugh suggests a figure of 8%; others, including Oxford Economics (2009), suggest a figure as high as 10%.

At 8% allowing for increases in defence budgets, a fleet (for example) halves in size every 35 years. This is commensurate with the reduction in the Royal Navy Surface Fleet between 1950 and 2010.

To endeavour to offset the impact of DCI a number of defence economists within the MoD (and associated consultancies) have sought to address DCI at the unit level. This was behind much of the thinking for Front Line First back in the 1990s where a lot of the rot set in. The aim was to “optimise” the tail through the twin processes of vertical integration (VI) and efficiency measures, such as Just-In-Time (JIT). Performance Management and Vertical Integration. The actual effect was polarization, the creating of an implicit hierarchy with teeth arms at the top (the so called master race and suppliers), engineers (combat support) at the bottom.

Just-In-Time and Vertical Integration also created conditions for supply chain competition (i.e. competition between Services) as opposed to creating conditions in which competition took place to supply the best product/solution across defence. This tended to increase division between the Services in terms of supply (rather than excellence) given limited resources and expanding tasks.

That is where the Services are today—unable to move for fear of losing what little they now have because they have become so fixated on their own singular supply chains.

Scale has traditionally been offset through technological advantage. This allowed Force Levels of Western forces to be significantly reduced. However, those reductions accelerated after the Cold War as the defence premium was taken to the point where the size of forces bore little relation to the roles, missions and tasks expected of them.

In times of conflict, even limited conflict, the arsenal had to be expanded very quickly. Consequently, the MoD found it necessary to create alternative structures to manage the demand side. For example, the MoD was by and large able to manage both Northern Ireland and the Falklands from within the MoD, which also ensured an essential relationship and ratio could be maintained between teeth and tail.

Today, the situation has been reversed. Urgent Operational Requirements have created “perverse” (General Walker: 2010) results by creating conditions of “over” or “under” capacity either by supplying Too Much; Never in Time (TOM-NIT) or Insufficient; Just-In-Time (I-JIT). UORs by definition often lead to higher than planned costs because short-term demand impose on the “client” premium, not least because they are competing with others for critical kit. This further exacerbates DCI.

These attempts to manage inflation at the unit level have further exacerbated supply side (tail) and demand side (teeth) inflation. As resources have been progressively reduced and missions/demand has increased divisions between the Services have been exacerbated. This has tended to be further exploited by “Admin” (pol-civ)—a bureaucracy intent on maintaining rule through division.

Put simply, a failure to address DCI at the system level which is part due to utterly inadequate defence planning assumptions, part due to “Smart” procurement which transferred risk onto contractors at the cost of control, part due to vested interests seeking to maintain costly existing processes. These conditions are akin to “putting out the fire with gasoline”.

Pugh [2007] broke down Defence Cost Inflation at the system level over 60 years. His research suggested three classes:

Class 1: Aerospace and Missiles with high systems inflation;

Class 2: Aircraft Carriers and Stand Off Missiles, with medium-systems inflation; and

Class 3: Main Battle Tanks; Frigates; Destroyers and nuclear powered submarines, SSNs, with low systems inflation.

Translated into DCI this means that Class 2 and Class 3 systems showed normal/historical inflation; whereas Aerospace (including UAVs) is somewhat higher.

Essentially, the Performance Management unit-level approach creates an optimised design as opposed to a conceptual design space. The optimised design space resulted in the T45 which cost almost 2.5 times the cost it may have done if the Destroyer concept had been properly thought through.

In other words, the RN might have had 15 for the price of 6 or made savings of £9.5 billion for the six actually built. This is because the T45 is essentially an optimised, almost working HMS Devonshire, 50 years late and at 25% the numbers.

Scale, cost, composition, gradation and design are all closely inter-twined and, like strategy, involve emergent properties. In effect, organisations that remove the ability to think, reflect, conceptualise and design, end up removing variety and choice from the available solutions, their ability to adapt and an increased reliance on short-term, high-cost solutions or over-engineered, small number, long-term hyper-cost solutions. The emphasis therefore tends always to be on optimization, ie the development of existing products at the cost of capacity (numbers). This also leads to what is known as featurism and the extension of existing capabilities beyond their sell by dates.

Taken together the imbalance between demand and supply creates intense inflationary pressures on the system.

The alternative is “design and production”. Such a system level approach sees defence inflation as a force to be applied to all existing structures, commissions and contracts within Defence. In very simple terms an in-service use/commission/contract tempo of 10 years would remove the depreciationary impact of DCI at 8%. This would also create a market for products at their half-life and so create conditions for helping to prevent inflation. Furthermore, the designs would be more affordable and therefore more scalable and capable of being composed/decomposed and graded/degraded gracefully.

In conclusion, the issue today is not capability per se, which rather an over-emphasis on supply side optimisation at the unit level which has created crucially a lack of capacity. Capacity cannot be delivered through optimization, but only through re-conceptualisation, design and production. Restoring tempo and production to the Defence Economy at the system level would help drive down Defence Inflation.

16 June 2011

Written evidence from the Ministry of Defence

1. Description of NSS and SDSR process and how it ensured that the NSS and SDSR are coherent documents.

The new National Security Strategy (NSS) and Strategic Defence and Security Review (SDSR) were developed in parallel. This allowed the findings of the NSS to feed directly into the SDSR decision-making process, and together set out the Government’s strategic decisions and priorities on security and defence. The NSS provides an assessment of the strategic context, Britain’s place in the world, and an analysis of the risks and opportunities we face. The SDSR sets out the ways and means to deliver the ends set out in the NSS. This includes identifying the forces and capabilities required to deliver those priorities. For the first time, the SDSR was developed as a cross-Departmental exercise, involving all the Departments contributing to national security through a range of capabilities including the Armed Forces, the UK’s overseas network, and some of its Official Development Assistance. The decision to publish them in short succession (18/19 October) allowed each to be given distinct consideration.

2. How will the effectiveness of National Security Council be assessed?

The National Security Council (NSC) is a Cabinet Committee. Like other Cabinet Committees its effectiveness is assessed by the Cabinet through the routine reporting of Council conclusions at each meeting. NSC discussions can also be elevated to Cabinet when issues require the broader collective attention of Cabinet or when outcomes of discussions are relevant to a wider audience. This has taken place on a number of occasions including before publication of the SDSR.

Oversight of policy operation, including of decisions reached by the NSC, is undertaken by parliamentary select committees such as the Joint Committee on the National Security Strategy (JCNSS). The JCNSS was reappointed in January 2011, chaired by the Rt Hon Margaret Beckett MP. The Committee will be responsible for setting their timetable for assessment of the implementation and success of the SDSR and NSS. As Secretary to the NSC, the National Security Adviser (NSA) has provided evidence to a number of select committees on the effectiveness of the NSC.

3. Does the NSC have access to external advice from outside Government? How is it decided who should give this advice and how is the advice assessed?

NSC discussions are informed by the consideration of a full range of policy options including external advice from outside Government. This can be provided directly or through policy consultation by officials. In the case of Afghanistan policy a seminar was held at Chequers at which a range of subject matter experts were invited to give advice directly to Ministers before their consideration of overall strategy. Similarly, the NATO Secretary General was invited to brief the Council ahead of a meeting on the NATO Strategic Concept and reform.

The Government engaged a wide variety of parties when developing the NSS and SDSR. The Cabinet Office oversaw a strategic programme of stakeholder engagement that was conducted by a variety of Departments on both high level and more specific issues. Cross-party consensus was sought through Committees and through instruments such as Defence Debates. International partners (notably the US and France), academia, and the private sector were consulted regularly. The Ministry of Defence (MoD) consulted members of the Armed Forces and their families; key industrial partners on long-term equipment programme issues; the public sector; academic think tanks; non-governmental organisations; and partners and Allies on strategic policy issues.

The Government has also taken an active interest in continued public, academic and other debates that take place on the future of Defence. The NSA draws on a wide range of advice, and NSC papers are informed by external perspectives as well as official positions. Advice presented to Ministers in the NSC is considered in the NSC(Officials) meeting, chaired by the NSA. This coordinates Government policy across a wide range of national security issues and assesses how significant policy questions should be presented to Ministers. The NSC(Officials) meeting also coordinates the NSC forward work programme, which is agreed with the Prime Minister. The development of specific workstrands such as the Building Stability Overseas Strategy is informed by external advice: MoD, Foreign and Commonwealth Office (FCO) and Department for International Development (DFID) are currently running a number of consultations with world-leading experts from multilateral, non-governmental, and academic organisations on the UK's role in and strategy for upstream prevention.

4. How does the NSC ensure a joined up approach across government and how is this implemented on the ground? Description of cross Government approach to NSS and SDSR. Procedure in case of dispute between departments

The NSC provides the forum for collective decision-making across the full range of UK national security issues. Key departments with security-related functions are represented, including: FCO; HM Treasury; Home Office; MoD; Department for Energy and Climate Change; DFID; and the Cabinet Office. Cabinet Ministers in other Departments are invited to attend if an issue will impact their area. Senior Officials, including the Chief of Defence Staff, Chairman of the Joint Intelligence Committee, and Agency Heads are also frequently invited to attend.

The discipline of systematic, weekly consideration of national security priorities in a Ministerial forum chaired by the Prime Minister drives a more coherent approach to collective consideration of strategy across Government Departments. The NSC ensures Ministers consider national security in the round not as separate blocs.

The NSC drives and monitors the implementation of the SDSR and NSS by lead Ministers, officials and Departments. Lead Ministers, accountable to the NSC, take responsibility for coordinating priority areas of work to deliver national security tasks. A series of inter-Departmental committees at senior official level also support and inform the NSC. They report to the NSC(Officials) meeting that meets weekly. The details of lead ministers, designated officials and bodies responsible for coordinating work on priority areas across all relevant departments, along with the NSC structure, are set out at Annex A.

Within individual Departments, Secretaries of State also chair Departmental boards that provide strategic leadership. They are responsible for developing the strategies for their Departments in line with the Government's overarching strategic agenda. Lead Ministers also have additional responsibility for coordinating across Government priority areas of work to deliver the national security tasks eg the Defence Secretary is lead Minister for all Defence aspects of the SDSR. In the MoD, the Defence Strategy Group met regularly and was attended by the NSA and Ministers from other Government Departments.

The National Security Secretariat in the Cabinet Office monitors progress on the SDSR and its officials seek to facilitate resolutions of differences of perspective between Departments through the NSC(Officials) group before they are put before the NSC.

In recent years cultural change has also promoted a steady improvement in cross-Departmental working on security. The SDSR outlines how this will be further enhanced through the development of integrated strategies in key countries and regions, the expansion of the Stabilisation Unit's remit, including the establishment of Stabilisation Response Teams, closer cooperation of Departmental strategy units, and on specific themes like horizon scanning.

5. List of actions / deliverables identified as arising from the NSS and SDSR. Identify priorities and how these were arrived at

The SDSR identified a total of 225 commitments, which are clearly set out in the White Paper. SDSR delivery is managed through a system of lead Ministers, accountable to the NSC and responsible for overseeing the co-ordination of SDSR implementation in 10 priority areas. Ministers are supported by designated officials in the lead Departments. The 10 priority areas with their lead Ministers and officials are set out at Annex A. While responsibility for delivery rests with the lead Department concerned progress is monitored by the Cabinet Office SDSR Implementation Board and the NSC. The Cabinet Office SDSR Implementation Board is a cross-government group, chaired by the National Security Secretariat in the Cabinet Office and attended by Director-level officials with expertise in the 10 priority areas from each of the lead departments. This includes the Foreign and Commonwealth Office; the Department for International Development; the Home Office; the Ministry of Defence; the Department for Energy and Climate Change; the UK Border Agency; the Office for Cyber Security and Information Assurance; and the Civil Contingencies Secretariat within the Cabinet Office. Other Government Departments are invited to attend Board meetings as required, where their interests are engaged.

The principal objective of the Board is to ensure the effective and timely delivery of the various commitments set out in the SDSR. In doing so it monitors progress in implementation across each of the 10 key policy areas, identifying and acting upon any risks or areas of concern. The Board also has a role in facilitating and encouraging as far as possible, a collective cross-government approach, not only in implementing specific policy commitments, but also in achieving overall progress in each of the main policy areas.

6. List of current defence initiatives / reviews / consultations. Deadlines for reporting. How these fit in with NSS and SDSR

See Annex B.

7. Set out current defence planning assumptions and how they fit in with the NSS and SDSR

Based on the adaptable posture the NSC agreed a set of eight cross-cutting National Security Tasks that link to the priorities set out in NSS, with more detailed Planning Guidelines on how they are to be achieved. These will drive detailed decisions by Departments over the next five years on how to prioritise resource allocation and capability development. They can be found at Annex C.

Within the overall framework of the National Security Tasks the contribution of the Armed Forces is further defined through Military Tasks, which describe what the Government may ask the Armed Forces to undertake; and through more detailed Defence Planning Assumptions about the size of the operations we plan to undertake, how often we might undertake them, how far away from permanent bases, with which partners and allies, and how soon we expect to recover from the effort involved. The seven Military Tasks are:

- defending the UK and its Overseas Territories;
- providing strategic intelligence;
- providing nuclear deterrence;
- supporting civil emergency organisations in times of crisis;
- defending our interests by projecting power strategically and through expeditionary interventions;
- providing a defence contribution to UK influence; and
- providing security for stabilisation.

The new Defence Planning Assumptions envisage that the Armed Forces in the future will be sized and shaped to conduct:

- an enduring stabilisation operation at around brigade level (up to 6,500 personnel) with maritime and air support as required, while also conducting;
- one non-enduring complex intervention (up to 2,000 personnel), and
- one non-enduring simple intervention (up to 1,000 personnel);

or alternatively:

- three non-enduring operations if we were not already engaged in an enduring operation;

or:

- for a limited time, and with sufficient warning, committing all our effort to a one-off intervention of up to three brigades, with maritime and air support (around 30,000, two-thirds of the force deployed to Iraq in 2003).

8. How will UK adapt to changing threats / unforeseen circumstances (bearing in mind capability gaps)? [what capability gaps will emerge due to the SDSR, including how these were assessed as part of the development of the strategies and what impact this may have on the UK's defence planning assumptions and the ability to adapt to changing threats or unforeseen occurrences]

The Government is committed to conducting regular SDSRs. It will refresh the SDSR every parliament to ensure that the fundamental judgements remain right and that the changes it sets out are affordable. Between these reviews, the NSC monitors at the strategic level the latest assessments from the Joint Intelligence Committee, ensuring that our strategic approach is based on a shared understanding of the political, economic, and military context. This will include, for example, assessment of threats at source through a biannual review of the National Security Risks Assessment. We will also continue to place emphasis on developing adaptable capabilities in the maritime, land and air domains which contribute to the widest possible range of military scenarios. An annual mandate for cross-Whitehall horizon scanning, based on the NSC-agreed priorities, will ensure focus on key areas of concern, while allowing scope for consideration of new, emerging issues. We have also committed to reviewing the National Security Risk Assessment every two years.

The NSS also emphasises the importance of working upstream to reduce the likelihood of risks to the UK. To help bring stability to countries where the risks are high, our interests are most at stake, and where we know we can have an impact, we are significantly increasing our support to conflict prevention and poverty reduction, guided by regular updates of the Countries at Risk of Instability report.

