

House of Commons  
Defence Committee

**MAJOR PROCUREMENT PROJECTS:  
GOVERNMENT RESPONSE**

Sixth Special Report of Session 2001–2002

*Report and Appendix*

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## DEFENCE COMMITTEE

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# SIXTH SPECIAL REPORT

**The Defence Committee has agreed to the following Special Report:**

## **MAJOR PROCUREMENT PROJECT**

The Committee published its Fourth Report of this Session, on Major Procurement Projects (HC 779) on 10 May 2002. The Government's response to this report was received on 4 October 2002 and is published as an Appendix to this Special Report.

## **APPENDIX**

### **MINISTRY OF DEFENCE MEMORANDUM IN RESPONSE TO THE HOUSE OF COMMONS DEFENCE COMMITTEE'S REPORT ON MAJOR PROCUREMENT PROJECTS**

1. The Government welcomes the Committee's report, which we believe gives an objective and balanced view of the latest progress on wider acquisition issues as well as major procurement projects. The inquiry focused on warship procurement strategies, including their implications for constructing the Type-45 destroyer and Future Carrier; the Warship Support Modernisation Initiative; the use of the Private Finance Initiative to acquire particular equipment capabilities; the Sea Harrier's withdrawal from service; and aspects of Information Superiority capability. The inquiry also investigated the progress of the "Smart Acquisition" initiative, in particular the role of the Central Equipment Capability Customer, and followed up previous lines of enquiry on areas of concern including ammunition supply, air to air missiles and A400M.

2. The Government appreciates the Committee's support on warship procurement strategies, and particularly the need to preserve the prospect of future competition whilst addressing short term excess capacity and the need for longer term expansion. The Warship Support Modernisation Initiative aims to produce savings by reducing excess capacity in warship repair and maintenance and introducing broader competition but recognises the need to protect essential facilities and skills in both the naval bases and dockyards. We will investigate Private Finance Initiative opportunities, on a pragmatic basis, taking them forward on a case by case basis where they represent the best value for money—which crucially includes a careful assessment of operational effectiveness. We are alive to the concerns the Committee has expressed and which the Government recognises about how close to the frontline the Private Finance Initiative can appropriately be taken. We welcome the recognition that the decision to withdraw the Sea Harrier fleet from service was taken principally on capability and balance of investment grounds rather than simply driven by a need to reduce costs; we will of course seek to deliver in a timely fashion all the capability enhancements which we are pursuing to strengthen other layers of maritime air defence. The future importance of Information Superiority has been recognised by the focus on 'network centric capability in SDR New Chapter and accelerated investment in programmes such as the Watchkeeper Unmanned Air Vehicle, supported by the settlement in the recent Spending Review.

3. Whilst the Committee's continued interest in the issue of ammunition holdings is welcomed, the need to ensure future security of supply is acknowledged and mechanisms are in place to achieve this. Under the Framework Partnering Agreement, Royal Ordnance Defence is restructuring and investing to become an effective competitor in world markets. The Committee's support for the MoD's bold step in re-launching the BOWMAN competition is reinforced by the satisfactory progress towards introduction, as planned, between 2004 and 2007. We are working hard with partner nations to resolve the

outstanding difficulties with the collaborative projects A400M and Meteor and hope that progress will be made in the coming months.

## **WARSHIP BUILDING STRATEGIES**

**‘It appears to us that [the] “sound case” for all 12 of the anti-air warfare destroyers will be the stronger if our carriers are not to have a dedicated air-defence aircraft... It is our hope that [the] “sound case” to which CDP refers now settles the results of that analysis, and that the MoD has accepted that it needs at least 12 destroyers.’ (Paragraph 19).**

4. The MoD intends to make a decision on the size of the next batch of Type-45s in the second half of the decade. Until the main investment decision on the next batch is made, the size of that batch will remain a planning assumption.

5. The MoD is keen to maintain flexibility to respond as agilely as possible (recognising the long timescales to which equipment programmes tend to commit the Department’s planning and budgeting) to changes in strategic priorities, financial realities or new technological developments. The capability requirement for Type-45 is regularly reassessed and will be formally reconfirmed when the main investment decision for the next batch is made.

6. That said, our current planning assumption, taking into account regular reviews of the capabilities required by the MoD as a whole, remains that there will be twelve Type-45 Destroyers, based on the operational analysis conducted to date. As stated in evidence to the Committee (Q21), the budgetary allocation for the project reflects this planning assumption.

**‘Shrinking demand in a market with surplus capacity appears to be the backdrop for many areas of the defence industry, and perhaps it can be said to be a more intractable problem for the warship construction industry... It is clear to us that in the Type-45 programme the MoD has sought to weave a strategy through often conflicting pressures, not just for minimising costs and maximising competition (when it can be effective), but also balancing what might be best in the long-term as well as the near-term. And, with the complexities of warship procurement, the MoD appears at least to have made reasonable choices, backed by expert advice. There are clearly dangers still in the approach adopted. There is uncertainty about the prospects for genuine competition for future programmes, like the Future Surface Combatant, from shipyards which may only by then have experience of fabricating ‘blocks’ rather than assembling ships. The MoD will have to determine how to support warship building capacity for the lean short-term to ensure that it is available when needed in nearly a decade’s time. And even the smooth passage of ship work at Barrow’s Devonshire Dock Hall will have to be monitored carefully. But at least the problems of this industry are starting to be addressed. It is clear to us that the sort of work commissioned from RAND provides a valuable and timely analysis of the state of the warship construction market in the UK. From their examination of the procurement options available to the MoD, it is evident that a clear strategy is now needed for warship procurement. The RAND analysis would be a useful starting point.’ (Paragraphs 23, 24).**

7. The MoD welcomes the Committee’s recognition of the complex set of issues associated with warship building in the UK and the acknowledgement in the Report that the Department has made reasonable choices regarding the procurement of the Type-45 frigate, backed up by RAND’s independent analysis. The work carried out by RAND provides a valuable basis for further study of the sector.

8. RAND are already engaged in work to examine capacity issues in the context of the Future Carrier (CVF) programme. The Department is also considering taking forward work on further areas for investigation recommended in the RAND report. In addition, the DTI is pursuing a number of initiatives in support of UK warship builders, including the improvement of the trade and project management skills base, with the aim of increasing the industry's productivity and competitiveness.

