



House of Commons
Defence Committee

**Delivering Front Line
Capability to the RAF:
Government Response
to the Committee's
Third Report of Session
2005–06**

**Third Special Report of Session
2005–06**

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The Defence Committee

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Delivering Front Line Capability to the RAF

The Defence Committee published its Third Report of Session 2005–06 on Delivering Front Line Capability to the RAF on 18 January 2006, as House of Commons Paper No. 557. The Government's response to this report was received on 14 March 2006. This is appended below.

Appendix: Government response

The Government notes the Committee's recognition that the Department must embrace modern best practice techniques, including pulse lines and leaning, to realise efficiencies in the defence support area so as to maximise the military capability available to the front line. Since the Strategic Defence Review, the Department has sought to ensure that front line forces receive the logistic support they need within a framework that provides the best balance between operational effectiveness, efficiency and value for money. Its approach has reflected the need for greater flexibility and agility in logistic support capabilities to meet the requirements of expeditionary operations. For the air environment, this has meant a move away from the traditional reliance on multiple lines of support at operational bases, in second and third line facilities, and in industry.

This process has required hard, evidence-based, decisions to remove excess capacity and duplication of facilities/assets in the depth support chain, both within the Department (with cuts in both RAF and civilian engineering posts) and in industry (who will now carry out much of their work at the Main Operating Base, alongside RAF engineering personnel, rather than at their own sites), whilst also retaining the capability to surge to support urgent operational needs. This has been a radical shift in the way air depth support is delivered to our Armed Forces: it is essential if we are to ensure that this support is delivered in the most efficient and cost effective way. As a result we will achieve significant financial savings, estimated at £70M over the next four years, and £40M annually thereafter, releasing resources to the front line whilst, at the same time, significantly increasing the availability of aircraft for operations. Given this clear evidence of the operational benefits and savings being achieved, we are perplexed by the Committee's conclusions that some of the decisions we have taken are 'perverse' and 'incomprehensible'.

We also do not accept that the MoD has 'contributed to a period of unnecessary turbulence and uncertainty in aviation logistics provision'; on the contrary, we believe that the decisions to reconfigure our support structures in recent years, including that to establish DARA as a trading fund, have been both necessary and defensible. We also believe that the new air depth support arrangements will give greater clarity and certainty to both the Armed Forces and Industry, and that the arrangements are fully in line with our Defence Industrial Strategy.

Nor do we accept that the Red Dragon project is a waste of money. Red Dragon allowed DARA to move from antiquated Second World War accommodation, spread over the entire St Athan site, into one single purpose-built facility. Red Dragon provided a window of opportunity for DARA to win necessary new commercial work. In the event, this did not happen as a result of a combination of factors, including the outcome of the end to end work and the decisions to accelerate the withdrawal from operational service of the Tornado F3 and Jaguar, and to extend Tornado servicing intervals. We nonetheless expect to have recovered our investment in the Red Dragon project by April 2007.

This memorandum sets out, in detail, the Government's response to each of the Conclusions and Recommendations in the Committee's report, in the order in which they were raised.

1. We welcome MoD's decision to embrace modern production techniques that are designed to achieve savings and efficiencies. The performance of the pulse line system can only be judged over time. The success of the pulse line will be dependent on industry's ability to ensure aircraft components are readily available. Any delay in the availability of components would severely undermine the effectiveness of the pulse line. The RAF will have to ensure this risk is managed robustly. (Paragraph 32)

We note and welcome the Committee's support for the introduction of modern techniques into the support area and agree that the management of risk is critical to their success. We also agree that robust planning is key to delivering components to the pulse-line at the correct time and in sufficient quantity, and this is a fundamental tenet of our partnering arrangement with industry. The management of projected risk is already a fundamental element of our governance regime.

2. Given that MoD believes the pulse line will deliver significant improvements to the provision of support to RAF aircraft, it is surprising that it was not introduced sooner at St Athan. We recommend that MoD carefully monitor and evaluate its pulse lines supporting aircraft, giving particular attention to ensuring that supplies of components and technical support are provided in a timely fashion. (Paragraph 33)

DARA has not introduced pulse line techniques at St Athan. Pulse is a volume-driven process that requires a high degree of predictability, a consistent flow of activities and an effective supply chain. Prior to moving into the new Red Dragon facility, a pilot scheme was carried out to investigate the applicability of pulse and flow to DARA. The pilot concluded that pulse would not be appropriate for St Athan, given the transfer of Harrier, and the fact that Tornado majors were soon to end; there was insufficient residual work with enough volumes, consistency and predictability for pulse lines to be the optimal method of maintenance. Nevertheless, many principles established during the pilot (regarding scheduling, eliminating waste, and more effective supply chain management) were introduced at St Athan, not least on VC10. Had the End-to-End decision been that Harrier and/or Tornado support should continue at St Athan, DARA would have revisited the applicability of pulse lines and may have introduced them, as indeed they have with the Rotary Wing Roll Back work at Fleetlands, with significant success.