The Government recognises it will have to manage greater risks in some areas due to reductions in capability. Mitigation of risk will take different forms in each case. In the case of Carrier Strike for example we will do so by: maintaining our strategic intelligence capability in order to identify new and emerging military risks; deepening partnerships to manage risks; preserving the ability to reconstitute our levels of military capability in areas which are currently low priority, such as heavy armour; and maintaining a minimum effective strategic deterrent.

9. Initial MoD assessment of gap in defence budget and how this was derived?

The gap in the Defence Budget is the estimated difference between the cost of the Defence programme and the MoD budget under the assumption that the budget would rise in line with inflation over the 10 years 2011–12 to 2020–21. The figures are based on a number of assumptions including changes in fuel prices, foreign exchange rates, and Armed Forces pay awards. It will, therefore, change over time.

A figure of £38 billion was calculated before the SDSR. The SDSR announced substantial reductions to the planned force structure. The measures announced go a long way to eliminating this excess but it will take time to work through the consequences of the SDSR decisions and bring the Defence Budget back into balance.

10. Set out how SDSR means budget gap is resolved? What more needs to be done? What will happen if deficit not resolved?

The SDSR established the policy framework for our Armed Forces and the capabilities that they will need to meet future challenges and achieve success on future operations while safeguarding Afghanistan. The spending review set out the resources allocated to Defence for the implementation of the SDSR. This will enable us to bring Defence policy, plans, commitments and resources into better balance through our annual planning process.

The outcomes of the SDSR and the Spending Review form the basis of the Department's annual Planning Round (PR11), which is still ongoing. The Planning Round looks out over 10 years. This process involves updating the estimated costs of the Department's current activities and adjusting for the estimated costs and savings arising from the changes announced in the SDSR. Until this process is complete it is not possible to reliably estimate the size of any residual shortfall. The Planning Round process routinely re-prioritises the Defence programme to ensure that the Department lives within its budget. PR11 is expected to conclude in spring 2011.

The Spending Review included ambitious, but achievable, targets for delivering non front-line and efficiency savings of some £4.3 billion over the next four years. We are working to deliver these.

As for the period beyond 2014–15, in announcing the SDSR, the Prime Minister was clear that his own strong view was there would need to be real terms growth in the Defence budget in the years beyond the current Spending Review to make this force structure affordable by 2020. As we are continuing to develop and refine our SDSR implementation plans it is not sensible to speculate about the overall cost of the future Defence programme. The Prime Minister has said that the Government is committed to the vision of 2020 and will make decisions accordingly.

11. Provide SDSR (NSS) implementation plan. [The role of the Ministry of Defence, including the Defence Reform Unit, and other Government departments, the National Security Council, the Armed Forces and other agencies in the development and implementation of the NSS and SDSR, including areas that stretch across Government such as the UK's increased role in conflict prevention]

As set out in the SDSR, lead Government Ministers, accountable to the NSC, are responsible for coordinating priority areas of work to deliver the national security tasks. They work with all Departments with a stake in the issue. They are supported by officials who lead work across Government and in partnership with others including the private sector, nongovernmental organisations, and international partners.

Implementation of the SDSR at the strategic level is reviewed every six months by the Prime Minister and NSC, supported by routine monitoring from the centre by the Cabinet Office Implementation Board. There is an annual statement on overall progress to Parliament and the public.

The implementation process will, where possible, draw on existing programme management functions to maximise their effectiveness, efficiency, and visibility. Within the MoD the implementation of the SDSR will be taken forward using the Strategy for Defence approach. This strategy (first published in October 2009) will be revised taking its priorities from the SDSR White Paper and the MoD's Business Plan. This will form the front end of the more detailed Defence Strategic Direction (DSD) document and will look out around 20 years providing detailed direction to the MoD on priorities for resource allocation. The Defence Plan will direct the near-term realisation of the vision articulated in DSD. Beneath this topmost level of direction, the outcome of SDSR will be delivered by a number of sub-strategies; the key ones being the Royal Navy, the Army, the Royal Air Force, Defence Estates, Service Personnel, Civilian Workforce, Capability, Logistics, Acquisition, DE&S and Security Policy and Operations, noting that these may be adjusted in line with the Defence Reform Unit's findings).

Separately, the Defence Reform Unit will develop a new, more cost-effective model for the management of Defence with clear allocation of responsibility, authority and accountability. This will dovetail with the conclusions of the SDSR and contribute towards achieving some of the £4.3 billion non-front line savings identified in the SDSR.

The SDSR committed the UK Government to focusing on fragile and conflict-affected countries where the risks are high, our interests are most at stake, and where we know we can have an impact. To help bring stability to such countries we will increase significantly our support to conflict prevention and poverty reduction. We will deliver this support through an integrated approach that brings together our diplomatic, development, Defence, and intelligence resources. Specifically, the Government will bring clearer direction with a greater focus on results through the new Building Stability Overseas Strategy to be published in spring 2011. The strategy will aim to draw on lessons learned by international actors, donors, and fragile states themselves about what works best in these environments. The strategy will primarily focus on the actions that the UK should take to make a difference to building stability overseas and how we should do it. It will consider our broader approach to building stability not just stabilisation and will take a longer term perspective, focusing on how we can support inclusive politics, economic growth and stronger institutions better as the base for building stability and resilience. We will prioritise our support for Defence engagement and security sector reform. The strategy will not try to set out everything we could or should do but will focus on the key changes that we judge would make a significant difference to our impact.

It is currently being drafted by a cross-Whitehall team of officials who are consulting extensively with external experts so that the draft is informed by the latest thinking on conflict/instability

12. Process for assessing the NSS and SDSR. By whom and timescale? [how the implementation and success of the NSS and SDSR will be measured]

The NSC is responsible for NSS and SDSR delivery. The Cabinet Office leads the SDSR Implementation Board which reports to the NSC and meets regularly to monitor and assess the implementation of the NSS and SDSR. The NSC itself reports regularly to Cabinet. Oversight of the NSC (and all other Cabinet Committees) is undertaken by Parliamentary Select Committees, including the Joint Committee on the National Security Strategy. Parliamentary oversight by the JCNSS is covered in more detail in our response to Question 2. The SDSR commits the Government to an annual public statement on overall progress.

13. How has the Government communicated NSS and SDSR to the public and armed forces? What was the feedback? [the success of the Government in communicating the outcomes of the NSS and SDSR to the Armed Forces and the UK public, particularly in relation to current and future operations]

Throughout the development of the NSS and SDSR the Cabinet Office oversaw a strategic programme of stakeholder engagement including key strategic thinkers in the defence and security field, which was conducted by a variety of Departments on both high level and more specific issues. Cross-party consensus was sought through Committees and through instruments such as Defence Debates. International partners, academia, and the private sector were consulted regularly. The MoD consulted members of the Armed Forces and their families. Constructive feedback was gained from each stakeholder, which was fed into the development of both the NSS and SDSR.

The Government briefed key academics, journalists, and officials as part of a coordinated communications strategy at the time of the announcement to ensure that the outcomes of the NSS and SDSR were clearly communicated to the Armed Forces and the UK public. This was followed up by a series of speeches and interviews by Ministers and Senior Officials to discuss the intricacies of the SDSR and NSS.

Separately, the MoD communicated the outcomes of the SDSR down the chain of command of the Armed Forces including to forces on the front line in Afghanistan. We are now committed to a period of ongoing discussions with trade unions, local councils, and relevant local interest groups to implement the conclusions of the SDSR. This includes base closures and relocation of Defence personnel and ensure those affected are engaged in implementation plans.

The Government has received extensive feedback through a wide range of channels including Parliamentary and media commentary, surveys and reports conducted by a range of think tanks, academics and non-governmental organisations, and correspondence from members of the public both direct and through their Members of Parliament. The risk-based and integrated pan-Government nature of the SDSR has been generally welcomed. Reactions to specific measures, especially given the wider financial context, have inevitably been more mixed with most individual measures receiving a combination of criticism and commendation from different sources. We have not yet within that identified any particular common general themes emerging.

14. Timing of future SDSRs and planning. How will the NSS be updated and by whom? Can lost capabilities be regenerated?

The Government will publish an annual report of progress, for scrutiny by the Joint Parliamentary Committee on the NSS, and is committed to producing a new NSS and SDSR in the next Parliament.

The NSS will accompany future SDSRs as part of the logical process of assessing and determining our risks, priorities, and capabilities. The process will be driven from the centre by the NSC through the NSA and Cabinet Office National Security Secretariat.

We will also refresh the National Security Risk Assessment biennially to ensure that our fundamental national security judgements remain right, that the changes we decide upon are affordable, and that our strategy provides the right basis on which to deliver security for the UK, its interests and people.

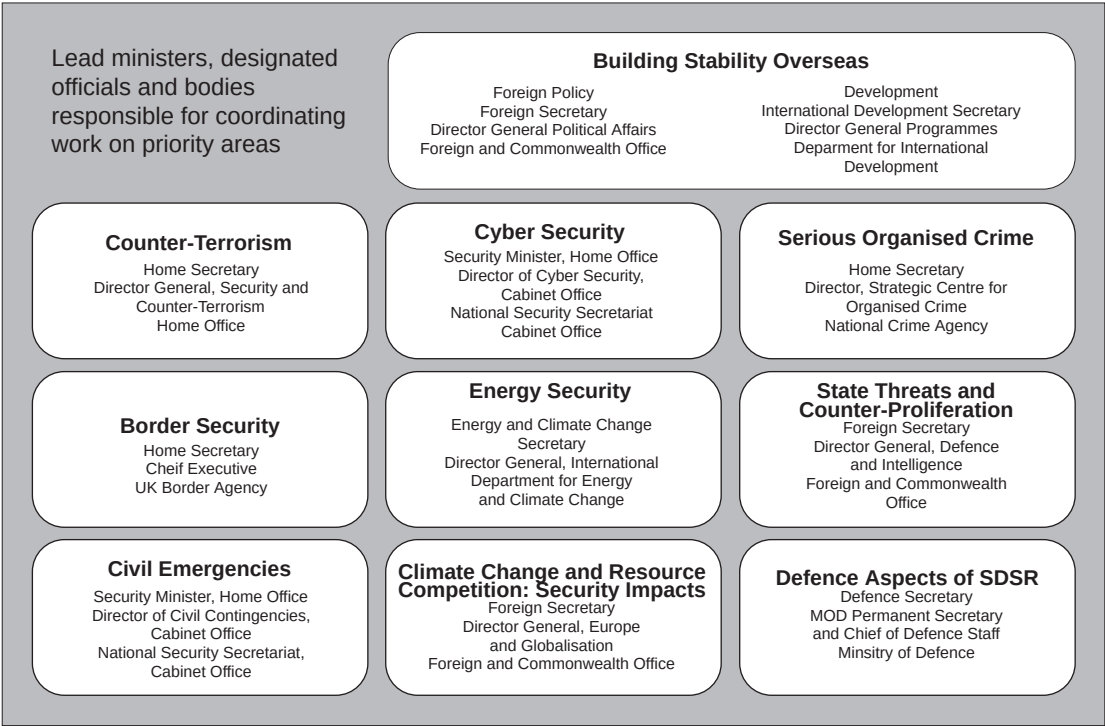
The SDSR makes clear that some capabilities will be on extended readiness and others will need to be regenerated and we will preserve the ability to reconstitute military capabilities. This will form part of our management of risk for those capabilities we will lose. Regeneration of capabilities in the event of a major shift in the strategic environment or threat we face will be kept under consideration.

The SDSR is a point of departure not the end of the line. We have set a path to 2020 and beyond with regular reviews every five years. The first period from 2010 to 2015 is a period of rebalancing our strategic direction. The period from 2015 to 2020 will be about regrowing capability and achieving our overall vision. For example, the withdrawal from service of Harrier means our carrier strike capability will be gapped. This has been a difficult decision that has not been taken lightly. It has been driven by the need to make economies over the short term and the fact that withdrawal of an aircraft type delivers greater savings than partial reductions. Re-establishment of the capability will be a challenge, but one that we judge to be manageable. This decision does not devalue the importance we attach to the future capability.

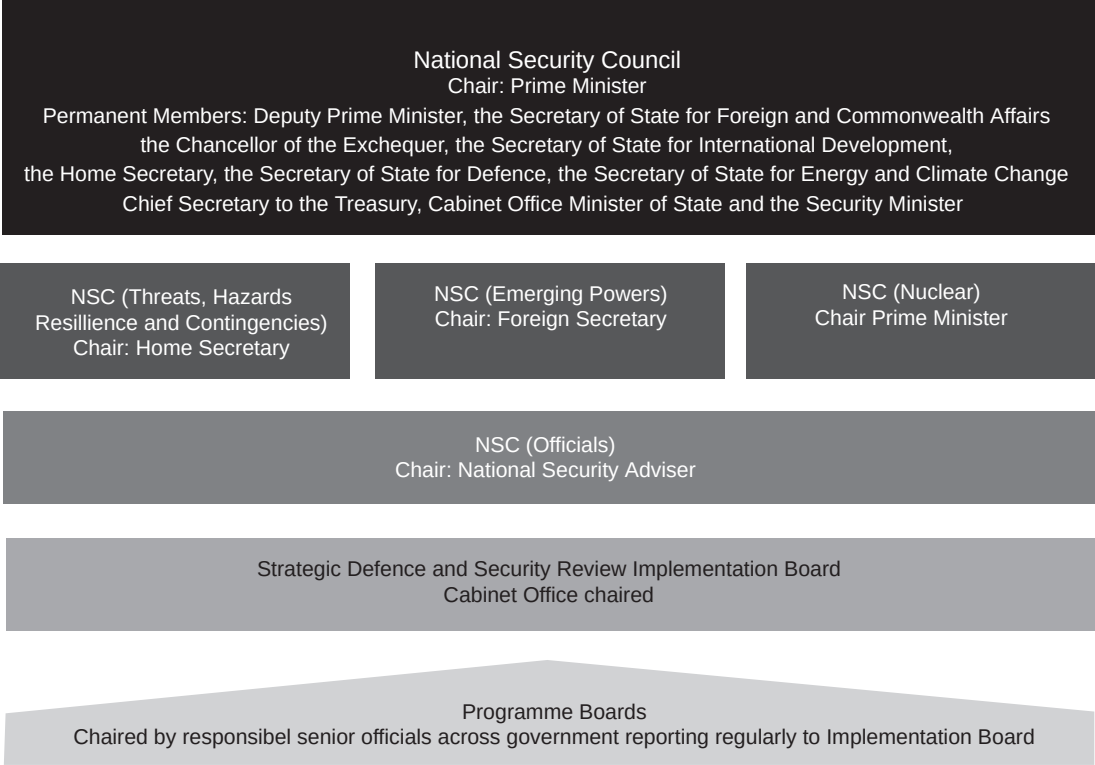
Annex A

SDSR IMPLEMENTATION

Details of lead ministers, designated officials and bodies responsible for coordinating work on priority areas across all relevant departments are as follows:



National Security Council Structure



MEMBERSHIP AND TERMS OF REFERENCE OF THE NATIONAL SECURITY COUNCIL AND ITS
SUB-COMMITTEES

NATIONAL SECURITY COUNCIL

Membership

Prime Minister, First Lord of the Treasury and Minister for the Civil Service (Chair) (The Rt Hon David Cameron MP).