9. The MoD's revised strategy for the Type-45 procurement has improved the prospects of a sound future for the UK's two major warship builders and for them to remain available to compete on future MoD and export programmes. The design, production and management skills required for block production on the Type-45 and, looking further ahead, the CVF, maintains the prospect for more than one shipbuilder to maintain the capability to assemble whole ships in readiness for the Future Surface Combatant, which could, on present assumptions, be starting production from around the turn of this decade. The Department will continue to be vigilant against the possible creation of a monopoly supplier and will keep under review ways of keeping the warship building industry competitive and innovative.

10. The MoD recognises the considerable challenge for UK shipbuilders to maintain capacity and develop the skills that will be required for the future warship building programme, against the background of a short term dip in the volume of work and an ageing workforce. The Department will continue to work closely with the industry, but it is primarily the UK shipbuilders themselves who must pursue opportunities to fill the short term gap. The MoD order book alone cannot sustain the industry.

11. Ministers have for some time stressed that shipbuilding companies should not rely on MoD orders alone, despite the largest MoD shipbuilding programme for many years. Export (or commercial) work reduces the attribution of shipyards' overheads to MoD work (and hence the taxpayer), facilitates investment and demonstrably maintains competitiveness. The Type-45 order in particular provides a bedrock of stability for the two UK shipbuilders currently able to produce major warships; we expect that both companies, and their suppliers, should seek to build on this with other, not exclusively MoD, work.

**'Like the Type-45 programme, the Future Carrier's development programme has been revised following representations from the bidders (BAE Systems and Thales). In this case, the firms had sought a longer 'assessment' phase to reduce risk in the designs. In response, the MoD introduced a new phase-3 to the assessment studies. The plan now is to down-select to a preferred bidder at the end of a shorter phase-2 in November 2002, with a Demonstration and Manufacture contract to be awarded in early 2004. In the current phase-2 work, the two contractors are working up designs able to take either a 'short take-off and vertical landing' (STOVL) or a conventional 'Carrier Variant' aircraft, pending the selection of the particular variant of Joint Strike Fighter later this year' (Paragraph 25).**

12. The Short Take Off Vertical Landing (STOVL) variant of the F35 Joint Strike Fighter (JSF) has been selected over the Carrier Variant (CV) to fulfil the Future Joint Combat Aircraft (FJCA) role. This allows us to draw on a vast pool of experience and knowledge in STOVL operations, at sea and on land, and significantly reduce the risk to the programme associated with the introduction of the aircraft. STOVL fully meets our requirements and offers the additional benefit of short runway, land basing flexibility, given that this aircraft will be operated from land as well as sea.

13. However, the Future Carrier (CVF) designs to be taken forward will be the CV designs, modified to operate STOVL aircraft in the short to medium term, but retaining the ability for the subsequent insertion of equipment to operate other types—potentially including unmanned combat aerial vehicles—post the F35's retirement. This adaptable option is expected to support STOVL JCA performance at least comparable to operation from a STOVL specific carrier design and, additionally, will support an in-service life for CVF of up to 50 years. It represents an innovative and sensible way to secure the best return from our investment.

14. The two potential prime contractors will each now take forward an adaptable option, based on their CV designs. Downselection to a preferred bidder, at the end of a shorter phase-2, will be announced in early 2003.

## **THE WARSHIP SUPPORT MODERNISATION INITIATIVE**

**'It is not just a shrinking fleet...that has exacerbated the surplus repair capacity. There have been some beneficial developments in repair practices which have increased their efficiency, such as "reliability centred maintenance" and "underwater engineering" and a trend towards in-service support-inclusive contracting.'** (Paragraph 34).

15. The Warship Support Modernisation Initiative aims to achieve savings of over £300M to the Defence Budget over the next five years through reducing excess capacity in warship repair and maintenance, which arose in part through the introduction of more efficient repair techniques and methodologies. The Initiative has taken an holistic approach to the modernisation of warship support across the dockyards and naval bases, through both renegotiation of the surface warship repair programme to increase the proportion opened up to competition and the introduction of partnering at the naval bases.

**'overall, introducing the warship support modernisation initiative will by 2005–06 increase the estimated percentage of refit work exposed to competition by a half—93% rather than 61%.'** (Paragraph 44).

16. We have been driving towards a fully competitive surface ship refit programme since the sale of the Royal Dockyards at Devonport and Rosyth in 1997. The Warship Support Modernisation Initiative will bring forward the increase in competition for refit work and allow the Department to compete other smaller repair and maintenance packages, known as Docking Periods, traditionally undertaken where the vessels are based .

**'we noted that the newly-contracted firms would be managing the estates of both the dockyards and their nearby naval bases with no apparent MoD veto on their possible estate rationalisation plans.'** (Paragraph 46).

17. Ownership of the naval base estate will remain with the Department. The companies will be managing the naval base estate on the Department's behalf and will have flexibility in how they manage this, so long as they continue to meet the requirements of the contracts. They will not, however, be able to make any major changes in infrastructure without prior MoD approval.

**‘The initiative is likely to lead to 1000 posts being lost over a five year period, which translates into 750 staff because some posts are vacant.’ (Paragraph 47).**

18. This was the position when the issue was discussed with the Committee. Since then the number of posts required to transfer has been clarified and more posts are being held vacant in advance of restructuring. Consequently, we now hope that fewer than 750 staff will be affected by job losses across the three naval bases over the next five years as a result of partnering. In addition, both the Department and the companies are committed to achieving these reductions through voluntary means wherever possible.

**‘The largest element of the naval base savings is concerned with the proposed partnering on the Clyde... If Faslane is in for a period of painful adjustment, the position regarding the naval bases more generally seems more certain. We were assured indeed that the MoD needs three naval bases.’ (Paragraph 47).**

19. The largest element of savings comes from the Clyde because that is where the greatest increase will occur in the level of activities being contracted out. At Portsmouth and Devonport a significant element is already managed by FSL and DML and therefore the level of savings achievable at those locations will be slightly less than from the Clyde. The Department will continue to work closely with Babcock Naval Services (the partnering company at the Clyde) to ensure that the adjustment process following the move to partnering is as painless and smooth as possible. A recent review of the base porting arrangements for ships and submarines confirmed the need to retain all three UK naval bases for the foreseeable future. It also recommended the further development of existing and under-used berths to cater for classes of new and larger warships that are due to enter service.