The performance of the pulse lines at RAF Cottesmore for Harrier and RAF Marham for Tornado GR4 is managed through a partnering arrangement with the prime contractor, and is constantly reviewed and evaluated at all levels of the management structure. The effective and efficient management of pulse line requirements, including the timely delivery of components and technical support, is an integral part of the MoD supply chain process.

3. We note the apparent success of the leaning programme at RAF Marham. We also note that this is still at its early stages and that the full transfer of Tornado support has yet to take place. We are concerned about the sustainability of leaning once it has done so. We are concerned that leaning programmes either have a tendency to lose impetus with inefficiencies re-entering the system or prove counter-productive in leaning out vital processes. (Paragraph 35).

We note the Committee's concern about the sustainability of leaning and recognise the risk of losing impetus. Evidence from the Harrier pulse-line at RAF Cottesmore shows that, with a robust sustainment plan, a step improvement in turn round times, achieved as a consequence of adopting lean techniques, can be maintained. Similarly, the move to a combined upgrade and maintenance line for JUMP was only possible using lean techniques. The same principles are being applied to Tornado at RAF Marham. The Department is also putting in place measures to identify and manage personnel leaning skills and 'lean champions' will be embedded on all RAF Main Operating Bases. We plan to review to ensure vital processes are not leaned out.

4. We recommend that MoD continue to seek out and eliminate inefficiencies in all its aircraft support processes but that it ensure that leaning does not go so far that the quality of maintenance is undermined by efforts to meet efficiency targets. (Paragraph 36)

We fully agree with the Committee that the quality of maintenance must be maintained. The MoD remains committed to removing all possible inefficiencies, but not at the expense of overall resilience and airworthiness, which remain paramount. Stringent quality procedures are also in place to ensure that the existing high standards at Main Operating Bases are maintained in our partnering arrangements with industry.

5. We recognise that close partnerships with industry in the provision of aircraft support through "gain-share" agreements may result in real benefits for the RAF and value for money for the taxpayer not least by reducing perverse incentives for industry. We note Air Vice Marshal Thornton's concerns about the difficulties of sustaining gain-share over the long term and we expect MoD to monitor and evaluate these agreements very carefully. Beginning in January 2006, we intend to consider the wider issue of MoD's partnerships with industry in our inquiry into MoD's Defence Industrial Strategy. (Paragraph 39)

We are pleased that the Committee recognises the real benefits that partnering with industry will deliver. Gain-share is monitored and evaluated, both ahead of contract award, and as part of MoD's management of contract performance. Any partnering relationship with industry must demonstrate savings in comparison with legacy (previous) arrangements.

We recognise also the difficulty of sustaining gain-share once a programme is matured, which is why our availability contracts are usually set for a five-year term, with a rolling extension beyond this, thereby encouraging continuous improvement and innovation.

6. We note both the Unions' claims of problems with the Harrier JUMP at RAF Cottesmore and MoD's clear refutation of these claims. We pressed MoD particularly strongly on the impact of Harrier flying times and were assured that the decision to extend them was taken only after a long consultation with the Harrier design authority and that there was no increased risk to Harrier pilot safety. (Paragraph 50)

As the Committee notes, the MoD has responded in full to the Trades Unions, refuting the claims that have been made.

7. We recommend that MoD commission an independent audit of the Joint Upgrade Maintenance Programme at RAF Cottesmore to identify any issues and learn lessons which may impact on the programme to concentrate support of Tornado GR4 at RAF Marham. We further recommend that MoD adopt a more flexible timetable for rolling forward the Tornado GR4 to ensure sufficient time to upgrade the deep repair facilities at RAF Marham and to take advantage of any recommendations or information that may arise from the audit of the Harrier JUMP programme at RAF Cottesmore. (Paragraph 51)

We do not believe that an independent audit of Harrier JUMP as suggested is warranted; however, we would, of course, welcome and co-operate fully with any external audit undertaken by the National Audit Office. The JUMP programme is successful and will, on average, make an additional eleven Harrier aircraft available to the front line, as well as delivering savings of £44M over the next four years. Lessons learned on the JUMP programme have been, and will continue to be, implemented at RAF Marham in support of the Tornado GR4. Progress on both the Harrier and Tornado programmes will continue to be reported regularly to Ministers. The Department do not believe, given the benefits that would be foregone, that there is any cause for altering the planned timetable for rolling forward Tornado GR4.