Deputy Prime Minister, Lord President of the Council (Deputy Chair) (The Rt Hon Nick Clegg MP).

First Secretary of State, Secretary of State for Foreign and Commonwealth Affairs (The Rt Hon William Hague MP).

Chancellor of the Exchequer (The Rt Hon George Osborne MP).

Secretary of State for the Home Department; and Minister for Women and Equalities (The Rt Hon Theresa May MP).

Secretary of State for Defence (The Rt Hon Dr Liam Fox MP).

Secretary of State for Energy and Climate Change (The Rt Hon Chris Huhne MP).

Secretary of State for International Development (The Rt Hon Andrew Mitchell MP).

Chief Secretary to the Treasury (The Rt Hon Danny Alexander MP).

Minister of State—Cabinet Office (The Rt Hon Oliver Letwin MP).

Minister for Security (The Rt Hon Baroness Neville-Jones).

Terms of Reference

To consider matters relating to National Security, Foreign Policy, Defence, International Relations and Development, Resilience, Energy and Resource Security.

NSC (THREATS, HAZARDS, RESILIENCE AND CONTINGENCIES)

Membership

Prime Minister, First Lord of the Treasury and Minister for the Civil Service (Chair) (The Rt Hon David Cameron MP).

Deputy Prime Minister, Lord President of the Council (Deputy Chair) (The Rt Hon Nick Clegg MP).

First Secretary of State, Secretary of State for Foreign and Commonwealth Affairs (The Rt Hon William Hague MP).

Chancellor of the Exchequer (The Rt Hon George Osborne MP).

Lord Chancellor, Secretary of State for Justice (The Rt Hon Kenneth Clarke QC MP).

Secretary of State for the Home Department; and Minister for Women and Equalities (The Rt Hon Theresa May MP).

Secretary of State for Defence (The Rt Hon Dr Liam Fox MP).

Secretary of State for Business, Innovation and Skills (The Rt Hon Dr Vincent Cable MP).

Secretary of State for Energy and Climate Change (The Rt Hon Chris Huhne MP).

Secretary of State for Health (The Rt Hon Andrew Lansley CBE MP).

Secretary of State for Education (The Rt Hon Michael Gove MP).

Secretary of State for Communities and Local Government (The Rt Hon Eric Pickles MP).

Secretary of State for Transport (The Rt Hon Philip Hammond MP).

Secretary of State for Environment, Food and Rural Affairs (The Rt Hon Caroline Spelman MP).

Secretary of State for International Development, (The Rt Hon Andrew Mitchell MP).

Secretary of State for Northern Ireland (The Rt Hon Owen Paterson MP).

Secretary of State for Culture, Olympics, Media and Sport (The Rt Hon Jeremy Hunt MP).

Minister for Security (The Rt Hon Baroness Neville-Jones).

(Restricted attendance for intelligence matters to: Prime Minister (Chair), Deputy Prime Minister (Deputy Chair), Secretary of State for Foreign and Commonwealth Affairs, Chancellor of the Exchequer, Secretary of State for the Home Department, Secretary of State for Defence.)

Terms of Reference

To consider issues relating to terrorism and other security threats, hazards, resilience and intelligence policy and the performance and resources of the security and intelligence agencies; and report as necessary to the National Security Council.

NSC (NUCLEAR)

Membership

Prime Minister, First Lord of the Treasury and Minister for the Civil Service (Chair) (The Rt Hon David Cameron MP).

Deputy Prime Minister, Lord President of the Council (Deputy Chair) (The Rt Hon Nick Clegg MP).

First Secretary of State, Secretary of State for Foreign and Commonwealth Affairs (The Rt Hon William Hague MP).

Chancellor of the Exchequer (The Rt Hon George Osborne MP).

Secretary of State for the Home Department, and Minister for Women and Equalities (The Rt Hon Theresa May MP).

Secretary of State for Defence (The Rt Hon Dr Liam Fox MP).

Secretary of State for Energy and Climate Change (The Rt Hon Chris Huhne MP).

Terms of Reference

To consider issues relating to nuclear deterrence and security.

NATIONAL SECURITY COUNCIL (EMERGING POWERS)

Membership

First Secretary of State, Secretary of State for Foreign and Commonwealth Affairs (Chair) (The Rt Hon William Hague MP).

Secretary of State for Business, Innovation and Skills (Deputy Chair) (The Rt Hon Dr Vincent Cable MP).

Chancellor of the Exchequer (The Rt Hon George Osborne MP).

Secretary of State for the Home Department; and Minister for Women and Equalities (The Rt Hon Theresa May MP).

Secretary of State for Defence (The Rt Hon Dr Liam Fox MP).

Secretary of State for Energy and Climate Change (The Rt Hon Chris Huhne MP).

Secretary of State for International Development (The Rt Hon Andrew Mitchell MP).

Chief Secretary to the Treasury (The Rt Hon Danny Alexander MP).

Minister for Government Policy—Cabinet Office (The Rt Hon Oliver Letwin MP).

Minister of State—Foreign and Commonwealth Office (Mr Jeremy Browne MP).

Minister of State for Security and Counter-Terrorism (The Rt Hon Baroness Neville-Jones).

Terms of Reference

To consider matters relating to the UK's relationship with emerging international powers.

Annex B

<i>Workstrand</i>	<i>Workstrand Title</i>	<i>Description</i>	<i>Deadline</i>
Departmental Review	Green / White Papers on Equipment, Support and Technology for UK Defence and Security	The Green Paper serves as a discussion document intended to stimulate debate and consultation on the UK's approach to equipment, support, and technology. A White Paper will be published in 2011 setting out the Government's approach to these issues for the next five years until the next SDSR in 2015.	White Paper to be published later in 2011
Departmental Review	Youth Engagement Review	MoD is undertaking a study of all youth matters in the Youth Engagement Review. This will include how best to deliver the Cadet Movement.	Autumn 2011
Departmental Review	Exchange/Liaison Office Review	Review of MoD exchange and liaison officer plot.	Expected to be March 2011.
Departmental Review	Full Yellow Book Review	The Yellow Book (the Government Profit Formula and Its Associated Arrangements) is owned by HMT; MoD has delegated authority for the operation of the regime as the MoD is currently the only Department that uses its provisions in the placement of non-competitive contracts.	The review started in January 2011 and is set to last around 18 months
SDSR Implementation	Transforming Force structures	Ensure that the UK has the required force structure, training and equipment to carry out operations as part of the implementation of the SDSR	Ongoing work to deliver the Future Force Structure 2010. See the MoD Business Plan for further details up to April 2015.
SDSR Implementation	TA and Reserves Review	Review of structure, experience and skills of our Reserves Forces	Expected to be completed by June 2011.
SDSR Implementation	Developing a New Employment Model	Review current Terms and Conditions of Service and make adjustments where appropriate to ensure the expectations of Service personnel and the demands we place upon them are balanced and fit for the future.	Plan to report by summer 2012. See the MoD Business Plan for further details up to April 2015.
SDSR Implementation	Rebuilding the Armed Forces Covenant	The Government recognises the need to do more to ensure our Armed Forces, veterans and their families have the support they need and are treated with the dignity they deserve.	Publications relating to the Covenant in spring 2011 See the MoD Business Plan for further details up to April 2015.

<i>Workstrand</i>	<i>Workstrand Title</i>	<i>Description</i>	<i>Deadline</i>
Defence Reform	Work to develop a new, more cost-effective model for the management of Defence, with clear allocation of responsibility, authority and accountability. This includes specific workstrands on: — Overall operating model, decision framework, top structure — Behaviours & culture — Strategy — Planning & financial management — Force generation and the generating force — People & the employment model — Training — Acquisition & support — Estates & Corporate Services — Jointery — Operations		To deliver an implementation plan by September 2011. See the MoD Business Plan for further details up to April 2015.

Annex C**NATIONAL SECURITY TASKS AND PLANNING GUIDELINES**

We will:

1. *Identify and monitor national security risks and opportunities. To deliver this we require:*

- a coordinated approach to early warning and horizon scanning;
- strategic intelligence on potential threats to national security and opportunities for the UK to act;
- coordinated analysis and assessment of the highest priorities;
- investment in technologies to support the gathering of communications data vital for national security and law enforcement; and
- intelligence assets to support the core military, diplomatic and domestic security and resilience requirements set out below, and our economic prosperity.

2. *Tackle at root the causes of instability. To deliver this we require:*

- an effective international development programme making the optimal contribution to national security within its overall objective of poverty reduction, with the Department for International Development focussing significantly more effort on priority national security and fragile states;
- civilian and military stabilisation capabilities that can be deployed early together to help countries avoid crisis or deal with conflict; and
- targeted programmes in the UK, and in countries posing the greatest threat to the UK, to stop people becoming terrorists.

3. *Exert influence to exploit opportunities and manage risks. To deliver this we require:*

- a Diplomatic Service that supports our key multilateral and bilateral relationships and the obligations that come from our status as a permanent member of the UN Security Council and a leading member of NATO, the EU and other international organisations;
- a Foreign and Commonwealth Office-led global overseas network that focuses on safeguarding the UK's national security, building its prosperity, and supporting UK nationals around the world;
- coordinated cross-government effort overseas to build the capacity of priority national security and fragile states to take increasing responsibility for their own stability; and
- strategic military power projection to enhance security, deter or contain potential threats, and support diplomacy.

4. *Enforce domestic law and strengthen international norms to help tackle those who threaten the UK and our interests, including maintenance of underpinning technical expertise in key areas. To deliver this we require:*

- law enforcement capability to investigate and where possible bring to justice terrorists and the most seriously harmful organised criminal groups impacting on the UK;
- continuous development of the rules-based international system;
- stronger multilateral approaches for countering proliferation and securing fissile material and expertise from malicious use; and
- retention of our chemical, biological, radiological and nuclear science and technology capabilities that contribute to counter-proliferation and our response to the potential use of such materials by terrorist or state actors.

5. *Protect the UK and our interests at home, at our border and internationally, to address physical and electronic threats from state and non-state sources. To deliver this we require:*

- a minimum effective nuclear deterrent;
- secure borders;
- security and intelligence services and police counter-terrorism capability to disrupt life-threatening terrorist threats to the UK;
- military capabilities to help protect the UK from major terrorist attack;
- an independent ability to defend the Overseas Territories militarily; and
- investment in new and flexible capabilities such as cyber to meet emerging risks and threats.

6. *Help resolve conflicts and contribute to stability. Where necessary, intervene overseas, including the legal use of coercive force in support of the UK's vital interests, and to protect our overseas territories and people. To deliver this we require:*

- an integrated approach to building stability overseas, bringing together better diplomatic, development, military and other national security tools;
- Armed Forces capable of both stabilisation and intervention operations;
- a civilian response scaled to support concurrency and scale of military operations; and
- the military ability to help evacuate UK citizens from crises overseas.

7. *Provide resilience for the UK by being prepared for all kinds of emergencies, able to recover from shocks and to maintain essential services. To deliver this we require:*

- security and resilience of the infrastructure most critical to keeping the country running (including nuclear facilities) against attack, damage or destruction;
- crisis management capabilities able to anticipate and respond to a variety of major domestic emergencies and maintain the business of government;
- resilient supply and distribution systems for essential services;
- effective, well organised local response to emergencies in the UK, building on the capabilities of local responders, businesses and communities; and
- enhanced central government and Armed Forces planning, coordination and capabilities to help deal with the most serious emergencies.

8. *Work in alliances and partnerships wherever possible to generate stronger responses. To deliver this we require:*

- collective security through NATO as the basis for territorial defence of the UK, and stability of our European neighbourhood, as well as an outward-facing EU that promotes security and prosperity;
- our contribution to international military coalitions to focus on areas of comparative national advantage valued by key allies, especially the United States, such as our intelligence capabilities and highly capable elite forces;
- greater sharing of military capabilities, technologies and programmes, and potentially more specialisation, working with key allies, including France, and based on appropriate formal guarantees where necessary; and
- a Defence Industrial and Technology policy that seeks to secure the independence of action we need for our Armed Forces, while allowing for increased numbers of off-the-shelf purchases and greater promotion of defence exports.

Supplementary evidence from the Ministry of Defence

1. *Copies of any additional or updated strategic trends publications (Q 71)*

Papers by the Development, Concepts and Doctrine Centre (DCDC) are published online at <http://www.mod.uk/DefenceInternet/MicroSite/DCDC/OurPublications>. There have been no more recent updates of the strategic trends papers the Committee already has copies of.

2. *An update on progress on the defence engagement strategy (including completion date and whether strategy will be published) (Q 121)*

The Defence Engagement strategy development will conclude this Autumn. We will inform Parliament of our key findings. It is being jointly developed by the MoD and FCO. We have already begun to scope which tools contribute to defence engagement and will now be exploring how we can maximise the effect that these defence assets and activities can have in support of the NSC's priorities for UK foreign policy. To increase the impact of this strategy, we will closely link it to a wide range of complementary SDSR strategic work, such as Building Stability Overseas, CONTEST, Counter proliferation and the Emerging Powers work.

3. *A list of tasks that are undertaken centrally that should be devolved and those that are devolved that should be undertaken centrally (Q 127)*

As set out in its terms of reference, the Defence Reform Review led by Lord Levene is a fundamental examination of how the Ministry of Defence is structured and managed. Its purpose is to develop a new model for Departmental management, which is simpler and more cost-effective, with clear allocation of responsibility, authority and accountability. It is taking account of:

- the Secretary of State's vision of a leaner and less centralised Department that is built around policy and strategy, the Armed Forces, and procurement and estates;
- the need for a more effective and efficient approach to force generation;
- the need to deliver integrated Defence outputs, including in current operations, and the importance of joint Service activity and effective military/civilian cooperation for that purpose;
- the need to reduce MoD running costs significantly;
- any decisions of the Strategic Defence and Security Review which significantly impact on Defence organisation and management; and
- the Permanent Secretary's role as principal Accounting Officer for the Defence budget.

Lord Levene is due to report by July 2011, and it would be inappropriate to speculate as to his detailed recommendations, including on the balance between centralisation and delegation in Defence. But where it is possible to do so we are making decisions on specific proposals in advance of the final report. There have been two such to date.

On 16 February we announced proposals to create a single Defence Infrastructure Organisation to replace the Defence Estates organisation and include Top Level Budget (TLB) property and facilities management functions. Following consultation with the Trades Unions this launched at the beginning of April 2011. It places all estates, utilities and facilities management staff, hitherto spread across Defence Estates and every other TLB, under central leadership and will deliver consistent and professional standards of service across all areas of the Department. It has responsibility for MoD expenditure on infrastructure management and delivery activities, although each TLB retains a small user/intelligent customer infrastructure team to fulfil the function of identifying and defining infrastructure requirements. Expert staff continue to be based in TLBs, but managed by the Defence Infrastructure Organisation.