**‘The underlying trend of reducing warships maintenance workloads has been long and deeply entrenched. Surplus capacity has remained, despite contractorising and then selling the dockyards, and the major job losses that have formed their backdrop. However, in seeking to tackle that problem—one shared with warship building, as we have seen—the MoD brought two years of still greater uncertainty as it developed its warship support modernisation proposals. It must not be surprised if further anxieties have developed over that time. With the contracts in place, the MoD must now clear the air over its plans for the future of the naval bases in the longer term, and how it expects work (and jobs) to be divided between the dockyards and the naval bases. A start would be a wide-ranging review by the National Audit Office to clarify and report to the House on the way the initiative was developed and managed by the MoD, the value for money of the new arrangements and on whether the approach now followed is an appropriate response to the challenge of managing surplus warship repair capacity.’ (Paragraph 48).**

20. The uncertainty due to this initiative is regretted but, in order to establish the most cost effective way ahead for the future for warship repair, all options had to be examined thoroughly and this took time. The Department is confident that the way ahead that has been established represents the best value for money solution. The Department would provide every assistance to the NAO if they wished to conduct an investigation.

**‘Looking to the future...there remains much uncertainty for the naval bases and dockyards, and their workforces. And the MoD will still be the party most able to influence how events are played out; a role which it must exercise with the same responsibility as it had before it contractorised the management of the naval bases. The MoD will remain in the driving seat, particularly in terms of the future of the *naval bases*. It considers that its recent decisions on the base-porting of future warships—Portsmouth for the Future Carriers and Type-45s, Devonport for**

**amphibious assault vessels and the helicopter carrier, and Clyde for the Astute submarines—will provide a continuing need for all three bases. The output-focused contracts with the new commercial managers will prompt efficiency initiatives, however, that might place the longer term viability of some dockyards in greater doubt. Despite the caveats of the Minister and his officials, we noted that they were prepared to accept that ultimately market forces would sort out over-capacity in the dockyards. Market forces should not however be the only determinant. The MoD will need to ensure that it monitors the contractors’ performance and its effect on the service provided to the Fleet, and that it is able to safeguard essential facilities at the bases and Rosyth Dockyard. We believe that all major planned refit and maintenance work must be undertaken in the UK.’ (Paragraph 49).**

21. The naval bases will continue to deliver engineering support to operational vessels both in the UK and, when necessary, overseas while the facilities in the dockyards lend themselves to more intensive refit and repair work requiring the availability of dry dock facilities. There is sufficient RN support work in the short to medium term for the four sites which encompass the naval bases and the dockyards. In addition, the Department’s recent review of the base porting arrangements for ships and submarines confirmed the need to retain all three UK naval bases for the foreseeable future. The government’s commitment to an independent nuclear deterrent, the introduction of the new Astute Class nuclear-powered submarines and the warship build programme in the form of the Type-45 frigates, the Future Surface Combatant, the Future Carriers and the Landing Platforms Docking will result, over the coming decades, in opportunities for all of the dockyards. However, market forces and the companies’ ability to attract commercial work, as has already been demonstrated at Devonport, Portsmouth and Rosyth, will continue to play a part. While the Department is seeking to increase the efficiency and cost-effectiveness of providing engineering support to the Royal Navy, by introducing new partnering arrangements at the naval bases and increasing the range of work available for competition, other factors such as safety and quality will continue to be as important as cost. Performance against the contract will be monitored through Key Performance Indicators (KPIs) and payment will be linked to successful performance against the KPIs. In addition, formal and regular feedback from the Fleet (the customer) is an important feature of the partnering arrangements. The partnering contracts will ensure that the Department is able to safeguard essential facilities at each of the naval bases. Strategic assets are also safeguarded at the privately-owned dockyards, under the terms of the Sale Agreements. It is already the case that planned refit, repair and maintenance work is undertaken in the UK, and there are no plans to change this policy.

## **EQUIPMENT BASED PFI PROGRAMMES**

**‘The MoD needs to produce a clear set of criteria to define what constitutes the “front-line” for the purposes of assessing the potential for using the PFI.’ (Paragraph 58).**

**‘The MoD is putting a lot of faith (and money) in the PFI, to provide capabilities and services for which it would otherwise buy the necessary equipment outright, including areas that could be regarded as front-line tasks.’ (Paragraph 69).**

**‘It is...right that ‘operational effectiveness’ and ‘quality of service’ should be taken into account [in considering the use of PFI]. Whether PFI delivers value for money should depend not just on a purely financial balance of costs and benefits, but also on whether risk is managed more efficiently. In the defence field, getting the balance of risks wrong does not just undermine the calculation of the cost-benefit of particular projects; it can have profound consequences for the operational readiness and effectiveness of our Armed Forces, and ultimately for the safety of our Service personnel operating in hostile environments. It is in that context, and despite the**

**Department's guidance, that we remain concerned about the lack of clarity in the use of PFI, particularly its further encroachment into front-line areas. These risks are present in several of the projects that we have examined in this inquiry and are perhaps most glaring in the case of the Future Strategic Tanker Aircraft. In another—for combat support vehicles—we have been able to see the boundary of the potential for PFI, at least on the economic front ...' (Paragraph 70).**

22. The private sector brings innovation and value for money to projects where services are provided through the Private Finance Initiative (PFI). The benefits, risks, and costs need to be balanced against those of providing the service by conventional means following procurement of an asset by the public sector. But with projects close to the front line, and on the critical assumption that such projects can be formulated as a service delivery task, there are two further major issues that may affect value for money. The first is the extent to which MoD needs to retain the risks arising from the operational use of the asset. By and large, the more risks that MoD retains, the more difficult it is to demonstrate value for money in a PFI project, and it is correspondingly difficult to get the project off the MoD's balance sheet. The second concerns the design of the asset. The more military characteristics that have to be built into an asset, the more difficult it becomes for the service provider to use them flexibly using commercial disciplines, for example by generating third party revenue to offset running costs. These factors, and the difficulty of formulating the requirement in service delivery terms, suggest that the use of PFI to acquire fighting equipment will be the exception rather than the rule.

23. Conversely, PFI can in the right circumstances provide the opportunity to make better use of resources while maintaining operational capability. Along with other forms of PPP, it provides new and more flexible ways of obtaining quality, value for money services. We believe that there are circumstances where this can be done close to the front line. But we take fully into account any potential operational risks before deciding on the procurement strategy for any project.

24. It is sometimes argued that although PFI can bring financial benefits, the operational risks are unacceptable because private sector service providers might go bankrupt or default on their contractual commitments; because assets are run by people not subject to military discipline; because the service is not under direct military control; or because the long term nature of the contract constrains MoD's ability to respond to new circumstances. MoD accepts that these are risks; but they need to be assessed in each particular set of circumstances and compared against the risks implicit in traditional procurement and service provision.