8. It seems perverse and wasteful for MoD to invest large amounts of public money to renovate the facilities at RAF Marham when it has at its disposal a state-of-the-art facility at St Athan. It is doubtful that the facilities at RAF Marham will ever match those at DARA St Athan, but given the decision to base Tornado GR4 support at RAF Marham, it is essential that MoD ensure that those who work there have the facilities they need. (Paragraph 62)

We agree that Service personnel and civilians working at RAF Marham must have the facilities they need to complete the task placed upon them. The investment in the infrastructure at RAF Marham, including additional aircraft strip and paint facilities, hangar cranes and other improvements, will provide cost effective facilities appropriate to the task. The costs of this investment were taken into account in the Investment Appraisal (IA) work which compared the relevant costs for both roll-forward and roll back. The IA concluded that transfer of Tornado GR4 depth work to RAF Marham represented better value for money than locating this work at RAF St Athan, notably because of the significant investment costs to provide adequate accommodation for the servicemen and their dependents which would have had to be deployed there because of the Crisis Manpower Requirement. These conclusions were endorsed by the Department's Senior Economic Adviser.

9. We reiterate the concerns of our predecessors, that Tornado support at RAF Marham should match that provided at DARA St Athan. For this to be so, the RAF must ensure that its tradesmen are trained to the highest standard and that all tradesmen are given the opportunity to develop their skills through regular rotation between the forward and depth environments. (Paragraph 63)

RAF engineering tradesmen, who have carried out such work throughout the history of the RAF (including at St Athan) are trained to a standard which is kept under constant review to reflect any changing requirements of the Service. A policy already exists to rotate

personnel through a range of employment, including between the forward and depth support environments, thereby ensuring that they possess a full range of skills. These arrangements were in place when significant numbers of RAF servicemen were employed on 3rd Line maintenance work at RAF St Athan. This rotation of staff is managed by the RAF Personnel Management Agency, in liaison with Force Commanders.

10. The retention by the RAF of sufficient numbers of Senior NCOs will be fundamental to the long term success of this process. (Paragraph 65)

The RAF is confident that its long-term manpower planning will provide sufficient SNCOs with the necessary training and experience to sustain the Forward and Depth support functions. Plans are based on historic and projected outflow rates, and are tailored to reflect actual manning requirements.

11. We are concerned about potential difficulties that over-leaning of processes at RAF Marham may bring. We expect MoD to monitor the pulse line, particularly during surges of demand, and to make credible contingencies in case of overload. We do not consider the reduction of leave entitlement or training to meet surge demand to be credible contingencies for meeting demand surges. We regret the loss of the flexibility to meet demand surges which the support arrangements at DARA St Athan currently provide. (Paragraph 68)

Pulse line workloads are closely monitored at all times to ensure reasonable and safe demands on the workforce. Surge requirements can—as they have in the past—be met by transferring personnel between Forward and Depth. Indeed the strategy for implementing the new arrangements for Depth maintenance at RAF Marham has been built around the need to retain the flexibility to surge output to meet peaks in demand. In times of surge the Department will also make use of Agency staff, as was previously the case at DARA. Whilst we would always aim to keep this to a minimum, cancellation of leave or training courses for military personnel may, exceptionally, be required to meet operational surge.

12. While the RAF's Crisis Manpower Requirement was the major factor in the decision to shift responsibility for depth support from civilian to RAF tradesmen, the decision of where to base depth support was taken largely on cost grounds. In the case of fast jets, it was considered cost-effective to move depth support to RAF MOBs: for rotary wing support, it was not. (Paragraph 78) (Addressed with Paragraph 80)

13. We are concerned that MoD's decision about its aircraft support provision was not founded on consistent principles. MoD's emphasis on CMR as the driver for rationalising its support arrangements is undermined by its later acknowledgement that the decision was taken on cost grounds. This leads us to conclude that the new arrangements will not stand the test of time. (Paragraph 80)

These decisions were not made solely on cost grounds but on the basis of wider cost effectiveness considerations. The CMR for all aircraft types was calculated using a common formula based on Defence Planning Assumptions, and this was then factored into work to determine the most cost effective location for depth support. Because of their deployment patterns, complexity and relatively large deployed manpower requirements, fast jet combat platforms have a significantly larger CMR than other aircraft types, including helicopters. A large element of the fast jet CMR manpower therefore had to be placed in depth support,

and this in turn made it more cost effective to collapse depth support for fast jets forward onto the Main Operating Bases, rather than at St Athan. This decision was underpinned by an extensive independent investment appraisal. An independent review of the CMR process and calculation was undertaken by the Senior Economic Adviser in tandem with the Investment Appraisal work.