On 22 March we announced significant changes to the way we will provide corporate services in future. The main elements are:

- to strengthen the role of the key corporate service process owners (the people who set the rules and standards for our corporate services such as civilian HR, finance and commercial), giving them greater authority over and accountability for their functions and processes. This came into effect on 1 April 2011;
- to bring together the delivery of corporate services into a new Defence Business Services organisation which will stand up on 1 July and include elements of civilian HR, finance, information services and commercial functions;
- to place the Defence Vetting Agency into DBS in Autumn 2011—subject to the decision on the proposal to create a single vetting provider across government; and
- to transfer the military HR functions performed by the Service Personnel and Veterans Agency to the DBS in 2013—subject to final endorsement.

We are consulting the Trade Unions on the proposals for a Defence Business Services organisation before reaching a final decision and will be providing further details about the changes when that is complete.

4. *A detailed analysis of the £38 billion over commitment in the defence programme, including how the figure was calculated, how much of it is already contractually committed, how much was in the equipment plan but not contractually committed (aspirational), and how much has it been reduced post SDSR (Qq 128–137, Qq 144–149)*

The £38 billion gap in the Defence Budget was calculated prior to the outcomes of the Strategic Defence and Security Review. It is the estimated difference between the cost of the planned Defence programme and the MoD budget over the 10 years 2011–12 to 2020–21, assuming that the 2010–11 budget would rise in line with inflation (calculated using the HM Treasury GDP Deflators). The estimates were based on a number of other assumptions, including inflation, fuel prices, foreign exchange rates and Armed Forces pay awards. They have, therefore, the potential to change over time.

The cost of the Defence Programme was calculated on the basis of the Department's planned policy commitments before the SDSR, and what would be required to meet them, in terms of personnel, equipment, training, support and estates and so on. It did not break out elements according to what was, and was not, contractually committed. To undertake the work to analyse the £38 billion figure in this way would entail disproportionate costs. Moreover, since Defence is effectively committed to expenditure on things that we are not contractually committed to, (for example service pay) it is not necessarily helpful to break down the figures in this way.

The SDSR and Planning Round 2011 have made major steps in addressing the gap in the Defence Budget. However, the Department has always been clear that the SDSR was the start of a process. Planning Round 2011 was also a part of that process, and we expect the review of military bases and the Defence Reform review to allow the Department to close the gap further. We have committed to carrying out an assessment of the costs and affordability of the equipment programme, which will be accompanied by an independent audit from the NAO. It is not helpful to speculate on the possible size of any remaining gap in the meantime.

5. *An update on PR11 and discussions with the Treasury on Typhoon sales receipts (Qq 138–140)*

The Department has concluded Planning Round 2011. The outcomes of the Planning Round take forward the decision made in the SDSR and do not impact operations in Afghanistan or Libya. The Defence Secretary will make a statement to the House on SDSR progress and the Department's finances after Parliament returns from Recess.

We have discussed all relevant Planning Round options with HM Treasury. As HM Treasury and the Secretary of State have made clear, the Spending Review settlement will not be reopened.

June 2011

Letter from Rt Hon Liam Fox MP, Secretary of State, Ministry of Defence, to the Chair

MINISTRY OF DEFENCE (MOD) URGENT OPERATIONAL REQUIREMENTS (UOR): FUNDING 2010–11 AND 2011–12

Given the House of Commons Defence Committee's interest in how we fund equipment for operations from the Treasury Reserve I thought it would be appropriate to provide you with an update on our UOR funding arrangements for Financial Year 2010–11 and our UOR estimate for the current financial year.

For FY 2010/11 we agreed a UOR estimate of £850 million with HMT and whilst our final outturn figures are currently under review, we expect our actual spend will have been well within this. This welcome development reflects the growing robustness of our financial management processes for expenditure on Afghanistan as well as a number of successful efforts to drive down costs.

I'm also pleased to tell you that we have also agreed a FY 2011/12 UOR estimate of £882 million with HMT. This estimate now includes provision for the costs associated with embedded partnering, equipping the Theatre Reserve Battalion, and the force uplift to 9,500 troops, which were previously accounted for separately.

Taken in conjunction with separate financial provision of up to £202 million for FY 2011/12 provided by the Treasury for the Light Protected Patrol Vehicle programme the Government is making over £1Bn available to spend on UOR equipment from the Reserve for current operations out to April 2012.

Exceptionally, for FY 2010/11, up to £150 million was provided by HMT for Urgent Defence Requirements (UDR). This was designed to purchase equipment that was urgently needed for operations but that did not meet the UOR criteria in full and also provided wider utility for Defence. The forecast UDR spend is also well within the estimate and whilst this facility has been useful we will not be seeking to continue this arrangement. We will instead decide on a case-by-case basis with the Treasury which individual projects should receive "bring forward" in-year funding.

9 June 2011

Supplementary evidence from the Ministry of Defence

RESPONSE FROM THE MINISTRY OF DEFENCE

Qq 217–225: Additional information on pilot numbers and training for carrier capability. Information on timescales would also be helpful

The Royal Navy has an agreement with the US Navy for 11 Fleet Air Arm pilots to fly US Navy F18's as part of the UK carrier programme, and is discussing the scope for a further 19 (a total of 30). This is the minimum number the Royal Navy requires to develop suitably qualified and experienced personnel to manage and operate the new carrier. They will not all be present at the same time. Four are currently in the US (three flying, one on a course). The rest will be spread out between now and 2017, with a peak of around eight at one time. These numbers are driven by the need to develop and maintain the core skills to operate UK carriers. Many of the pilots trained in the early part of this process will not fly JSF themselves, but need the training and experience to undertake key positions within the UK ship's company, such as Commander (Air), Lt Commander (Flying), Strike Operations, Strike Planning and Landing Safety Officers. There will be a further programme, already agreed in outline with the US Navy, for non-pilot training such as operating the deck, catapult and arrestor gear, and operating the ship itself (such as Navigators). We are working with the US Navy to determine numbers and timelines.

The Royal Navy and Royal Air Force will need to start training pilots to fly JSF from UK carriers from about 2017. The Joint JCA team being set up within Air Command will take this forward.

An update on the Service Chiefs' review of force generation and sustainability

The Defence Secretary announced a review of Force Generation in the SDSR White Paper and directed that it should be conducted under the overall umbrella of Defence Reform. The Service Chiefs have supported the review throughout and conducted an analysis of the factors that impact on harmony, including tour lengths and tour intervals, together with consideration of where scope exists to make the process of force generation more efficient. The review will report to the Defence Secretary shortly.

What steps have been taken to ensure that the outcomes of the UK's SDSR fit in with the defence reviews of allies and partners, such as NATO, to guard against unforeseen risks or capability gaps?

The SDSR took account of the range of strategic reviews undertaken by our key allies and partners and NATO's own work. Although there were distinct timelines for many of the specific documents, much was done during SDSR to ensure it was informed by the thinking and decisions of those countries with which the UK works most closely and developed proposals with them on approaches of mutual benefit. It was a tenet of SDSR that we would work closely with them given our shared interest in enhancing cooperation. Managing shared risks and filling capability gaps are crucial aspects of this work. The US Quadrennial Defense Review in 2010 and the SDSR later that year were developed with a shared strategic perspective which allowed us to better focus on priority areas for example counter-terrorism, cyber security and resilience and to develop capabilities that would be mutually reinforcing. The French "Livre Blanc" in 2008 was also influential in helping the UK and France build a shared strategic perspective. Specific proposals for bilateral cooperation took practical shape in the SDSR in the form of aligning our high readiness forces (now being taken forward for example as the Combined Joint Expeditionary Force following the UK-France Summit in November 2010), our logistics support for transport aircraft and cyber security. The decision in SDSR to install catapult and arrestor gear on the new UK carrier will allow the development of joint Maritime Task Groups with the US and France to ensure more continuous carrier-strike capability.

The UK has been active in supporting NATO's continuing Reform initiatives and the SDSR provided an opportunity to set out our continued commitment to a full range of operations from piracy to counter-terrorism and cyber defence. Through the SDSR and NATO's Lisbon Summit in November 2010 we reassured Allies that we would continue to meet NATO's defence spending target of 2% GDP, and that we remained fully committed to the UK's HQ Allied Rapid Reaction Corps (ARRC). We also continue to contribute to a wide range of military capability development programmes and initiatives with NATO, and support the EU Battle Group (EUBG) concept which develops further burden-sharing with European partners. The detail of the SDSR was incorporated in the UK's response to the NATO Capability Survey submitted to NATO earlier this year. This has been examined in detail by NATO HQ and the Allies and compared against NATO's agreed Level of Ambition, taking into account the contributions of other Allies, to guard against the emergence of unforeseen risks and capability gaps. Should gaps be identified, they will be assessed by NATO and corrective actions proposed to the Allies. Operations in Libya in support of UNSCR 1973 have shown that there are many practical steps that we can take to share the burden, manage risks and fill capability gaps through a close coordination of the military contributions by participating states.

ANSWERS FROM CHIEF OF THE NAVAL STAFF

1. *The SDSR announced a decrease of 25,000 MoD civil servants by 2015. What effect will this and the work of the Defence Reform Unit have on the ability of each Service to fulfil its role?*

The Naval Service is supported by Civil Servants and they are integral to the way in which we work, contributing directly to our success on operations. This includes the very visible element of the Royal Fleet Auxiliary, but also many others working either directly in Navy Command or in the Defence Equipment and Support organisation.

The Defence Reform Unit is yet to deliver its report and recommendations but clearly once it has, they should significantly contribute to how the MoD can work more efficiently and effectively. It, together with the broader efficiency targets set in the SDSR and other initiatives such as the Navy Command Review, will be how the Department will work to deliver the decrease in personnel and ensure that the Services fulfil their roles.

2. *An update on the Service Chiefs' review of force generation and sustainability*

The Defence Secretary announced a review of Force Generation in the White Paper and directed that it should be conducted under the overall umbrella of Defence Reform. I welcome this review which has conducted an analysis of the factors that impact on harmony, including tour lengths and intervals. I look forward to it improving the efficiency of the Department's force generation process. The review is not yet complete.

3. *What steps have been taken to ensure that the outcomes of the UK's SDSR fit in with the defence reviews of allies and partners, such as NATO, to guard against unforeseen risks or capability gaps?*

Very careful consideration was given throughout the SDSR to ensure that the future capabilities of the Services were considered in concert with those of our closest allies, with whom we would expect to be closely involved with on operations. This was built on our long standing knowledge of each others' capabilities and discrete discussions with our closest partners.

4. *What input have the Service Chiefs had into potential alliances, such as those with the French?*

The effectiveness of our military partnerships with our allies are based on core single Service relationships for instance between the RN and the French Navy. These are built over a long period and all the COS take great care to ensure they are properly nurtured. This extends to new alliances as well as those of longer standing. I think the Service COS input is properly valued by the Department in this regard.

5. *Does the alliance with France reduce UK capability gaps?*

Though the Defence Cooperation Treaty was signed on 2 November last year, the RN has been operating closely with the French for many years, and a number of the Treaty objectives were already being worked through on both sides of the Channel. We now have 15 Working Groups working towards two key headlines; Combined Joint Expeditionary Force and Carrier Strike. The Treaty objectives are far reaching and look predominantly at increasing cooperation whilst saving money.

We are looking closely at where France can help reduce our medium term capability perturbations (MPA/Airborne ASW in particular), but this is at the very early stages of investigation. Generation of our Carrier Strike capability, which will be very challenging, is only deliverable with the continuous support of our American and French allies. It is important, however, that we do not allow this Treaty or other close alliances, to reduce our capability to operate independently when necessary.

ANSWERS FROM CHIEF OF THE GENERAL STAFF

1. *The SDSR announced a decrease of 25,000 MoD civil servants by 2015. What effect will this and the work of the Defence Reform Unit have on the ability of each Service to fulfil its role?*

The Army share of the 25,000 target is just over 5,800 out of a baseline of 16,000 UK based and 5,000 locally engaged (mainly Germany based) civilians—a reduction of around 28%. By comparison, the SDSR announced a reduction in the Army's military manpower of around 7%.

Managing a significantly bigger reduction in the civilian part of the workforce will be challenging. The Army relies heavily on a broad range of civilian support to deliver its outputs, including in specialist roles such as firemen, range wardens and technical instructors, as well as in what are often singleton posts distributed across a far-flung estate in the UK and abroad. For the most part civilians are employed in these roles because it is more cost-effective to use civilian than military staff.

In planning the reduction, the priority has been to protect the Army's core outputs, including support to operations, and ensure coherence with military reductions. The approach is broadly:

- So far as possible to release posts through planned structural and organisational change, such as the drawdown from Germany and changes to the UK regional structure announced in SDSR;

- To rationalise provision of corporate services, including through radical simplification of the Army's budget structures;
- To apply rigorous prioritisation to the use of civilians across the Army.

It is too early to assess the impact on the Army's ability to fulfil its role, but Comd Sec LF is clear that our civilian staff will remain a vital and substantial component of the Army workforce.

2. *An update on the Service Chiefs' review of force generation and sustainability*

The Defence Secretary announced a review of Force Generation in the White Paper and directed that it should be conducted under the overall umbrella of Defence Reform. The Service Chiefs have supported the review throughout and conducted an analysis of the factors that impact on harmony, including tour lengths and tour intervals, together with consideration of where scope exists to make the process of force generation more efficient. The review is nearing completion and will report to the Defence Secretary shortly.

3 *What steps have been taken to ensure that the outcomes of the UK's SDSR fit in with the defence reviews of allies and partners, such as NATO, to guard against unforeseen risks or capability gaps?*

- The Association of Military Attachés were all closely briefed on the outcomes of SDSR and the process.
- The DA chain enables close briefing to countries on current issues.
- Every Army Staff Talks has begun with an Army presentation of the process and outcomes of SDSR (since the announcements).
- There is a continuous stream of information between the GS LOs and their respective countries (US, FR and DEU).

4. *What input have the Service Chiefs had into potential alliances, such as those with the French?*

- There are annual Army Staff Talks and Steering Talks most notably with the US, French, Germans and Australians. There are further Army Staff Talks at a lower level with other major countries and International Army Talks with lower priority nations. All these relate to the priorities outlined in the Security Cooperation Operations Group.

With regard to France, CGS has signed a Joint Letter of Intent with CEMAT highlighting an agreed way forward for the Land Component of the CJEF concept. Through the Army Staff Talks process lines of future training and interoperability are investigated. Through agreeing a common view of the future, a more aligned and interoperable procurement programme may be possible. This therefore links to the potential reduction in capability gaps.

5. *Does the alliance with France reduce UK capability gaps?*

- So far, talks are at a relatively early stage and no significant Army capability gaps have been closed.
- There are, however, a number of areas where greater co-operation will bring efficiencies and increased capabilities. These lie mainly in equipment procurement, training and logistics.

In common with any other bilateral military arrangement, it is important that any agreements allow for future political divergence and do not allow our own national operational capabilities to be put unduly at risk. There is therefore a balance to be struck as we progress this initiative.