25. In practice, although default is very unlikely each PFI contract has appropriate provisions governing the issue. These arrangements are taken into account in giving final approval to the project. As a last resort, we can terminate contracts and take over responsibility for service provision ourselves.

26. We accept that there are limits to the use of non-military manpower. Some PFI projects therefore provide for the military manning of privately owned assets and the use of sponsored reserves. As to the ability to respond to new developments, long term PFI contracts contain change mechanisms. For example, new technology may allow services to be improved or provided more cost effectively, in which case we would expect private sector providers to be incentivised, exploit these opportunities and to share the benefits with MoD.

27. It is worth noting that all forms of procurement and service provision carry risks. There are risks to the continuity and quality of a capability even where the military asset is owned by the MoD. This can be for a variety of reasons, from a failure to maintain and update the asset properly, leading to a loss of capability or unreliability; to problems in

recruiting the specialist manpower to run it; to equipment becoming obsolescent earlier than expected, causing difficulty in providing the resources to replace or upgrade it. Because PFI contracts specify the quality of service required from an asset in output terms, it is the responsibility of the contractor to deal with any problems of this nature which emerge during the lifetime of a contract.

28. MoD also believes that some potential concerns about the use of non-military manpower close to the front line can be overstated. Important elements of front line capability have always depended on the support of contractors and non-military personnel, even during operations. For example, BAE and RRA deployed to the Gulf. The RN has always relied on the RFA to deliver supplies, including fuel at sea, to HM Ships in peace and war. RFA personnel are members of the Merchant (not the Royal) Navy and are not subject to military discipline. There is a close analogy here with the FSTA project.

29. MoD has considered the Committee's suggestion that it should produce a clear set of criteria to define what constitutes the front line for the purposes of taking decisions on the use of PFI. We do not believe that such an approach would be possible. Each of the three services operates in different environments and each of them uses manpower in different ways. But in any event, we do not believe that such a definition, even if one could be produced, would lead to different or better quality decisions on the use of PFI. Decisions on projects need to be taken case-by-case, so that any impact on operational capability can be considered on its merits.

**'It...seems to us remarkable that, though founded on the use of sponsored reserves, [air to air refuelling] is an area not regarded to be sufficiently in the front-line to make a PFI service inappropriate' (Paragraph 58).**

30. The Department recognises the Committee's concern about taking innovation close to the front line, but wishes to reassure the Committee that the protection of operational capability will always be our overriding objective. Although the potential PFI solution would make use of some Sponsored Reserves, delivery of the air to air refuelling capability would continue to be founded on Regular RAF personnel.

31. Under a PFI service the contractor would own, manage and maintain the aircraft assets and provide training services and facilities. In meeting his contractual obligation to provide the RAF with aircraft he would make use of both his own and Regular RAF personnel. However, all *air-to-air refuelling* missions flown by these aircraft, whether in peacetime or time of crisis, would be conducted by the RAF. This is the fundamental premise of the potential PFI arrangement.

32. There is also considerable scope for innovation. As we will not require access to the entire fleet in peacetime, a contractor could use spare aircraft, subject to contractually agreed call back conditions, to generate commercial revenue in the air transport market. This has potential to reduce the cost of the capability to the RAF considerably over the 27-year life of a PFI service contract, as compared with a conventional acquisition of new aircraft by the RAF.

33. The aircraft will need to operate from deployed operating bases and the PFI contract will need to ensure that the necessary ground crew support can be provided at such locations, although the strategic nature of the aircraft should mean that these are normally located away from the war-fighting environment. We have not yet decided on the optimum ground crew mix but currently envisage a predominance of Regular RAF personnel, supplemented by contractor personnel, some of whom would have a Sponsored Reserve obligation.

34. As Air Marshal Sir Jock Stirrup made clear in his evidence to the Committee, there will be times when tanker aircraft operate over hostile environments. Such air to air refuelling missions will be the responsibility of the RAF, not the contractor. Regular RAF aircrew will predominate, although we are exploring the potential use of some Sponsored Reserve aircrew because the concept could offer considerable flexibility. Sponsored Reserve aircrew would undergo appropriate military selection and training procedures and would possess the same skills and qualities as Regular personnel. We anticipate that many Sponsored Reserve aircrew are likely to be experienced ex-RAF personnel whose expertise may otherwise be lost to the Royal Air Force. In times of crisis, all Sponsored Reserves would be military personnel and subject to military regulations.

35. In summary, we believe that a PFI service has the potential to provide both the most cost-effective solution, and, crucially, the required AAR capability, both in peacetime and time of crisis.

**‘The MoD must make a thorough assessment of how well the sponsored reserve concept works in practice for the Heavy Equipment Transporter “pathfinder”, and be prepared to adjust its usage if any limitations on operational effectiveness are revealed.’ (Paragraph 58).**

36. MoD has arrangements in place regularly to assess the operational effectiveness of sponsored reserves on the Heavy Equipment Transporter programme. These will expose any limitations and enable usage to be adjusted accordingly.

37. The contractor’s selection procedure and the sponsored reserves performance at Military Selection will be reviewed by the Army to ensure a good visibility of the calibre of the people recruited. Their performance will also be assessed during training exercises and on operational deployments and any limitations exposed for review. The operational effectiveness of Sponsored Reserves has been assessed as a manageable risk until their performance has been proven in an operational role.

38. This was the reason for limiting sponsored reserves to one third of the total manning requirement; the balance is made up of Regular Forces personnel. The incentives in the contract have reduced the risk to a low level, and in further mitigation of the risk, the contractor plans to recruit the majority of his staff from former members of the Regular Forces. If, despite all the measures in place, the sponsored reserve concept does not work, MoD has the right to terminate the contract.

**‘CDP pointed out that “the United States is quite happy to rely on commercial satellite support for military operations. We should be too. We should not just confine ourselves to military satellites for all our traffic.” We assume of course that Sir Robert [Walmsley] does not have in mind the sorts of satellite services that recently made US surveillance video footage from Bosnia inadvertently available to the amateur satellite enthusiast.’ (Paragraph 60).**

39. Commercial satellite communications will only be employed where no specific military features are required, for example, routine administration traffic. Information transmitted over commercial satellites can in any case be made secure through the use of cryptographic protection.

**‘On the Combat Support Vehicles PFIs, it is remarkable that it took three years of developing proposals and discussions with industry for the difficulties about generating third party income to become apparent to the MoD.’ (Paragraph 64).**

40. The decision to cancel the PFIs was not taken on 3rd party revenue grounds alone. The difficulty in defining output-based specifications, the limited scope for innovation, the

complexity of the requirement and uncertain value-for-money advantage over the Public Sector Comparator (PSC) were all as important as 3rd party revenue and they all contributed to the decision.