The rationalisation of support arrangements was therefore driven by both operational (CMR) and cost-effectiveness considerations, together with a rigorous assessment of risk. There is therefore every reason to suppose that it will be resilient, and will be sustainable in the long term.

14. During the course of our inquiry, neither the performance of DARA as a trading fund nor the quality of its workforce and support for RAF aircraft has ever been brought into question. (Paragraph 85)

We are pleased that the committee recognise, as do we, the excellent work that DARA's workforce have undertaken over the years. None of the decisions taken by the Department reflect in any way on the past performance of the Agency.

15. Despite its protests, DARA management was not fully included from the outset in the End to End Review process. That was wrong. (Paragraph 86)

The first McKinsey report into 'Re-Energising the DLO Change Programme', published in August 2002, covered all the operational environments supported by the DLO, and was very wide-ranging. It was not feasible or necessary to include every stakeholder at every stage of the work, but DARA were indeed included in the circulation of the report, and provided detailed responses on areas of interest to them. The then Chief Executive DARA was involved in the subsequent End-to-End review, feeding in his comments at the drafting stage and presenting DARA's perspective prior to the final publication of the report in July 2003. Once the E2E report was published, DARA were fully and extensively involved in all stages of the follow-on work, particularly the revalidation of the Red Dragon business case and the full and detailed investment appraisal on whether to roll depth support forwards or backwards.

Clearly, whilst DARA would have preferred a different set of outcomes, their views were thoroughly taken into account prior to any decisions being made and the current CE DARA acknowledges that their level of involvement throughout the process was appropriate.

16. It is striking that MoD has reconfigured its air logistic provision only four years after a similarly significant reconfiguration had been completed. This suggests that either the original decision to establish DARA was unsound or the recent decisions affecting its future are misjudged. Either way, it is hard to escape the conclusion that MoD has in recent years contributed to a period of unnecessary turbulence and uncertainty in aviation logistics provision. (Paragraph 90)

The Department does not agree with the Committee's conclusion. Since the Strategic Defence Review, the Department has sought to ensure that front-line forces receive the logistic support they need within a framework that provides the best balance between operational effectiveness, efficiency and value for money. Its approach has reflected the

need for greater flexibility and agility in logistic support capabilities to meet the requirements of expeditionary operations. For the air environment, this has meant a move away from the traditional reliance on multiple lines of support at operational bases, in second and third line facilities and in industry.

DARA was formed in 1999 to exploit the synergies between support for fixed and rotary wing aircraft. It was established as a Trading Fund in 2001 to reflect both a declining need to retain in house depth repair capabilities as strategic assets and the imperative to achieve greater efficiency. In 2003/04, following the fundamental review of end-to-end logistics support, the Department concluded that only two lines of support were necessary: Forward and Depth. Subsequent decisions on where Depth facilities should be located have reflected the industrial support requirements for each aircraft type.

The Department does not therefore agree with the Committee's conclusion that it has "contributed to a period of unnecessary turbulence and uncertainty in aviation logistics provision". In particular, the End-to-End conclusions did not invalidate the decision to establish DARA as a trading fund. The commercial freedoms from trading fund status have enabled DARA to deliver substantial benefit in terms of meeting customer requirements while achieving demanding targets and efficiency gains. *Inter alia*, this has placed DARA, as a whole, in a better position to adapt to changing circumstances. Overall, the Department's approach has been consistent, and has reflected the need to adjust its logistic support capability to a rapidly changing strategic environment.

17. We recommend that MoD provide more detail of what the 'market testing' of DARA Fleetlands and DARA Almondbank will entail. The longer the period of market testing, the more uncertainty there will be for DARA management and employees. This will inevitably impact on DARA's business planning and ability to attract commercial work. It is vital that the future arrangements for RAF aircraft are of the highest possible standard and, at the very least, match the service provided by the current arrangements. (Paragraph 91)

Initial market testing was completed at the end of last year by Morgan Stanley on behalf of MoD. On the basis of this advice, Minister (AF) announced on 8 November 2005 his intent to take DARA's VC10, rotary wing and components businesses to the market to determine if this would deliver the best value for defence. Following completion of the formal national trade union consultation process on 23 January 2006, further work to develop the methodology for market testing these businesses is now being undertaken.

Until alternative arrangements are put in place, DARA's relationship with MoD will remain unchanged. It will continue to operate under trading fund status, seeking out commercial opportunities while maintaining the very high standards of support it currently provides to the MoD.