ANSWERS FROM CHIEF OF THE AIR STAFF

Q1. *The SDSR announced a decrease of 25,000 MoD civil servants by 2015. What effect will this and the work of the Defence Reform Unit have on the ability of each Service to fulfil its role?*

Planned reductions in civilian manpower and their impact on the RAF need to be set in the context of station closures and the contractorisation of services, such as Catering, Retail and Leisure, across the RAF. These will necessitate a rundown of civilian manpower which will not impact on RAF operational outputs beyond those directed as a result of the outcome of the 2010 SDSR. The RAF is also pursuing further internal efficiencies, such as a reduction in the size of HQ Air Command, which will maintain outputs while reducing both the Service and civilian components of the staff.

However, the main outcomes from the Defence Reform Review and the work of the Defence Reform Unit are still awaited, although early initiatives have afforded the RAF further opportunities to make savings in civilian manpower by centralising services previously provided by staff belonging to each individual MoD operating area. Whilst it will take some time for these various initiatives to be introduced and bed in, I hope that they will have only a minimal impact on operational output.

Q2. *An update on the Service Chiefs' review of force generation and sustainability*

The Defence Secretary announced a review of Force Generation in the White Paper and directed that it should be conducted under the overall umbrella of Defence Reform. The review is in the process of analysing

the factors that impact on harmony guidelines, including tour lengths and tour intervals. I know that I and the other Service Chiefs would welcome any proposals to make the process of force generation more efficient and I look forward to receiving the review's findings shortly.

Q3. What steps have been taken to ensure that the outcomes of the UK's SDSR fit in with the defence reviews of allies and partners, such as NATO, to guard against unforeseen risks or capability gaps?

The Department as a part of SDSR assessed the capabilities of our closest allies and wherever possible looked at developing joint approaches to mitigate capability gaps. Indeed the outcome of SDSR has been examined by both NATO HQ and member countries to ensure that NATO's agreed Level of Ambition is not undermined. If capability gaps do emerge then I am sure that NATO will propose corrective action to the Allies. However, judging by current operations in Libya, in support of UNSCR 1973, we have been able to share the burden, manage risks and fill capability gaps as part of this coalition operation. But, no two operations are alike and hence we must continue to actively coordinate the military contributions of participating states now and in the future to mitigate against potential capability gaps.

Q4. What input have the Service Chiefs had into potential alliances, such as those with the French?

After the Defence Cooperation Treaty was signed on the 2 November, the Royal Air Force and French Air Force articulated the key areas of Anglo-French cooperation in the latest iteration of the Directive of Objectives (DOO) document. The DOO 2011 was signed in February by my French counterpart and I, and is a Service-specific agreement regarding areas of collaboration that sits below the Anglo-French Defence and Security Cooperation Treaty and the Letter of Intent regarding the intensification of bilateral cooperation at Joint Armed Services levels. The Directive identifies the implicit tasks that now fall to the Chief of Air Staff of the Royal Air Force and the Chef d'Etat-major de l'Armée de l'air as a direct consequence of the Treaty. However, it should be stated that wherever possible we look at ways of building our relationships with all of our allies and this recent activity with the French builds on the previous work between the two air forces, in particular the DOO 2010.

Q5. Does the alliance with France reduce UK capability gaps?

One of the key tenets of the Defence Cooperation Treaty was the development of a high readiness force. The RAF's contribution to the UK/French Combined Joint Expeditionary Force (CJEF) is based on existing force elements which form part of the UK's high-readiness complex intervention force described in the Defence Planning Assumptions. CJEF is not designed to solve capability gaps, but to improve interoperability between our forces and increase overall combined weight of effort that can be employed where our national security interests are aligned.

From an Air Force perspective, the CJEF will not reduce UK capability gaps in the short- or medium-term. Initial investment is likely to be required in a number of areas, such as secure communications, intelligence sharing and live/synthetic training, to allow the two Air Forces to work closer together to meet the CJEF requirement. It is envisaged that the Anglo-French Defence cooperation would present opportunities in the longer term to assist with capability gaps. In practical terms, initiatives on the development of future Remotely Piloted Aircraft and the twinning of a RAFALE and a TYPHOON squadron are the beginnings of the implementation of complimentary capabilities.

June 2012

Letter from Peter Luff MP, Minister for Defence Equipment, Support and Technology, Ministry of Defence, to the Chair

As the Committee may be aware, Dstl became responsible for the formulation and commissioning of the non-nuclear defence research programme on 1 April 2010, which is carried out through the DST Programme Office within Dstl. This was a consequence of a review commissioned by our Chief Scientific Adviser in 2009 to improve the efficiency and effectiveness of MoD's management of science and technology.

There are two clear benefits from this new approach. First, through removing managerial and geographic interfaces we are able to manage the research programme more efficiently. So, in the current financial year we have made savings in manpower costs, which have been re-directed to funding research projects. Second, we are now able to manage the complete programme more effectively and coherently, with clear oversight, in one place, of each key technological domain.

In moving to these new arrangements, we have put in place a number of measures to ensure transparency and to address any perceived conflict of interest for Dstl in managing the complete programme:

- (a) The R&D Board sets the overall strategy and priorities for the research programme. It is chaired by our Chief Scientific Adviser and to ensure greater transparency for planning and delivery of work, has a number of independent members, including the Chairman of the Defence Scientific Advisory Committee and a senior industrialist nominated by the Defence Industries Council.
- (b) The research programme is managed by the DST Programme Office within Dstl, headed by a Director

level Senior Civil Servant. The Director is directly accountable to the R&D Board for the formulation and commissioning of the programme, and for its efficient and effective management in order to support UK's needs in defence and security capability.

- (c) The DST Programme Office have a clear procurement policy and process for determining whether a particular project or suite of projects is commissioned from an external supplier (ie industry or university) or from a Dstl Department. The policy has been briefed to the Defence Industries Council and to its Research and Development Group.
- (d) The policy states that all work will be undertaken outside of Government unless there is a clear reason for work to be carried out within Government. The criteria to be considered in making these decisions include the need for impartiality, engagement in sensitive policy or national security matters, third party (international or commercial) constraints on information, the need to maintain a critical technology base either in house or within industry, or a legal requirement that work is undertaken by the Crown. A record of the all procurement decisions, supported by detail of the evidence, consultation and rationale considered in reaching such decisions, will be maintained by the DST Programme Office and will be subject to audit.
- (e) The overall balance of the programme is kept under regular review by the R&D Board, advised by officials working for our Chief Scientific Adviser. We have invited the Defence Scientific Advisory Council to undertake an audit of these matters and that audit is currently underway.

I hope I have re-assured you that we are alive to the issues raised with you by the Defence Industries Council. We are seeking the maximum benefit and value, in both the short and long term, from our investment in Defence Research, and there is every indication that the new arrangements are improving that, for example in the range of industry suppliers we are engaging through mechanisms like the Centre for Defence Enterprise. Nonetheless, I can understand the concerns of some industry representatives over Dstl's role and recognise that they will only be fully addressed once we have completed a full year's cycle and demonstrated the practical working of the measures I have described above.

25 January 2011

Further written evidence from the Ministry of Defence

Following the SDSR announcement last October, the Defence Board approved plans to manage the paid release of some 15,500 civil servants from the MoD. While SDSR forecast a reduction in the civilian workforce of 25,000, a proportion of this reduction will be achieved by natural wastage, outsourcing and from reductions in the numbers of overseas locally employed staff.

The initial planning was based on three tranches of releases of 4,000 by 31 March 2012, a further 8,000 by 31 March 2013 and the balance of 3,500 by 31 March 2014. The MoD is committed to making staff reductions by voluntary means wherever possible and, in accordance with its Surpluses Agreement with the Trade Unions (and in line with the Cabinet Office Efficiency & Relocation Support Programme), a Departmental Voluntary Early Release Scheme (VERS) was launched on 28 February.

The VERS attracted almost 14,000 applicants by the closing date of 31 March 2011. This level of interest far exceeded expectations and, while experience suggests that large numbers of applicants may not actually leave, it gave an obvious opportunity to yield financial savings more quickly. Accordingly, it was decided to allow the release of up to 8,000 civil servants in the current financial year.

We will not know until later this year how many staff will actually be leaving in 2011–12. Offers for releases up to 31 October will be issued at the end of this month with replies due back within ten working days. Offers for release dates from 1 November to 31 March 2012 will be going out in stages later in the year.

It would not be normal practice to make a Ministerial announcement about a VERS and we have no plans to do so in this case. Redundancy is different and such announcements are made where it is proposed to close a specific establishment or make significant numbers of staff redundant.

July 2011

Further written evidence from the Ministry of Defence

INFORMATION ON THE MoD ATTACHÉ AND LOAN SERVICE NETWORK

The Committee requested statistics regarding UK Defence Attachés and Training Teams currently deployed around the world by the MoD and the comparative figures for 5, 10, 15, 20 and 25 years ago.

Please find attached the information requested at the following Annexes:

- Annex A—Defence Attachés.
- Annex B—Loan Service teams (including International Military Assistance Training Teams and British Military Assistance Training Teams).

— Annex C—Short Term Training Teams.

Under current arrangements, funding for these activities comes from one of four sources:

1. **Self Funded by the Host Nation**—in these instances costs are recovered from the Host Nation and as such are not recorded as a cost to the Department.
2. **Centrally funded by the MoD.**
3. **Funded by Other Government Departments**—in a very small number of cases, other Government Departments fund MoD posts overseas.
4. Funded using the **Defence Assistance Fund (DAF)**—The DAF is a pot of MoD money set aside specifically for the purpose of Defence Engagement with International counterparts.
5. **Funded by the Tri-Departmental (MoD/FCO/DfID) Conflict Pool**—The Conflict Pool is a tri-departmental fund jointly run by DFID, MoD and FCO and overseen by the Building Stability Overseas (BSO) board. It funds HMG's discretionary conflict prevention and stabilisation work, as well as UK discretionary peacekeeping. It is split into five regional and one thematic programmes:
 - (a) CP(Africa),
 - (b) CP(Wider Europe),
 - (c) CP(South Asia),
 - (d) CP(Afghanistan),
 - (e) CP(Middle East),
 - (f) CP(Building Stability Overseas—Strengthening Alliances & Partnerships) (CP(BSO:SAP)).

Funding allocations are administered on behalf of Ministers by the tri-departmental Building Stability Overseas board, supported by its Secretariat. Once it is clear how much Conflict Pool money will be spent by MoD, this amount is placed onto the MoD baseline from the Conflict Pool allocation.

The following table sets out the Single Service equivalents to the NATO rank codes used in the three annexes.

<i>Rank</i>	<i>Service Equivalent (Navy/Army/RAF)</i>
OF7	Rear Admiral/Major General/Air Vice Marshal
OF6	Commodore/Brigadier/Air Commodore
OF5	Captain/Colonel/Group Captain
OF4	Commander/Lieutenant Colonel/Wing Commander
OF3	Lieutenant Commander/Major/Squadron Leader
OF2	Lieutenant/Captain/Flight Lieutenant
OR9	Warrant Officer 1/Warrant Officer 1/Warrant Officer
OR8	Warrant Officer 2/Warrant Officer 2/No RAF equivalent
OR7	Chief Petty Officer/Staff Sergeant/Flight Sergeant
OR6	Petty Officer/Sergeant/Sergeant

Annex A**DEFENCE ATTACHÉ NETWORK SINCE 1992****Notes**

1. Data on the size and rank structure of our Defence Attaché footprint is not held prior to 1992.
2. Data on the cost of Defence Sections is not held prior to 2001.
3. Grades are shown using NATO rank codes for Officers (OF) and Other Ranks (OR). UK Based Civilians (UKBC) are MoD civil servants posted overseas in bands D and E.
4. The data below does not include locally employed civilian support staff (such as secretaries or drivers).
5. The total cost figures do not include the cost of British Defence Staff Washington, which is administered separately in Washington. In Financial Year 10/11, British Defence Staff Washington cost in total £28.719 million which includes changes for the 131 MoD staff employed within the Embassy. Of these, there are currently eight accredited attachés.
6. Some countries are covered by Non-Resident Attachés based in nearby countries. These are listed in Table 2.

Annex A Table 1**DEFENCE ATTACHÉ NETWORK SINCE 1992**

Country	19 years (1992 data)		15 years (1998 data)		10 years (2001 data)		5 years (2006 data)		Present (2011 data)	
	Officers	Other Ranks	Officers	Other Ranks	Officers	Other Ranks	Officers	Other Ranks	Officers	Other Ranks
Afghanistan	No Defence Section		No Defence Section		No Defence Section		No Defence Section		1 OF5	1 OR7
Albania	No Defence Section		No Defence Section		1 OF4	0	1 OF4	1 OR7	No Defence Section	
Algeria	1 OF5	1 OR6	No Defence Section		No Defence Section		1 OF4	1 OR7	1 OF4	0
Angola	No Defence Section		No Defence Section		1 OF4	1 OR7	No Defence Section		No Defence Section	
Argentina	2 OF5	1 OR9	2 OF5	1 OR6	2 OF5	1 OR6	1 OF5	1 OR6	1 OF5	0
		1 UKBC E1		1 UKBC E1		1 UKBC E1		1 UKBC E1		
Australia	1 OF6	1 OR7	1 OF6	2 OR7	1 OF6	1 OR7	1 OF4	1 UKBC E1	1 OF3	
	2 OF5	2 OR6	2 OF5	1 OR6	1 OF5	1 OR9	1 OF6	1 OR7	1 OF6	1 OR9
		1 UKBC E1				1 OR6	1 OF5	1 OR9	1 OF4	
Austria	1 OF4	1 UKBC E1	1 OF4	1 UKBC E1	1 OF4	1 OR6	1 OF4	1 OR6	2 OF4	1 OR7
									1 OF3	
SMA to OSCE (Vienna)	No Defence Section		No Defence Section		No Defence Section		No Defence Section		1 OF4	0
Bahrain	No Defence Section		No Defence Section		1 OF4	1 OR7	1 OF4	1 OR7	1 OF4	1 OR7
Bangladesh	1 OF5	1 OR6	1 OF5	1 OR6	No Defence Section		1 OF4		1 OF4	1 OR6
Barbados	1 OF5	1 OR7	2 OF5	1 OR7	1 OF5	1 OR7	1 OF5	1 OR7	No Defence Section	
Belgium	1 OF5	1 OR6	1 OF5	1 OR6	1 OF5	1 OR6	0	1 OR6	No Defence Section	
		1 UKBC E1							No Defence Section	
Bosnia & Herzegovina	No Defence Section		No Defence Section		No Defence Section		1 OF4	1 OR6	1 OF4	0