41. Although the total was three years, the significant period, during which work on trying to achieve a PFI solution was undertaken, was about two years. While this is still a considerable time, a case for cancelling PFI had to be made on a sound basis, because it had the potential to dilute industry's confidence in bidding for other Private Finance Initiative prospects.

42. A significant difference between a conventional procurement and PFI is that the latter involves industry at a much earlier stage. For a conventional programme, much work is carried out using internal expertise and estimating plus *informal* approaches to industry *before* an Invitation to Tender is issued. The three-year period commenced with the first approaches to industry with a Pre-Qualification Questionnaire to establish which companies/consortia might be interested and capable of providing a PFI service. The outline proposals that were submitted by industry some 12 months later were the first indications of how a PFI solution would compare to the PSC and it was these that indicated that a conventional route would probably be more cost-effective.

43. During the time from then until final cancellation, every attempt was made to see if the projects could be made to work through PFI. Many workshops were held with the bidders to explore their ideas further and to establish the scope for more innovation. Pricewaterhouse Coopers performed a substantial piece of study work on the capacity available from the commercial market, including spot hire and leasing. That study work concluded supply equalled demand in the commercial market, and that the capacity we required was simply not available. This also helped to confirm that 3rd party revenue opportunities, to offset the costs of a PFI deal, would be very limited.

**'In the fundamentally restructured and delayed Ro-Ro ship project, we see the MOD rather than the contractor taking over the risk of the acquisition of some of the vessels—which undermines the supposed advantages and the fundamental principles of the PFI.'** (Paragraph 70).

44. We wish to emphasise that the long-term PFI service delivery arrangements for ROROs have not been restructured, nor is the programme delayed, and indeed the first ship became available in August this year, exactly on time, despite it taking longer than originally planned to sign the PFI contract.

45. Whilst taking over the construction risk for the two Harland and Wolff ships was not envisaged at the outset, the PFI contract is for the long-term provision of a strategic sealift capability and MoD's acceptance of the risk for the construction period has maintained the important early delivery. This decision was taken when the company's circumstances threatened the timely completion of the PFI negotiations. The ships are, however, being built to the service provider's design and under commercial shipbuilding contracts negotiated before MoD took them over. On completion they will be sold to the service provider for the agreed contract prices. They will then be owned and operated with the four other ships being acquired by the service provider. The service provider bears the risk of the extent to which he can generate third party revenue over the whole life of the service from ships not required for military tasks; thus a key ingredient for this PFI is preserved.

## **THE DECOMMISSIONING OF THE SEA HARRIER**

**'Whatever the rationale for withdrawing the Sea Harriers early...it is regrettable that the MOD was taking delivery of new Sea Harriers only a few years before making**

**that decision. At the very least, we are presented with a poor impression of long term planning in the MoD.’ (Paragraph 72).**

46. As noted in the Committee’s report, the decision to buy the last tranche of Sea Harriers was made in 1993. At the time of the attrition order the aircraft’s primary role centred on supporting large naval task groups operating in the North Atlantic. Following the SDR the operational focus of the Royal Navy’s Invincible Class Aircraft Carriers shifted to power projection in the littoral. The offensive capability provided by the Harrier GR7s thus became the principal military output required from the UK’s embarked fixed wing aircraft. This, and the small size of the Invincible class carriers, with their attendant inability to embark large numbers of fixed wing aircraft, provided the impetus for a balance of investment study across the Joint Force Harrier (JFH).

47. The JFH Balance of Investment study commenced in late Spring 2001. In the months preceding, it had emerged that both the Sea Harrier FA2 and Harrier GR7 would require significant upgrades to allow them to remain effective until the Joint Strike Fighter enters service in 2012.

48. The Sea Harrier is essentially a modified Harrier GR3, an all-metal aircraft whose design dates back over 30 years. The more modern Harrier GR7s, as well as relying on composite materials, are aerodynamically superior to the GR3 aircraft, and were designed from the outset to accept a more powerful engine. Neither the GR3 nor the original Sea Harrier FRS1 were so designed. To remain effective, the FA2 would require a larger engine, which it was not designed to accept, and further upgrades to address radar obsolescence and a limited electronic countermeasures suite. Without these upgrades, the aircraft would become rapidly obsolescent from around the middle of the decade.

49. The balance of investment study concluded, in light of the increased emphasis on embarked offensive capability, that the GR7 should be upgraded to GR9 standard and that the FA2 should be withdrawn from service by 2006 before it became militarily obsolescent.

50. By the time of its withdrawal, the Sea Harrier will have been in service for over 25 years and the Migration strategy for Joint Force Harrier announced in February will provide a robust carrier-based offensive strike capability based on an all Harrier GR9 force. This meets the requirement for increased emphasis on carrier based offensive air power recognised within SDR, and confirmed by the emerging conclusions of our post-11 September work.

**‘Taking a third of the aircraft out of the Joint Force Harrier operating fleet represents a significant diminution of carrier-capable fixed-wing aviation.’ (Paragraph 78).**

51. The withdrawal of the Sea Harrier FA2 is balanced against an increased emphasis on embarked offensive capability resulting from the SDR shift to power projection in the littoral, within the limitations on the numbers of fixed wing aircraft that can be embarked by the Invincible class carriers. The all GR9 force will provide a highly credible and affordable expeditionary force able to operate world-wide by day and night employing smart and precision weapons.

52. While the removal of the Sea Harrier represents a short term reduction in one element of Fleet Air Defence, it was judged that with known planned improvements elsewhere in Fleet Air Defence, for the interim period envisaged this is acceptable. The arrival of the Type-45 Destroyer will help to mitigate the loss of the FA2 until the arrival of the Joint Strike Fighter. The concentration of effort into a common aircraft will provide a marked increase in offensive air power from the upgraded all-GR9 force deployed ashore or from the Invincible class aircraft carriers.

**‘The Type-45 will not fully replicate the capabilities lost with the decommissioning of the Sea Harrier...The Sea Harriers and the anti-air destroyers are not envisaged so much as substitutes, however, but as different layers of air defence for the fleet... Nevertheless, [the newly appointed head of the MoD’s Equipment Capability Customer organisation] was clear that he would have preferred to have retained a viable Sea Harrier in service because [the MoD] will be without one of the layers of air defence...’ (Paragraph 82).**

53. The Department accepts that Type-45 will not fully replicate the capabilities provided by the Sea Harrier.

54. The Sea Harrier delivers an aircraft interception capability from the carrier, though the aircraft is becoming obsolete. To this extent, it focuses on the ‘shooter not the arrow’, which is a valid approach, but requires other systems to tackle missiles which are loosed before the hostile aircraft can be intercepted—or missiles fired from other types of threat platform.