18. We are concerned about the sustainability of MoD's commitment to concentrating rotary wing support at DARA Fleetlands. It is crucial that MoD give DARA Fleetlands the necessary time, resources, and backing it requires to establish itself as a first class provider of rotary wing depth support. (Paragraph 92)

The Government remains committed to making the roll back of rotary wing support to Fleetlands a success. DARA have a comprehensive plan in place to transfer depth

maintenance for Sea King, Lynx and Chinook back to Fleetlands. Roll back commenced in April 2005 and will complete between March 2006 (Chinook) and March 2007 (Lynx). The establishment of the pulse lines and site rationalisation plans is fully on course. The increased volumes now going through DARA's Rotary Wing business, together with the increased efficiency already being experienced through the introduction of the pulse lines and lean techniques, have already resulted in a reduction in turn around times for each platform, and further reductions are on course to be achieved. The increased volume and efficiencies/new working practices have also substantially reduced costs in line with the Investment Appraisal on which the roll back decision was based.

Further, DARA is moving to an output based approach and will shortly sub-contract with Boeing for depth maintenance on Chinook for the life of the aircraft. Sea King is likely to follow a similar path with their second stage of logistic transformation but with Agusta Westland rather than Boeing. The DLO rotary wing Integrated Project Teams associated with DARA have provided, and continue to provide, strong engineering, logistic and transformation support to DARA.

19. We remain concerned about the long term viability of the St Athan site. In light of the end of the fast jet business and the VC10 having an Out of Service Date of 2011, Government departments must work with the National Assembly for Wales and its agencies in encouraging alternative commercial investment to guarantee the long term viability of St Athan as a matter of urgency. (Paragraph 97)

The Ministry of Defence will continue to work closely with the National Assembly for Wales and, in particular, the Welsh Development Agency, to attract investment to St Athan, through our jointly funded and staffed marketing team based at St Athan. Working together, we have already ensured the arrival of the commercial company ATC Lasham and continue to work very closely together to promote the site to other interested parties. We will also continue to ensure that St Athan relocation is considered fully in any internal MoD proposals, noting that proper procurement procedures must always apply and final decisions must be based on overall value for money.

20. We consider that the decision to go ahead with the funding for the Red Dragon project in 2003 was incomprehensible given the uncertainty surrounding air logistic provision at the time. MoD admits that the viability of DARA was an issue even before the decision to commit £104m of public money to Red Dragon and the decision on support for fast jets were taken. With the future so uncertain it was extraordinary to go ahead with Red Dragon in the knowledge that the provision for future support was under review. The decision is a clear example of a lack of joined-up government within Whitehall and between MoD and the National Assembly for Wales and its agencies. As things currently stand, the Superhangar is a valuable facility with no clear future. We recommend that the National Audit Office and the Wales Audit Office examine whether public money was properly spent on the Superhangar. (Paragraph 100)

We do not accept that the decision to proceed with the Red Dragon Project in 2003 was incomprehensible. The Red Dragon project was, *inter alia*, intended to improve the ability of DARA St Athan to win new commercial work to offset the already established forecast decline in MOD workload, as legacy aircraft such as Harrier and Tornado, on which DARA depended for much of their business, reached the end of their service lives. Red

Dragon allowed DARA to move from antiquated Second World War accommodation, spread over the entire St Athan site, into one single purpose built facility.

The Red Dragon business case was based on strong evidence – particularly a compellingly short payback period as a result of increases in efficiency. As the case was being considered, the possibility of an end-to-end review of air and land logistic support was raised but, when Red Dragon was approved in early 2003, the review had only just started and there was no substantive evidence that would have put approval of the project into question. Once the results of the review were available – and as the review itself recommended – an investment appraisal into the continuing viability of Red Dragon was commissioned in October 2003. This confirmed that the business case remained valid over the payback period. In the event, we expect to have recovered our investment in the Red Dragon project by April 2007.

Red Dragon provided a window of opportunity for DARA to win new commercial work but this did not prove possible because of a combination of factors, including the impact of the End-to-End review, the early withdrawal from service of the Tornado F3 and Jaguar aircraft and the extension of service intervals on the Tornado GR4.

21. Nevertheless we believe that the combination of state-of-the-art facilities and an enthusiastic and skilled workforce at St Athan provide a tremendously attractive opportunity for commercial investment. We expect government departments to work energetically to attract commercial investment to the St Athan site. (Paragraph101)

The Government agrees with the Committee's assessment of the opportunities for commercial investment at St Athan. We are working closely with the Welsh Assembly Government to attract new business to St Athan as MoD's fast jet work draws down.