Country	19 years (1992 data)			15 years (1998 data)			10 years (2001 data)			5 years (2006 data)			Present (2011 data)		
	Officers	Other Ranks		Officers	Other Ranks		Officers	Other Ranks		Officers	Other Ranks		Officers	Other Ranks	
Brazil	2 OF5	1 OR6 1 UKBC E1		2 OF5	1 OR6 1 UKBC E1		1 OF5	1 OR6		1 OF5	1 OR7 1 UKBC E1		1 OF5	1 OR7	
Brunei	No Defence Section			No Defence Section			1 OF5	0		1 OF5	0		1 OF5	0	
Bulgaria	1 OF4	1 OR8 1 OR6		1 OF4	1 OR8		1 OF5 1 OF4	1 OR8		1 OF5 1 OF3	1 OR8		No Defence Section		
Canada	1 OF6 2 OF5 1 OF3	1 OR8 2 UKBC E1		1 OF6 1 OF5 1 OF3	1 OR7 2 UKBC E1		1 OF6 1 OF5 1 OF3	1 OR7 2 UKBC E1		1 OF6 1 OF5 1 OF3	1 OR7 1 UKBC E1		1 OF6 1 OF4 1 OF3	1 OR7	
Chile	1 OF5	1 UKBC E1		1 OF5	1 UKBC E1		1 OF5	1 UKBC E1		1 OF5	1 OR6		1 OF5	1 OR6	
China	2 OF5	1 OR7 1 OR6		2 OF5	1 OR8 1 OR6		1 OF6 1 OF5	1 OR8 1 OR6		1 OF6 1 OF5 1 OF3	1 OR8 1 OR6		1 OF6 1 OF5 1 OF3	1 OR8 1 OR6	
Colombia	1 OF4	1 OR7		1 OF5	1 OR7		1 OF5	1 OR7		1 OF5	1 OR7		1 OF5	1 OR7	
Congo, Democratic Republic of (DRC)	No Defence Section			No Defence Section			1 OF4	1 OR7		1 OF4	1 OR7		1 OF4	1 OR7	
Croatia	No Defence Section			1 OF4	1 OR6		1 OF4	1 OR6		1 OF4	1 OR6		No Defence Section		
Cyprus	1 OF5	0		1 OF5	1 UKBC E1		1 OF5	1 UKBC E1		1 OF5	1 UKBC E1		1 OF5	0	
Czech Republic	1 OF5 1 OF4	1 OR7 1 OR6		1 OF5 1 OF4	1 OR7		1 OF5 1 OF3	1 OR7		1 OF5 1 OF3	1 OR7		1 OF5	0	
Denmark	1 OF4	1 OR6 1 UKBC E1		1 OF4	1 OR6		1 OF4	1 OR6		1 OF4	1 OR6		1 OF4	1 OR6	
Egypt	1 OF5	1 OR6		1 OF5	1 OR6		1 OF5	1 OR6		1 OF5	1 OR6		1 OF5	1 OR6	
Estonia	2 OF4	2 UKBC E1		1 OF4	1 UKBC E1		1 OF4			1 OF4			1 OF3		
Ethiopia	No Defence Section			No Defence Section			No Defence Section			0			1 OF4	1 OR7	
Finland	No Defence Section			1 OF5	0		No Defence Section			1 OF5	1 OR6		1 OF5	1 OR7	
	1 OF4	1 OR8		1 OF4	1 OR7		1 OF4	1 OR7		1 OF4	1 OR7		No Defence Section		
France	2 OF3 2 OF6 1 OF5 3 OF4 1 OF2	3 OR6 3 UKBC E1		2 OF6 1 OF5 1 OF4	1 OR7 2 OR6 3 UKBC E1		2 OF6 1 OF5 1 OF4	1 OR7 1 OR6 2 UKBC E1		2 OF6 1 OF5	1 OR7 2 OR6 2 UKBC E1		1 OF6 1 OF5	0	
Georgia	No Defence Section			No Defence Section			1 OF4	1 OR7		1 OF4	1 OR7		1 OF4	1 OR7	
Germany	2 OF6 2 OF5 1 OF3	1 OR7 4 UKBC (1D, 3E1)		1 OF6 2 OF5 1 OF3	1 OR6 1 OR7 3 UKBC E1 (1E1, 1E2)		1 OF6 2 OF5	1 OR6 1 OR7 3 UKBC (2E1, 1E2)		1 OF6 3 OF5	1 OR6 1 OR7 1 OR8 2 UKBC E1		1 OF6 1 OF5 1 OF5	1 OR7 1 OR7 1 UKBC E1	

Country	19 years (1992 data)			15 years (1998 data)			10 years (2001 data)			5 years (2006 data)			Present (2011 data)		
	Officers	Other Ranks		Officers	Other Ranks		Officers	Other Ranks		Officers	Other Ranks		Officers	Other Ranks	
Ghana	1 OF4	1 OR7		1 OF4	1 OR7		1 OF4	1 OR7		1 OF4	1 OR8		1 OF4	1 OR7	
Greece	2 OF5	2 UKBC E1		1 OF6	1 OR6		1 OF5	1 OR6		2 OF5	1 OR6		1 OF5	0	
				1 OF5	1 UKBC E1		1 OF4	1 UKBC E1			1 UKBC E1				
Guatemala	No Defence Section			1 OF5	1 OR6		1 OF5	1 OR7		1 OF5	1 OR7		No Defence Section		
Hungary	1 OF5	1 OR7		1 OF5	1 OR7		1 OF5	1 OR7		0	1 OR7		No Defence Section		
	1 OF4			1 OF5			1 OF3				1 OR9				
India	1 OF6	1 OR9		1 OF6	1 OR6		1 OF6	1 OF3		1 OF6	2 UKBC E1		1 OF6	2 UKBC E1	
	2 OF5	1 OR6		2 OF5	2 UKBC E1		1 OF5	2 UKBC E1		1 OF5			1 OF5		
		2 UKBC E1		1 OF2						1 OF3			1 OF4		
Indonesia	1 OF5	1 OR8		1 OF5	1 OR6		1 OF5	1 OR8		1 OF5	1 OR8		1 OF5	0	
		1 UKBC E1			1 UKBC E1										
Iraq ¹	No Defence Section			No Defence Section			No Defence Section			1 OF5	1 OR7		1 OF6	0	
										1 OF5			1 OF5		
Ireland	1 OF5	1 OR9		1 OF5	1 OR9		1 OF5	1 OR9		1 OF5	1 OR9		No Defence Section		
Israel	1 OF5	1 OR7		1 OF5	1 OR7		1 OF5	1 OR6		1 OF5	1 OR6		1 OF5	1 OR6	
	1 OF4	1 UKBC E1		1 OF4	1 UKBC E1		1 OF4	1 UKBC E1		1 OF4	1 UKBC E1		1 OF4	1 UKBC E1	
Italy	3 OF5	1 OR7		1 OF6	1 OR6		3 OF5	1 OR6		1 OF5	1 OR6		1 OF5	0	
		1 OR6		2 OF5	2 UKBC E1			2 UKBC E1		1 OF4	2 UKBC E1		1 OF4		
		2 UKBC E1													
Jamaica	1 OF5	1 OR9		2 OF5	1 OR9		1 OF5	1 OR8		1 OF5	1 OR8		1 OF4	1 OR7	
Japan	2 OF5	1 OR8		2 OF5	1 OR7		1 OF5	1 OR7		1 OF5	1 OR7		1 OF5	0	
		1 UKBC E1													
Jordan	1 OF5	1 OR6		1 OF5	1 OR6		1 OF5	1 OR6		1 OF5	1 OR6		1 OF5	1 OR6	
	1 OF4	1 UKBC E1		1 OF4	1 UKBC E1		1 OF4	1 UKBC E1		1 OF4	1 UKBC E1		1 OF4	1 UKBC E1	
Kazakhstan	No Defence Section			1 OF6	0		1 OF4	0		1 OF4	1 OR6		1 OF4	1 OR6	
				1 OF3											
Kenya	1 OF5	1 OR7		1 OF5	1 OR7		1 OF5	1 OR9		1 OF5	1 OR9		1 OF6	1 OR9	
	1 OF4	1 OR6								1 OF4			1 OF4		
Korea	2 OF5	1 OR7		1 OF6	1 OR7		1 OF6	1 OR7		1 OF6	1 OR8		1 OF6	1 OR8	
				1 OF5			1 OF5			1 OF5			1 OF5		
Kuwait	1 OF5	1 OR7		1 OF5	1 OR7		1 OF5	1 OR7		1 OF5	1 OR7		1 OF5	1 OR7	
Latvia	No Defence Section			1 OF4	0		1 OF4	10R6		0	1 OR7		No Defence Section		
Lebanon	1 OF4	0		1 OF4	0		1 OF4	0		1 OF4	0		1 OF4	1 OR9	
Lithuania	No Defence Section			1 OF4	0		1 OF4	1 OR7		1 OF4	1 OR7		No Defence Section		
Macedonia	No Defence Section			No Defence Section			1 OF4	1 OR6		1 OF4	1 OR6		No Defence Section		

Country	19 years (1992 data)		15 years (1998 data)		10 years (2001 data)		5 years (2006 data)		Present (2011 data)	
	Officers	Other Ranks	Officers	Other Ranks	Officers	Other Ranks	Officers	Other Ranks	Officers	Other Ranks
Malaysia	1 OF5 1 OF3	1 OR8 1 OR6 1 UKBC E1	1 OF5 1 OF3	1 OR8	1 OF5 1 OF3	1 OR8	1 OF5 1 OF3	1 OR8	1 OF5	1 OR8
Mexico	1 OF5	1 OR7	1 OF5	1 OR7	No Defence Section	No Defence Section	No Defence Section	No Defence Section	No Defence Section	No Defence Section
Morocco	1 OF4	1 UKBC E1	1 OF4	1 UKBC E1	1 OF4	1 UKBC E1	1 OF4	1 OR7	1 OF4	1 OR7
Nepal	1 OF5		1 OF5		1 OF5		1 OF5	1 OR3	1 OF5	0
Netherlands	1 OF5 1 OF4	2 UKBC E1	1 OF5 1 OF4	2 UKBC E1	1 OF5 1 OF4	1 OR7	1 OF5 1 OF4	1 OR7	1 OF5	0
New Zealand	1 OF5	1 OR9 1 UKBC E1	1 OF5	1 OR9	1 OF5	10R9	1 OF5	1 OR7	1 OF4	0
Nigeria	1 OF5 1 OF4	1 OR7	No Defence Section	No Defence Section	1 OF5	1 OR7	1 OF5	1 OR7	1 OF5	1 OR7
Norway	3 OF4	1 OR6 1 UKBC E1	2 OF4	1 OR6	1 OF4	1 OR6	1 OF4	1 OR6	1 OF4	0
Oman	1 OF5 1 OF4	1 OR8 1 OR6	1 OF6 1 OF4	1 OR7 1 OR6	1 OF5 1 OF4	1 OR7 1 OR6	1 OF5 1 OF4	1 OR7 1 OR6	1 OF6 1 OF4	1 OR7 1 OR6
Pakistan	1 OF6 1 OF4	1 OR7 1 OR6	1 OF6 1 OF5	1 OR6	1 OF6 1 OF5	1 OR7 1 OR6	1 OF6 1 OF5	1 OR6 1 OR8	1 OF6 1 OF5 1 OF4 1 OF2	1 OR6 1 OR6 1 OR6 1 OR6
Philippines	1 OF5	1 UKBC E1	1 OF5	1 UKBC E1	1 OF5	1 OR7	1 OF5	1 OR7	No Defence Section	No Defence Section
Poland	1 OF5 1 OF4	1 OR7 2 OR6	1 OF5 1 OF4	1 OR7 1 OR6	1 OF5 1 OF4	1 OR8 1 UKBC E1	1 OF5 1 OF4	1 OR8 1 UKBC E1	1 OF5 1 OF4	1 OR8 1 OR8
Portugal	1 OF4	1 OR6 1 UKBC E1	1 OF4	1 OR6	1 OF4	1 OR6	1 OF4	1 OR6	No Defence Section	No Defence Section
Qatar	No Defence Section	No Defence Section	1 OF4	0	1 OF4	1 OR6	1 OF4	1 OR6	1 OF4	1 OR7
Romania	1 OF4	1 OR8	1 OF5	1 OR9	1 OF5	1 OR7	1 OF5	1 OR7	1 OF5	1 OR7
Russia	2 OF6 1 OF5 3 OF3	1 OR9 1 OR7 2 OR6	1 OF6 2 OF5 3 OF3	12 OR7 1 OR6	1 OF6 2 OF5 3 OF3	2 OR7 1 OR6	1 OF6 2 OF5 2 OF3	2 OR7 1 OR6	1 OF6 1 OF5 2 OF3	2 OR7 1 OF5 2 OF3
Saudi Arabia	1 OF6 1 OF4	1 OR8 1 OR7 1 OR6	1 OF6 2 OF4	1 OR8 1 OR6	1 OF6 2 OF4	1 OR7 1 OR6	1 OF6 1 OF4	1 OR7 1 UKBC E1	1 OF6 1 OF4	1 OR8 1 UKBC E1

Country	19 years (1992 data)		15 years (1998 data)		10 years (2001 data)		5 years (2006 data)		Present (2011 data)	
	Officers	Other Ranks	Officers	Other Ranks	Officers	Other Ranks	Officers	Other Ranks	Officers	Other Ranks
Serbia (formerly FRY)	1 OF5 1 OF4	1 OR7 1 OR6	1 OF5	1 OR7	1 OF5	1 OR7	1 OF5	1 OR7	1 OF5	1 UKBC E1
Sierra Leone	No Defence Section	No Defence Section	No Defence Section	No Defence Section	1 OF4	1 OR7	1 OF4	1 OR7	1 OF4	1 OR7
Singapore	1 OF5 1 OF4	1 OR8 1 UKBC E1	1 OF5 1 OF4	1 OR8	1 OF5 1 OF3	1 OR8	1 OF5 1 OF3	1 OR7	1 OF5 1 OF4	1 UKBC E1
Slovakia	No Defence Section	No Defence Section	1 OF4	1 UKBC E1	1 OF4 1 OF3	1 UKBC E1	1 OF5 1 OF3	1 UKBC E1	No Defence Section	No Defence Section
Slovenia	No Defence Section	No Defence Section	No Defence Section	No Defence Section	1 OF4	1 OR6	No Defence Section	No Defence Section	No Defence Section	No Defence Section
Somalia (Shadow Embassy based in Kenya)	No Defence Section	No Defence Section	No Defence Section	No Defence Section	No Defence Section	No Defence Section	No Defence Section	No Defence Section	1 OF4	1 OR8
South Africa	No Defence Section	No Defence Section	1 OF6 1 OF4	1 OR7 1 OR6	1 OF6 1 OF4	1 OR6	1 OF6 1 OF4	1 OR7	1 OF5 1 OF4	1 UKBC D
Spain	3 OF5	1 OR6 1 UKBC E1	2 OF5	1 OR6	2 OF5	1 OR6	2 OF5	1 OR6	1 OF5	1 OR6
Sri Lanka	1 OF4	1 OR8	1 OF4	1 OR7	1 OF4	1 OR7	1 OF4	1 OR7	No Defence Section	No Defence Section
Sudan	No Defence Section	No Defence Section	No Defence Section	No Defence Section	No Defence Section	No Defence Section	1 OF4	1 OR6	1 OF4	1 OR6
Sweden	1 OF5 1 OF4	1 OR6 1 UKBC E1	2 OF4	1 OR6	1 OF4	1 OR6	1 OF4	1 OR6	1 OF4	1 OR6
Switzerland	2 OF4	1 OR8 1 UKBC E1	1 OF4	1 UKBC E1	1 OF4	1 UKBC E1	No Defence Section	No Defence Section	No Defence Section	No Defence Section
Syria	1 OF5	OR9	1 OF5	1 OR7	1 OF5	1 OR6	1 OF5	1 OR7	1 OF5	1 OR6
Thailand	1 OF5	1 OR6	1 OF5	1 OR8	1 OF5	1 OR8	1 OF5	1 OR8	No Defence Section	No Defence Section
Turkey	1 OF5 1 OF4	2 UKBC E1	1 OF5 1 OF4	2 UKBC E1	1 OF5 1 OF4	2 OR6	1 OF5 1 OF4	2 OR6	1 OF5 1 OF4	2 OR6
Uganda	1 OF4	0	1 OF4	0	1 OF4	1 OR7	1 OF4	1 OR7	1 OF4	1 OR7
Ukraine	1 OF4	1 OR6	1 OF5	1 OR7	1 OF5 1 OF3	1 OR7	1 OF5 1 OF3	1 OR7	1 OF5 1 OF3	1 OR7
United Arab Emirates	1 OF5 1 OF4	1 OR6	1 OF5 1 OF4	1 OR7	1 OF5 1 OF5	1 OR7	1 OF5 1 OF5	1 OR7	1 OF5 1 OF5	1 OR7
United States of America—Washington	2 OF7 2 OF6 5 OF5	0	1 OF7 3 OF6 4 OF5	0	1 OF7 3 OF6 4 OF5	0	1 OF7 3 OF6 4 OF5	0	1 OF7 3 OF6 3 OF5	1 OF7
USA—UKMIS to UN New York	No Defence Section	No Defence Section	No Defence Section	No Defence Section	No Defence Section	No Defence Section	1 OF5 1 OF4	1 OR6	1 OF5 1 OF4	1 OR6