55. On the other hand, the Principal Anti Air Missile System (PAAMS) can intercept aircraft at ranges of up to 70 km from the Type-45, which would typically be deployed well ahead of the high-value units being protected. It can also, unlike the Sea Harrier, intercept anti-ship missiles very capably, including in multiple simultaneous attacks. To that extent Type-45 and the Sea Harrier offer different, complementary capabilities, which the Department would have preferred to retain if possible.

56. However, in the light of the significant expense and technical risk which would have been involved in rectifying the Sea Harriers’ obsolescence, and taking into account the relatively short period for which it would remain in operation before the Future Joint Combat Aircraft enters service, the Department did not believe that this would represent sensible value for money, particularly when considering the substantial upgrade in the other layers of air defence which the PAAMS will provide.

**‘All current air-defence layers—whether carrier-borne aircraft or destroyer-borne missiles—have weaknesses in tackling sea-skimming missiles.’ (Paragraph 83).**

57. Weaknesses of individual defensive layers in tackling sea-skimming missiles are recognised and the layered defence to counter this threat is being strengthened before the withdrawal of the Sea Harrier by 2006. This includes improvements to the capability to detect, identify and track these threats, or the wider air “situational awareness,” through:

- the upgraded Sea King Mk 7 Airborne Surveillance and Control Aircraft, currently being introduced into service;
- an upgrade to the Type 1022 radar fitted to the eight newest Type-42 Destroyers and CVS;
- an upgrade to the Type 996 radar fitted to the same eight Type-42 Destroyers, Type 23 Frigates, CVS, LPD(R) and LPH;
- the ADAWS20 command system upgrade for the eight newest Type-42 Destroyers and CVS, to be completed this year and the “Command Support System” which has already been fitted to all major warships;
- the incorporation of Identification Friend or Foe tracking of air contacts in Type-42 Destroyers, CVS, LPD(R) and LPH.

58. These improvements will provide the enhanced situational awareness necessary to counter modern missile threats in high density threat environments. Actual engagement (‘hard kill’)—or distraction (‘soft kill’) by decoys—of the threat is then conducted through systems such as:

- the Sea Dart missile, now fitted with a new Infra Red Fuze triggered by a missile's signature;
- continuing close range defence through Point Defence Missile Systems or Close in Weapon Systems fitted to all major warships;
- the defensive decoy system DLH, incorporating the Active Decoy Round (ADR), to be fitted to all major warships to complement Ship to Air Missile systems in defeating anti-ship radar-guided missiles (In-service Date December 2003).

59. This layered defence will be further strengthened through the introduction of the Type-45 Destroyers from 2007 onwards with the Sampson active phased array radar and the Principle Anti-Air Missile System (PAAMS). PAAMS will provide a multi layer defence against sea skimming missiles using a mix of ASTER 30 and 15 missiles.

**'The overall procurement cost of the JSF programme for the UK is expected to be £7–10 billion, but will depend on the variant chosen and the number of aircraft ordered. That may depend, however, on the affordability of the aircraft. There remains some uncertainty about the number of each JSF variant that the US will require, which will inevitably influence their respective unit price.'** (Paragraph 86).

60. Although the decision has been made to select the STOVL Variant of the JSF for the UK, we will not be making firm decisions, or contracting for, numbers of aircraft at this stage; we expect that step to be reached in 2005/6. Costs currently remain subject to some estimating uncertainty, however, while the relative costs of both variants were considered in reaching this decision, they were not the primary driver.

**'The MoD is of course procuring a dedicated air-defence, or air-superiority, fighter—the Eurofighter. Eurofighter, together with its missiles and other systems, will have an air-to-air capability that will not be matched by the Joint Strike Fighter aircraft. We were told that the balance of JSF and Eurofighter fleets was being evaluated. With some overlap at least in their respective capabilities, it is of course right that a holistic approach is taken to balancing our investment in future fighters. Such assessments must also fully recognise, however, that a carrier-based fighter will be an essential component of our expeditionary capability—we cannot assume host nation support for land based operations—even if that means deploying an aircraft not optimised for air defence. Questions of which version of JSF will be affordable for the UK are of secondary importance.'** (Paragraph 88).

61. The Joint Strike Fighter (JSF), which has been selected as having the best potential to meet our Future Joint Combat Aircraft (FJCA) requirement to operate both from the new carriers and from land, is a multi-role aircraft capable of conducting both strike and air defence operations. We therefore do not currently see any need to have dedicated FJCA air defence aircraft or FJCA aircrews trained only in air defence. By keeping all FJCA aircraft and their crews multi-role we will be able to maximise operational flexibility and so be best able to respond to the tactical situation.

62. The MoD will continue to seek the most cost-effective solution to meeting its Future Joint Combat Aircraft requirement.

**'There are discussions underway it seems that may allow the NATO Prague summit in November to encourage further role-specialisation or burden sharing in the Alliance, in the face of the slow progress with the Defence Capabilities Initiative. We are forced to conclude that whatever the result of such discussions, the UK has already decided that in another five years it will rely on others for air-defence patrols for our naval task forces.'** (Paragraph 92).

63. SDR envisaged that the majority of our future operations will be as part of a coalition and recognised the requirement for increased offensive air power, which the upgraded Harrier GR9, operating from Royal Navy carriers and from land, will provide.

64. Even between the withdrawal of the FA2 and the deployment of FJCA the UK will continue to be able to contribute to the area air defence of coalition maritime operations with Type-42 Anti-Air Warfare Destroyers, armed with Sea Dart missiles, and, from 2007, the Type-45.