Country	19 years (1992 data)		15 years (1998 data)		10 years (2001 data)		5 years (2006 data)		Present (2011 data)	
	Officers	Other Ranks	Officers	Other Ranks	Officers	Other Ranks	Officers	Other Ranks	Officers	Other Ranks
Uzbekistan ²	No Defence Section		No Defence Section		No Defence Section		No Defence Section		1 OF4	1 OF4
Venezuela	1 OF5	1 UKBC E1	1 OF5	1 UKBC E1	1 OF5	1 UKBC E1	1 OF5	1 OR7	No Defence Section	
Yemen	No Defence Section		No Defence Section		No Defence Section		1 OF5	0	1 OF5	1 OR6
Zimbabwe	1 OF5	1 OR9	1 OF5	1 OR9	1 OF5	10R9	1 OF5	1 OR7	1 OF5	1 OR8
		1 UKBC E1								
Cost (Million)³	Not Available		Not Available		£24,256		£28,681		£38,958	

Table Notes

¹ Iraq Defence Section funded from Treasury Reserve up until April 11.

² Uzbekistan Defence Section currently funded from Treasury Reserve

³ Cost given for financial year preceding—ie FY 2000/01, FY 2005/06 and FY 2010/11.

Annex A Table 2**CURRENT NON-RESIDENT ATTACHÉ (NRA) COVERAGE**

<i>Defence Section</i>	<i>Non-Resident Attaché coverage</i>
Afghanistan—Kabul	
Algeria—Algiers	Tunisia, Libya
Argentina—Buenos Aires	Uruguay
Australia—Canberra	Papua New Guinea
Austria—Vienna and Regional Hub	Switzerland, Slovenia, Hungary, Croatia, Macedonia, Kosovo, Slovakia,
Austria—Vienna—UK Delegation to OSCE	
Bahrain—Manama	
Baltic States—Tallinn (Estonia)	Latvia, Lithuania
Bangladesh—Dhaka	
Bosnia & Herzegovina—Sarajevo	
Brazil—Brasilia	
Brunei—Bandar Seri Begawan	
Canada—Ottawa	
Chile—Santiago	
China—Beijing	Mongolia
Colombia—Bogota	Mexico, Peru, Venezuela
Congo, Democratic Republic of, (DRC)—Kinshasa	Gabon, Congo
Cyprus—Nicosia	
Czech Republic—Prague	
Denmark—Copenhagen	
Egypt—Cairo	
Ethiopia—Addis Ababa	Djibouti, Somaliland, AU
France—Paris	Monaco
Georgia—Tbilisi	Armenia, Azerbaijan
Germany—Berlin	
Ghana—Accra	Ivory Coast, Mali
Greece—Athens	
India—New Delhi	
Indonesia—Jakarta	East Timor
Iraq—Baghdad	
Israel—Tel Aviv	
Italy—Rome	Albania, Malta
Jamaica—Kingston	Bahamas, Cuba, Belize, Cayman Islands, Turks & Caicos, Anguilla, British Virgin Islands, Montserrat
Japan—Tokyo	UK Liaison Officer to UN Command (Rear) Korea
Jordan—Amman	
Kazakhstan—Astana	Kyrgyzstan, Tajikistan
Kenya—Nairobi	Tanzania, Seychelles
Korea—Seoul	
Kuwait—Kuwait City	
Lebanon—Beirut	
Malaysia—Kuala Lumpur	Thailand
Morocco—Rabat	Mauretania, Senegal, The Gambia
Nepal—Kathmandu	
Netherlands—The Hague	Belgium, Luxembourg
New Zealand—Wellington	Fiji, Tonga, Vanuatu
Nigeria—Abuja	
Norway—Oslo	Iceland
Oman—Muscat	
Pakistan—Islamabad	
Poland—Warsaw	
Qatar—Doha	
Romania—Bucharest	Moldova, Bulgaria
Russia—Moscow	Turkmenistan, Belarus
Saudi Arabia—Riyadh	
Serbia—Belgrade	Montenegro
Sierra Leone—Freetown	Guinea, Liberia
Singapore—Singapore City	Vietnam
South Africa—Pretoria	Namibia, Mozambique, Angola
Somalia—Shadow Embassy based in Nairobi	
Spain—Madrid	

<i>Defence Section</i>	<i>Non-Resident Attaché coverage</i>
Sudan—Khartoum	
Sweden—Stockholm	Finland
Syria—Damascus	
Turkey—Ankara	
Uganda—Kampala	Burundi, Rwanda
Ukraine—Kyiv	
United Arab Emirates—Abu Dhabi	
United States of America—Washington	Bermuda
United States of America—UK Mission to UN New York	
Uzbekistan—Tashkent	
Yemen—Sana'a	Eritrea
Zimbabwe—Harare	Malawi, Botswana, Zambia

LOAN SERVICE TEAMS SINCE MARCH 1999

Notes

1. The term “Loan Service” is used to describe Service Personnel (SP) from the United Kingdom Armed Forces, loaned to a Commonwealth or foreign country in advisory or executive roles, tasked with aiding with the development of military doctrine or capability. Some are funded by the UK, others by the Host Nation.

2. Data on the size of our Loan Service teams is available back to 1999, however the rank structure and costs of these teams is only available for the last three financial years.

Country	Mar-99			Mar-01			Mar-06			Mar-11			Cost (FY 11/12)	Funding Source		
	Officers	Other Ranks	Total	Officers	Other Ranks	Total	Officers	Other Ranks	Total	Officers	Number	Rank			Other Ranks	Total
Antarctica	0	3	3	0	3	3	No Loan Service Team	2	2	4			No Loan Service Team			
Antigua	1	0	1	3	3	6							No Loan Service Team			
Australia	2	0	2	No Loan Service Team			No Loan Service Team						No Loan Service Team			
Bahrain	No Loan Service Team			1	0	1	No Loan Service Team						No Loan Service Team			
Barbados	4	5	9	No Loan Service Team			No Loan Service Team						No Loan Service Team			
Bangladesh	2	0	2	No Loan Service Team			No Loan Service Team						No Loan Service Team			
Bermuda	1	2	3	1	1	2	1	1	2	1	1	OF3	1	2	0	Host Nation
Bosnia	No Loan Service Team			No Loan Service Team			3	0	3	1	1	OF4	0	1	£185,000	Conflict Pool
British Virgin Islands	1	1	2	No Loan Service Team			No Loan Service Team						No Loan Service Team			
Brunei	34	26	60	28	26	54	20	18	38	19	5	OF4	20	39	0	Host Nation
											10	OF3				
											4	OF2				
Baltic States (Latvia and Lithuania)	3	3	6	No Loan Service Team			No Loan Service Team						No Loan Service Team			

Country	Mar-99				Mar-01				Mar-06				Mar-11				Cost (FY 11/12)	Funding Source
	Officers	Other Ranks	Total	Officers	Other Ranks	Total	Officers	Other Ranks	Total	Officers	Other Ranks	Total	Officers	Other Ranks	Total			
Czech Republic	1	0	1	8	17	25	8	16	24	8	1	24	1	20	28	£1,620,000	DAF/Conflict Pool Split	
													OF5 1					
													OF4 5					
													OF3 1					
													OF2					
Estonia	No Loan Service Team			2	0	2	2	0	2				No Loan Service Team					
Ethiopia	1	0	1	1	0	1	No Loan Service Team			1	1		0	1	0	Host Nation		
											OF4							
Falkland Islands	No Loan Service Team			0	1	1	No Loan Service Team			0			1	1	0	Host Nation		
Germany	18	4	22	18	5	23	No Loan Service Team						No Loan Service Team					
Ghana	3	1	4	3	1	4	6	1	7				No Loan Service Team					
Italy	0	2	2	No Loan Service Team			No Loan Service Team						No Loan Service Team					
Jordan	No Loan Service Team			No Loan Service Team			No Loan Service Team			9	1		2	11	0	Host Nation		
											OF5 5							
											OF4 2							
											OF3 1							
											OF2							
Kenya	1	0	1	4	1	5	9	3	12	8	1		2	10	£4,220,376	Conflict Pool		
											OF5 2							
											OF4 4							
											OF3 1							
											OF2							

Country	Mar-99			Mar-01			Mar-06			Mar-11			Cost (FY 11/12)	Funding Source
	Officers	Other Ranks	Total	Officers	Other Ranks	Total	Officers	Other Ranks	Total	Officers	Other Ranks	Total		
Kuwait	35	18	53	36	15	51	34	15	49	32	1	41	0	Host Nation
											OF6 1			
											OF5 19			
											OF4 9			
											OF3 2			
											OF2			
Liberia	No Loan Service Team	No Loan Service Team		No Loan Service Team	No Loan Service Team		No Loan Service Team	No Loan Service Team		1	1	1	£257,978	Conflict Pool
Lithuania	No Loan Service Team	1	1	0	1		No Loan Service Team	No Loan Service Team				No Loan Service Team		
Macedonia	No Loan Service Team	1	1	0	1		No Loan Service Team	No Loan Service Team				No Loan Service Team		
Malaysia	3	1	4	3	1	4	4	1	5	4	1	5	0	Host Nation
											OF4 3			
Nigeria	No Loan Service Team	1	1	0	1		2	0	2	1		2	£745,606	Conflict Pool
											OF3			
											1			
Oman	48	44	92	46	42	88	43	38	81	47	1	78	0	Host Nation
											OF7 4			
											OF5 15			
											OF4 22			
											OF3 5			
											OF2			
Poland	No Loan Service Team	No Loan Service Team		No Loan Service Team	No Loan Service Team		1	0	1			No Loan Service Team		
Qatar	No Loan Service Team	No Loan Service Team		No Loan Service Team	No Loan Service Team		No Loan Service Team	No Loan Service Team		3	3	4	0	Host Nation
											OF3			
Romania	2	0	2	2	0	2	No Loan Service Team	No Loan Service Team				No Loan Service Team		
Russia							1	0	1			No Loan Service Team		

Country	Mar-99			Mar-01			Mar-06			Mar-11			Cost (FY 11/12)	Funding Source	
	Officers	Other Ranks	Total	Officers	Other Ranks	Total	Officers	Other Ranks	Total	Officers	Other Ranks	Total			
Saudi Arabia—British Military Mission	42	20	62	49	18	67	42	22	64	8	1 OF6 5	3	11	0	Host Nation
										OF4 2					
										OF3					
	25	0	25	28	0	28	No Loan Service Team			18	1 OF6 1	4	22	0	Host Nation
Saudi Arabia National Guard											OF5 2				
										OF4 9					
										OF3 5					
										OF2					
Saudi Arabia—Royal Navy Liaison Team	No Loan Service Team			No Loan Service Team			No Loan Service Team			2	2 OF3	3	5	0	Host Nation
Sierra Leone	No Loan Service Team			35	32	67	40	42	82	16	1 OF5 5	12	28	£5,074,268	Conflict Pool
											OF4 8				
											OF3 2				
											OF2				
Singapore	1	0	1	1	0	1	2	0	2	2	1 OF3 1	0	2	0	Host Nation
Slovakia															
	No Loan Service Team			1	0	1	7	2	9		OF2	No Loan Service Team			

Country	Mar-99			Mar-01			Mar-06			Mar-11			Cost (FY 11/12)	Funding Source
	Officers	Other Ranks	Total	Officers	Other Ranks	Total	Officers	Other Ranks	Total	Officers	Other Ranks	Total		
South Africa	13	2	15	14	2	16	7	1	8	8	1	8	£991,549	Conflict Pool
Sri Lanka	No Loan Service Team			1	0	1	No Loan Service Team						No Loan Service Team	
Turks & Caicos Islands	2	2	4	No Loan Service Team			No Loan Service Team						No Loan Service Team	
United Arab Emirates	4	1	5	2	1	3	4	1	5	4	4	4	0	Host Nation
Zimbabwe	9	2	11	7	3	10	No Loan Service Team						No Loan Service Team	
TOTAL	256	137	393	297	172	469	238	163	401	193	115	307		

SHORT TERM TRAINING TEAMS

1. The MoD uses Short Term Training Teams to deliver bespoke training requirements to our International counterparts in-country. These training teams will vary in size, duration, cost and rank range depending on the specific task required. In some cases these tasks recur periodically, in others they are a one-off to meet a particular individual requirement.
2. These training teams can be set up by numerous parts of the Department—often with no central visibility and sometimes for reasons specific to a particular Service or business area. Only for Financial Year 10/11 and the current Financial Year has information on these training teams been collected centrally. Even then, there is no guarantee that every single short term training team has been captured—for example on occasions where a ship’s company provides ad hoc training to local Navy during a port visit, there is unlikely to be any records kept centrally of the engagement.
3. The breakdown of Short Term Training Teams by country and by the task that they were assigned to undertake is classified at CONFIDENTIAL.
4. Therefore, the information provided below is a top level UNCLASSIFIED summary of the broad scale of our short term training team engagement during Financial Year 10/11, as well as how much Conflict Pool and Defence Assistance Fund money has been spent in total.

<i>Number of Training Teams</i>	<i>Number of Personnel</i>	<i>Conflict Pool Spend (£k)</i>	<i>Defence Assistance Fund Spend (£k)</i>
64 (20 of which were Host Nation funded)	384	373.9	880.6

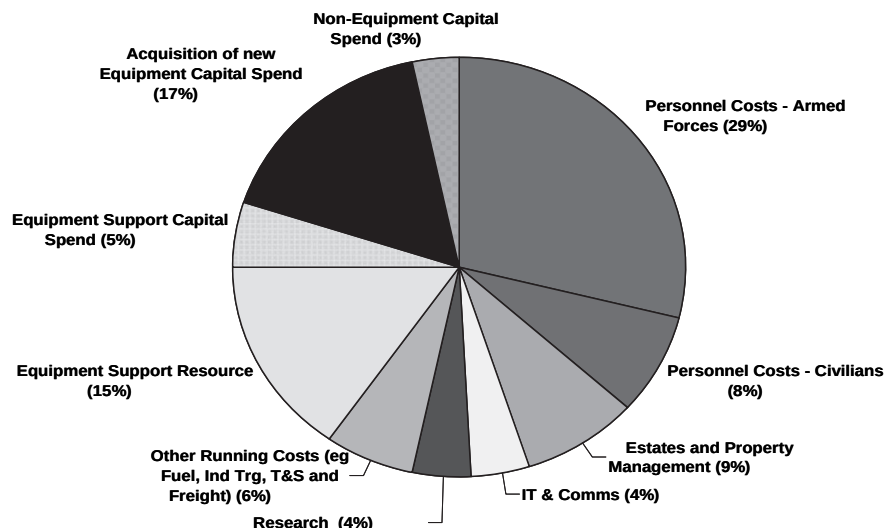
Letter from Rt Hon Liam Fox MP, Secretary of State, Ministry of Defence, to the Chair

Thank you for your letter of 8 June requesting further information on the Defence budget.

I am sorry you found the information previously provided unhelpful.

I regret that a detailed breakdown of expenditure approved at the Initial and Main Gate points could not readily be provided. It would, in any case, not be an accurate reflection of the Department’s financial position in respect of contractual commitments since the funding approved at Main Gate is often only contractually committed in stages over a number of years. What I can say is that the Equipment Procurement and Support element of the programme required to meet those policy commitments was estimated at stage 2 of Planning Round 2011 (PR11) at £160 billion over 10 years, of which £60 billion was contractually committed expenditure.

As our previous note stated, Defence is also effectively committed in the short to medium term to expenditure on things to which we are not contractually committed, such as service pay, maintenance of the defence estate, utilities costs and so on. On this basis, in 2011–12 80% of the assumed budget was effectively committed, of which 44% was contractually committed. The chart below provides an indicative breakdown of the way Defence costs are distributed, based on total outturn Departmental expenditure in 2009–10 of £32 billion (excluding operations).



While at any one time my Department is committed to a given level of expenditure on, for example, service pay or maintenance of the Defence Estate this is clearly variable over a period of years as we draw down or increase service numbers. So across the 10 year planning period it is possible to make substantial changes to the cost elements of the non-equipment element of the Defence programme. As you will recognise, we have already done this through the SDSR where we have made significant changes to reduce costs across both the equipment and non-equipment areas including a reduction of 17,000 in members of the Armed Forces and 20,000 in the number of civilians.

As you know, at the beginning of the Department's annual Planning Round the Top Level Budget holders re-cost their programmes in line with extant policy. It was when this process was carried out during PR11 that the £38 billion figure shortfall was calculated on the basis of what the MoD needed to deliver its then planned policy commitments but it did not reflect the *contractually* committed position.

The analysis at the time indicated that the Equipment Procurement and Equipment Support Programmes were some £7.5 billion and £13 billion respectively above the assumed resource available based on an assumption of flat real growth in the Defence budget for all ten years.

In addition there were a number of pressures outside the equipment programme where it was assumed that costs would grow above inflation. The most significant aspects included:

- military manpower costs rising at a rate above inflation estimated at £4.4 billion;
- forecasts of fuel and foreign exchange values causing an estimated additional pressure of £0.8 billion;
- increased pension contributions estimated at £1.8 billion; and
- an increase in VAT resulting in an increase of approximately £1.5 billion.

In total, including the re-costed TLB programmes, the additional pressures outside the equipment programme were calculated at £17.7 billion over 10 years.

However, this figure merely provides a snapshot based on the Department's understanding of the programme at a particular time. There are things that are now better understood, which had we known them at the time, would have affected the analysis of the position, and which indicate that in fact the genuine size of the gap was substantially in excess of £38 billion. For example, Bernard Gray's report in October 2009 had identified that a range of equipment programmes had not been accurately costed. Since coming into post as the Chief of Defence Materiel, and reviewing the equipment programme, Bernard has judged that a further £5.5 billion should be added to the overall cost of the equipment programme. In addition, the £38 billion figure did not take into account the fact that the MoD will now be meeting the full cost of paying for the successor deterrent, which is estimated at £8 billion over the next ten years, and for which at that time no part of Government had assumed they would pay.

However, as I noted above, I do not think it is beneficial to dwell on the detail of the position we inherited albeit it does contribute to the context for the difficult decisions we have had to take. We have a substantial programme of work underway to ensure that there is greater rigour in our cost estimations, and I have established the Major Projects Review Board. I will chair this Board, which will receive a quarterly update on the MoD's major programs, and enable me to address any slippages to time and cost.

It is also important to emphasise that the position has moved on, particularly with the changes to the programme resulting from the SDSR, which have been implemented through PR 11. As we move forward, we are conducting a “three month exercise” to help balance Defence priorities and the budget over the long-term. This exercise will inform PR 12. Until all of this work is complete, it is not possible to give a robust estimate of the size of any remaining financial challenge and the corresponding increase in the budget required, nor would it be helpful to speculate on this in the meantime.

I should add that I have, of course, committed to carrying out an assessment of the affordability of the equipment programme, which will be accompanied by an independent audit from the NAO. This will need to take into account a range of work the Department has underway including, for example, work on the basing review, the reserves review, and the changes being made under the broader Defence Reform and Defence Transformation.

July 2011

Further written evidence from the Ministry of Defence

As the Minister of State for the Armed Forces suggested during the hearing, the Ministry of Defence—like all Government Departments—has to develop plans for strategic investment, particularly in major capital projects, without knowing the precise financial profile we will be working to over the longer-term. Those plans can then be adjusted as the precise resource availability becomes clear in Spending Reviews. In the case of the 2010 SDSR, we made it clear that our aim was to plan towards and achieve Future Force 2020 (FF20), though self-evidently we cannot at this stage know the outcome of the next Spending Review. We do know, however, that the Prime Minister has made it clear that he believes that achievement of FF20 will require year-on-year real terms growth in the Defence budget in the years beyond 2015.

In the meantime, the Department’s strategic planning processes and corresponding resource allocation are geared towards achievement of FF20. We have for example set up a Defence Transformation Portfolio (DTP) which encompasses all the significant change programmes and initiatives across Defence, including SDSR commitments, delivery of Spending Review non-front line savings and the outcome of Defence Reform. The DTP encompasses the biggest programme of change across Defence for decades, including programmes which will support the delivery of FF20 such as Carrier Strike and Army Restructuring (including the formation of Multi-Role Brigades), as well as enabling change programmes such as Basing and the New Employment Model. The Portfolio also covers programmes that will deliver organisational change, including the new Defence Infrastructure Organisation and Defence Business Services. Delivery of the Portfolio is being led by 2nd PUS and the Vice Chief of the Defence Staff, who are driving implementation through a weekly Defence Operating Board (Transforming Defence). Progress on our delivery of SDSR commitments is also reported to Ministers and to the National Security Council and the National Security Secretariat Implementation Board on a regular basis; progress against the Department’s priorities as set out in the MoD Business Plan is published monthly by No 10.

The timeframes of the component programmes vary but we are aiming to deliver against the commitments made in the SDSR White Paper. Details of key milestones for a number of the programmes are contained within the MoD’s Business Plan, which will be updated every year and include additional milestones as the programmes progress.

July 2011

Letter from Rt Hon Liam Fox MP, Secretary of State, Ministry of Defence, to the Chair

I am writing to let you know in advance of the statement I will be making to the House later today about a range of further steps we will be taking to set the Ministry of Defence on a path to deliver a coherent and affordable Defence capability in 2020 and beyond.

As I have previously made clear, the Strategic Defence and Security Review (SDSR) was the beginning, not the end of the journey. We face very significant challenges over the next five years in continuing to support current operations, reshaping the Armed Forces to deliver the adaptable posture set out in the SDSR, tackle the huge budgetary shortfall we inherited, and live within the funding structure of the Comprehensive Spending Review as the deficit in the public finances is addressed.

As part of the transformation of Defence required to meet the challenges I have described, I am announcing today the outcome of the Reserves Review and the review of our basing needs. I will also be advising the House about the progress of the work needed to balance Defence priorities and the budget over the long-term about which I informed the House on 16 May.

The Future Reserves 2020 Study (FR20) Commission, led by the Vice Chief of the Defence Staff (VCDS), General Sir Nicholas Houghton has published its final report. The Commission has broadly concluded that more investment is required in the UK Reserve Forces, in order to better integrate them with the Regular Force and realise the goal of a cost effective Whole Force.

I am therefore pleased to be able to confirm a fresh package designed to meet the Review's immediate recommendations and place the Reserves on a more healthy footing. It will address much needed enhancements to individual, collective and command training. The Reserves will be given enhanced new roles, more viable structures and better mechanisms to integrate with the Regular component. This will enable a Reserve Force to become an integral element of the Whole Force, that is optimised to deliver assured capability across all military tasks on operations at home and abroad and that provide the opportunity to harness for Defence the widest pool of talent in the UK, upholding the volunteer ethos. The Commission has also recommended that Reservists are to be attributed to a much wider set of military tasks, including homeland security and has recommended increasing the size of the Reserves as a proportion of the overall Armed Forces.

Based on the conclusions of the Reserves Review, the Government will now proceed with a £1.5 billion investment package over the next 10 years to enhance the capability of the Reserves and allow a significant expansion. The Government will ensure that the reserves are more readily useable on operations by working with employers and, as necessary, through new legislation. Progress in enhancing the capability and deployability of the reserves will be closely monitored, including in the 2015 Strategic Defence and Security Review. As the capability of the Territorial Army improves, it is envisaged that this will allow a progressive adjustment of the regular/reserve balance while maintaining the land forces capability set out in the SDSR. By 2020, if the Reserves develop in the way that we hope, we envisage a total force of around 120,000, broadly in the ratio 70:30 regular to reserve.

Where this adjustment to the balance between the regular and reserve force means that we will require reductions in the strength of the regular forces, we will of course handle that process as sensitively as possible, ensuring that the minimum numbers of personnel are made redundant.

As you know, the SDSR announced our aim of bringing back to the UK the forces currently stationed in Germany, with half returning by 2015 and half by 2020. The SDSR also contained a number of decisions relating to the RAF, with reductions in both the number of aircraft types and of aircraft. In addition, as part of our continuing efforts to increase the efficiency with which the Department uses all the resources available to it, a number of assumptions were made in the Comprehensive Spending Review about the delivery of receipts to the Department from the disposal of estate.

The significance of these changes required a strategic review of the Department's estate plans to assess how our aim of returning the forces from Germany could be achieved in the most effective way, whilst still enabling the delivery of significant receipts from estate disposals. This was a very complex piece of work which had to take into account not only the ramifications for the Department's estate, but also how we could achieve the aim in a way which provided value for money, supported the New Employment Model (NEM)—intended to deliver greater stability to our personnel and most importantly, the delivery of military capability. The Review also had to take into account a range of constraints—the available estate, funding provision, plans already in train, and the operational commitments of the forces. The size of the task is formidable, with nearly 20,000 Service personnel currently based in Germany, with a similar number of dependents. But it is clearly the right thing to do. It will deliver significant savings—we currently spend about £250 million a year on allowances, education and medical support—and is fundamental to the delivery of the NEM.

The key elements of the assessment revolved around the location of the five Multi-Role Brigades (MRBs) which will form the core of the Army's combat capability over the coming years. Three of the MRBs will be generated from the Army formations already in place around Salisbury Plain and Catterick, with the other two being formed from 7 and 20 Armoured Brigades currently based in Germany. The key question, therefore, is where the two MRBs which form from these units should be based. The MRBs themselves are large formations, with a core strength of around 6,500, formed from 10 or 11 units plus a headquarters. The location needs to provide sites within reasonable geographical proximity to support formation coherence, access to appropriate training areas and ideally within reasonable easy reach of areas which will support the delivery of the NEM by providing access to jobs and careers for spouses, and enable Service personnel to enter the housing market. Of course, a range of other factors were also taken into account, including the need to balance the military footprint across the country.

We have therefore concluded that one of the two MRBs should be based in Scotland, centred on Kirknewton, south of Edinburgh, and one in the east Midlands, centred on Cottesmore. A range of other sites in both areas will be used, and these are set out in more detail in the Written Statement I will lay before the House. You will wish to note in particular, that decisions to base one of the MRBs in Scotland will require the acquisition of a new training area; we have had positive discussions with the Scottish Executive about the delivery of such a facility, which have increased our confidence in its delivery.

You will also wish to note that we now plan to build up the Typhoon force at Lossiemouth rather than Leuchars, which means that Leuchars will be able to provide the capacity to accommodate two major Army units and one headquarters formation. This helps to deliver the formation coherence necessary for the efficient delivery of capability by the MRB and makes best use of available accommodation, reducing the need for expensive new builds of accommodation, and avoiding the need to use sites in Edinburgh itself for the MRB. This will, subject to the relocation of the units currently occupying those sites, enable the vacation and disposal of a number of valuable sites.

I should emphasise that the Review and the conclusions it has led to have provided the strategic direction and a set of specific decisions. It has not provided a detailed implementation plan. That is the next phase of work which will now get underway. This will construct a drawdown plan for the return of units from Germany, match specific units to specific sites, conducting the necessary value for money and sustainability assessments, detailed site surveys for the works required and a range of other activities. This will require consultation with local authorities and other bodies and so could not get underway until the overall strategic direction had been set. There remain, therefore, a number of issues which are unresolved, in particular, the timescales for the moves, which I have indicated in the Written Statement are indicative, and the destination of some units, where further work is required. This will be taken forward over the coming months. Naturally I will keep you informed as this work develops.

As part of the preparatory work for this year's planning round, about which I informed the House on 16 May, we have identified a number of adjustments we intend to make to the Defence programme to help ensure we can balance the budget over the long term.

We will be reviewing the armoured fighting vehicles programme in the light of the Reserves Review and the review of our basing needs. We have spent £2.8 billion on over 2,000 vehicles for Afghanistan. In our review we will look at how many of these vehicles we should take into the core programme. Taking these elements together we expect to be able to make savings on the armoured vehicle programme for the future. We will ensure that we control the costs of the equipment programme much more aggressively than in the past and we will also make further adjustments to a range of minor equipment programmes. We will also continue to bear down on non-front line costs, where, informed by the outcome of the Defence Reform Review, we will aim to deliver further substantial efficiencies in support, estate spending and IT provision.

In addition, I have agreed with the Prime Minister and the Chancellor that for planning purposes we can assume real growth of 1% per annum in the funding available to the equipment and equipment support element of the Defence programme beyond the current Spending Review period. This will amount to over £3 billion by 2020–21.

These changes should enable us to put the equipment programme on a stable long-term footing, and so proceed with a range of the key programmes necessary to deliver the Future Force 2020 capability set out in the SDSR. These include new Chinook, converting the Queen Elizabeth class aircraft carriers to operate catapults and arrestor gear, the Joint Strike Fighter and the Rivet Joint signals intelligence and surveillance aircraft.

While the work to transform the Department is far from complete, and the challenges to deliver that transformation are very substantial, the announcements I will be making today represent a very considerable step forward.

July 2011

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