**‘We recognise that there is a rationale for not upgrading the Sea Harrier, and withdrawing it early from service. It presumes that our future maritime operations will be conducted almost exclusively in littoral environments, where other air-defence weapons systems are likely to be more effective, and other aircraft of greater utility for supporting forces ashore. But it must come with caveats. The MoD must ensure that the air-defence capability improvements planned for the Type-42 destroyer and its Sea Dart missile are now delivered without further delays. The Type-45 and its next generation of anti-air missiles must also be delivered to time and to specification, and a sufficiently large fleet of these destroyers procured to give the required defensive cover for our naval forces. The rationale also depends critically on other navies and air forces providing air-defence cover for our forces, particularly when open-ocean operations are still required. For it is clear from the evidence we have taken in this inquiry that our ability to deploy and defend UK naval forces in open-ocean scenarios is not effective; or more accurately perhaps, that such a situation has long been the case but has now been addressed head-on. There are, then, a lot of pieces that must all fall into place before the Sea Harrier’s demise can be regarded with at least some confidence. The MoD must ensure that none are missing. We will be following this process very closely.’ (Paragraph 93).**

65. The Department accepts that the Committee will continue to wish to focus on this area, and welcomes its attention. The Committee rightly recognises the importance of the littoral environment, an area identified in the SDR as one of increasing emphasis and the importance of delivering effective offensive air power in support of joint operations.

66. The MoD entirely accepts that the capability improvements planned for the Type-42 Destroyer, and its Sea Dart missile, should be delivered in a timely fashion. As the Committee has recognised, the IR fuze improvement to the Sea Dart missile was delayed for several years by technical difficulties. The Department is pleased to inform the Committee that the fuze has now entered service. Notwithstanding the most unwelcome delays to its introduction, the Sea Dart’s capability against sea skimming missiles as a result has thus been substantially improved. The ADAWS20 system has also now been fitted to all Batch 2 & 3 Type-42s.

67. The MoD also remains committed to taking delivery of the Type-45 to time and specification, and intends to order in due course further ships of the same type, with the planning assumption of a class of 12 ships.

68. The Department does not fully concur that UK maritime forces will depend critically on other navies and air forces providing air-defence cover after the withdrawal of the Sea Harrier. It is true that we would expect the majority of operations conducted against an adversary with testing anti-surface air capabilities to be conducted on a coalition basis. It is difficult to conceive of many credible scenarios in which the UK might be operating on a solely national basis in open ocean engagements against a capable adversary. The substantial improvements being implemented for the other layers of air defence will help substantially mitigate the risk should this situation arise in the few years between the Sea Harriers’ withdrawal and the introduction of the Joint Strike Fighter.

**‘The decision to withdraw the Sea Harrier early will provide financial savings, but this does not appear to have been the main impetus behind the decision. That has been the practical difficulty in developing the aircraft with the capability improvements it would need. If, as the MoD maintains, this was a question of ‘balance of investment’ we expect the MoD to set out clearly what additional, higher priority, investments it now expects to make with these savings.’ (Paragraph 97).**

69. The MoD of course does not hypothecate resources which are released by changes to individual programmes to specific other projects or budgets. It would be rare to find instances where the resources matched precisely the profile and overall cost of alternatives.

70. Rather, the Department regularly reassesses its individual budgets in the context of the overall Equipment Plan and Short Term Plan, and, the MoD’s overall budget. When considering where investment needs to take place, the budget holders are guided by Departmental policy, and plan on that basis, taking into account the resources available and the impact on existing plans and capabilities of shifting investment elsewhere. It is not therefore possible to identify a specific new investment which the savings realised by this decision have funded. However, the Department has regularly set out its priorities for increased investment (and where there was potential for reduced investment, given the changed strategic environment). The most fundamental statement for the Department’s priorities as a whole was the 1998 Strategic Defence Review, and much progress has been made in these areas already. The SDR New Chapter however highlighted the need to invest more in intelligence gathering, network-centric capability (including enhanced strike and Special Forces capabilities and unmanned air vehicles), improved mobility and fire power for more rapidly deployable lighter forces, temporary deployed accommodation for troops, and night operations. The significant additional resources made available to Defence in Spending Review 2002, as well as sensible rebalancing of the existing programme, will enable us to take forward the recommendations of the New Chapter with the urgency that the events of 11 September 2001 demand.

## **INFORMATION SUPERIORITY CAPABILITIES**

**‘[“Information Superiority” equipment programmes are] critical areas for the key future capabilities that our forces will need in not only the post-Cold War, but post-11 September, world. We will be looking at how the SDR New Chapter addresses the need for these sorts of rapidly deployable, network-centric capabilities, and we will be monitoring these areas closely in our future procurement inquiries.’ (Paragraph 100).**

71. The Department agrees on the importance of this key, developing area. The SDR New Chapter emphasises the need for rapidly deployable, network-centric capabilities to deliver controlled and precise military effect rapidly and reliably. Information superiority, which includes the ability to absorb and exploit large quantities of raw data and transform it rapidly into the direction of military action, is fundamental to the success of military operations of this kind and we plan to increase our investment in this area. The New Chapter announced early capability enhancements with this aim in mind—the acceleration of the WATCHKEEPER unmanned air vehicle (UAV) programme, the establishment of a joint-Service UAV experimentation unit to examine the broader utility of UAVs, upgrading the capability of the E3D AWACS aircraft and further enhancements to our radar systems.

**‘The MoD’s bold step in relaunching the Bowman competition two years ago appears to have been vindicated by an end to the previously regular delays. The MoD needs to focus now on introducing this vital component of network-centric warfare capability as quickly as possible.’ (Paragraph 104).**

72. The MoD is making good progress across equipment and non equipment aspects of the BOWMAN tactical communications system programme with the aim of introducing it to all three Services as planned between 2004 and 2007. The achievement of key demonstration milestones by the Prime Contractor is providing increasing confidence that the challenging procurement schedule will be met.

## **AMMUNITION SUPPLY**

**‘We welcome [the MoD’s] long overdue reassessment [of its ammunition war stock requirements], which is setting requirements for 2005 onwards. More fundamentally, however, we have a concern about the adequacy of future ammunition stock levels because of the basis on which war stock thresholds are to be calculated. Tellingly, the MoD informed us that the previous methodology “did not provide best value for money” and that the new basis of calculating the requirement was to “ensure that best use is made of limited resources, and that stocks of munitions are based upon a suitable balance of capability, risk and cost to provide a coherent and balanced solution to the operational need.” The MoD clearly does need to reflect, as it is in its current review, the way operations will be mounted in these post-Cold War times. But in moving away from single-Service ammunition scales, which in the past sought to cater for a wide range of war-fighting contingencies, we detect an opportunity for the MoD to reduce ammunition stock holdings more than sensible caution might suggest.’ (Paragraph 109).**

73. Stockpile planning methodology is subject to continuous review, thereby ensuring that the derived liabilities for munitions are robust and fully reflect current Defence Planning Assumptions. Exacting stockpile planning work has taken place to re-evaluate the requirements and extreme care has been and is being taken to ensure that operational judgement and real world factors are fully taken into consideration to provide further robustness to the results. This will continue to ensure that sensible decisions are made on the balance between capability, risk and cost. The methods and choices made in deriving the liabilities remain transparent and auditable with clear identification of risk factors. It is widely recognised that the consequences of large inaccuracies would be not only the misallocation of scarce resources but would also constrain our ability to deliver military capability when required.

**‘Despite our predecessors’ hopes, and those of the trade unions, that [negotiation of a Framework Partnering Agreement] would put Royal Ordnance Defence on a sufficiently firm footing to give its other plants a viable future, this now appears unlikely... Instead of improving Royal Ordnance Defence’s viability, the Framework Agreement has only served to give the firm the foundation it needed to close further plants.’ (Paragraphs 111–3).**

74. MoD and Royal Ordnance Defence (ROD) entered into a Framework Partnering Agreement in 1999. Under the terms of this agreement, MoD provides the company with visibility of its forecast future requirements out to 10 years. This agreement does not guarantee the company’s future, but has been of great assistance to ROD in its strategic planning and to optimise the size of its manufacturing capacity. In return the company has undertaken to reduce its prices to world benchmark levels over the 10 year period of the agreement. As part of their strategic review ROD have identified key areas of their business for investment and as a result of this are investing significant sums of money in their facilities at Barrow, Glascoed and Radway Green. They continue to invest in future

technologies at their Leicester Engineering Centre of Excellence, which should allow them to become a world-wide provider of Integrated Weapons Systems. Much of this activity is high value-added, onshore work in the UK. By continuing its restructuring activities and investing in the facilities which are key to the success of its core business ROD expect to be an effective competitor in world markets and now have a much more secure future as part of BAE SYSTEMS.

**‘It is...imperative that while such security of supply agreements [with the US and Europe] remain without binding force the MoD must continue to monitor more robustly the implications of ammunition plant closures, and indeed other defence industry rationalisation, to be ready to protect resupply routes for such essential support for our Armed Forces.’ (Paragraph 114).**

75. Royal Ordnance Defence, when acting as the MoD’s Prime Contractor, employ a rigorous selection process when making any strategic sourcing decisions, including binding, contractual security of supply arrangements with overseas suppliers. ROD has kept the MoD informed of its rationalisation plans, and the Department has had no reason to intervene in what are essentially commercial decisions.

## **AIR TO AIR MISSILES**

**‘There is perhaps another lesson [from the ASRAAM difficulties] about the time needed when programmes depend on co-ordinating the commitments of collaborative partners.’ (Paragraph 119).**

76. The potential for schedule delays when undertaking co-operative acquisition is a well known risk within procurement. Guidance on this issue is provided to Integrated Project Teams (IPT) through the Acquisition Management System and formal training courses covering International Acquisition. The size of the risk depends on a number of factors, including project structures, relative work-share, the countries involved, past performance, political factors prevalent at the time etc. When balancing the benefits of International co-operation IPTs take account of the risks and factor this into the schedule and cost aspects of their business cases when seeking approval. This was certainly the case on Meteor.

## **A400M**

**‘In the C-17s leased by the RAF...the MoD can also be assured of an effective, continuing airlift capability... Currently, therefore, the MoD finds itself in an enviable position. But if the A400M continues to struggle the secret will be to know when it would be better to deal with someone else.’ (Paragraph 122).**

77. The MoD endorses the Committee’s summation. We have been extremely pleased with the performance of the leased C-17s, and they are delivering a very useful improvement over our previous airlift capability until the A400M enters service. We remain confident that the A400M can provide the required capability in the future, and continue to be fully committed to the programme. Nevertheless, as the Committee recognises, the programme requires commitment from our partner nations as well. While we would not wish to specify a specific date or event beyond which we could no longer have sufficient confidence in the programme, the Committee rightly recognises that we have a viable alternative solution.

78. We are presently working to determine whether the latest difficulties in achieving contract activation are likely to endanger the approved In Service Date and cost of the aircraft, and options to manage this if this proves to be the case.

## THE ROLE OF THE CENTRAL EQUIPMENT CAPABILITY CUSTOMER

**‘It seems to us that at such an opportune juncture, there needs to be a new focus on integrating the perspectives and priorities of all of the key players in the MoD who will have to work closely to make smart acquisition a success—and a success not just on cost and timeliness fronts, but in a way that delivers what the equipment user really needs and “values”. To bring that about will require a sharper focus on measuring value in the MoD’s procurement programmes. As a first step, the MoD should consider the value of including the central Equipment Capability Customer on the new “Investment Appraisals Board”, which was set up to replace the Equipment Approvals Committee.’ (Paragraph 131).**

79. The Department notes the Committee’s observations. The Investment Approvals Board, which advises Ministers on major investment decisions, was established on 2 April with a remit that covers both equipment and non-equipment projects. The Board will take a close interest in the issue of measuring value in the MoD’s procurement programmes. It is required, in its consideration of individual proposals for defence investment, to establish, among other things, whether they are well founded in relation to the delivery of the customer’s requirements. Although, as the Committee noted, the Equipment Capability area is formally represented on the Board by the Vice Chief of the Defence Staff, the Board fully expects to continue to have regular discussions with the Deputy Chief of the Defence Staff (Equipment Capability) and his directors.

80. As the Committee suggests, all the key players in the MoD need to work closely together to make smart acquisition a success. It was partly in recognition of this fact that the post of Director General Smart Acquisition, established on 2 January, was given responsibility for the Secretariat of the new Investment Approvals Board. The Board’s working practices and membership will be kept under review in the light of experience.

**DEFENCE COMMITTEE REPORTS IN THE CURRENT PARLIAMENT**

FIRST REPORT: *Ministry of Defence Police: Changes in jurisdiction proposed under the Anti-terrorism, Crime and Security Bill 2001*, HC 382, published on 6 December 2001

SECOND REPORT: *The Threat from Terrorism*, HC 348–I, published on 18 December 2001.

THIRD REPORT: *The Ministry of Defence Reviews of Armed Forces' Pension and Compensation Arrangements*, HC 666, published on 9 May 2002.

FOURTH REPORT: *Major Procurement Projects*, HC 779, published on 10 July 2002

FIFTH REPORT: *The Government's Annual Report on Strategic Export Controls for 2000, Licensing Policy and Prior Parliamentary Scrutiny*, HC 718, published on 19 July 2002

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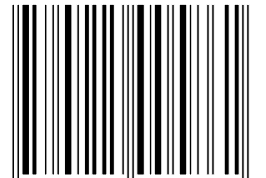
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