



House of Commons
Defence Committee

Beyond 2 per cent: A preliminary report on the Modernising Defence Programme

Seventh Report of Session 2017–19

*Report, together with formal minutes
relating to the report*

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The Defence Committee

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Summary

The Modernising Defence Programme (MDP) is a defence policy review which was removed from the wider and cost-neutral National Security Capability Review (NSCR) and placed under the control of the Ministry of Defence. This provides an opportunity for the Government to realign the size and structure of the Armed Forces with the scale and range of intensifying threats that face the United Kingdom. It also gives the Government the chance to confront the necessity of providing the level of finance required to strengthen the Armed Forces on a sustainable basis. In doing so, the Government must break out of the pattern, observable in past reviews, of strategic direction being lost because the conclusions of the review are inadequately funded and ultimately unsustainable—leading to the entire process being re-opened and revised. This cannot be achieved if a review is underfunded or reliant on seeking spurious ‘savings’ and elusive ‘efficiencies’ to make ends meet. A firm and sustainable settlement is required to achieve strategic and financial stability.

In this preliminary report ahead of the MDP reaching its conclusions, we make a number of observations on capability and force structure, recruitment and retention, international partnerships, business and commercial practices and defence expenditure that we would expect to be explored in the course of the MDP. This is a ‘broad brush’ exercise based both on the evidence we have received and on the conclusions of reports produced by us and our predecessor Committee since November 2015.

The Defence Secretary should be congratulated on initiating the Modernising Defence Programme and removing Defence from the procedurally unsound National Security Capability Review. By operating within the straitjacket of ‘fiscal neutrality’ and counting the cost of Defence as only one strand in a combined ‘Security’ budget, the NSCR had created the dangerous and perverse situation of potential cuts in defence capability whilst the country was facing intensifying threats. We strongly support his efforts to achieve an increase in the Defence budget; but reforms are also necessary within the MoD to demonstrate that the Department can be the responsible owner of a new settlement. We have made recommendations that the Government should give time for the MDP’s ‘high level findings’ to be debated in Parliament before the summer recess. We have also recommended that the Department sets out a clear account of military requirements and their cost, so that the public is more aware of the scale of investment required to discharge the first duty of Government.

In our view this settlement should be based on a level of defence expenditure approaching the figure of 3% of GDP which the United Kingdom still maintained as late as the mid-1990s. Whenever we ask about the place of Defence in our national priorities, we are met with the mantra that “Defence is the first duty of Government”. The Modernising Defence Programme provides this Government with a perfect opportunity to show that it means what it says.

1 Introduction

1. In July 2017, the Government announced that a National Security Capability Review (NSCR) was being initiated to ‘refresh’ the findings of the 2015 Strategic Defence and Security Review (SDSR), and that one of the 12 ‘strands’ making up the NSCR would focus on defence capability. The work of the NSCR proceeded through the remainder of 2017, until the announcement by the Secretary of State for Defence in late January 2018 that the Defence strand was being removed from the NSCR and that that review work would continue under the new Modernising Defence Programme (MDP).

2. We began taking evidence on the NSCR in late 2017 and a separate inquiry was also held on reported leaks from the NSCR that options were being considered which would dramatically reduce the UK’s amphibious capability. Following the initiation of the MDP, we sought to take oral and written evidence on a range of connected themes with a view to producing a preliminary report laying out some observations on areas we expect to be considered. A call for evidence was made on 26 February to seek contributions on the following questions:

- Is the Government correct in its assessment that state-based threats now pose the greatest risk to the United Kingdom?
- What should the MDP mean for the size and shape of the Armed Forces?
- What are the implications of examining Defence separately from the wider consideration of national security capabilities?
- Should the MoD be seeking further increases in defence spending?
- Which capabilities should the MDP be seeking to retain and augment? Which should it be seeking to restructure or dispose of?
- How can the MoD reform itself to improve its business, commercial and procurement practices? How can it set realistic efficiency targets?
- Whom should the MoD be consulting externally?
- What lessons can be learned from past defence reviews to inform and improve the outcome of the MDP?

3. We held four oral evidence sessions for this inquiry and received 27 pieces of written evidence. The inquiry on UK amphibious capability incorporated a further evidence session and a very large quantity of written evidence. Individual evidence sessions were also held with the Secretary of State and his predecessor, covering a wide range of subjects, but focusing in particular on the NSCR and the MDP. We wish to express its gratitude to all who contributed evidence to this inquiry. We should also like to thank our Specialist Advisers Kevin Abraham, Alex Burton and Sir Baz North for their assistance in our work.¹

¹ The Specialist Advisers’ declarations of relevant interests are recorded in the Committee’s Formal Minutes which are available on our website.

4. *We request that the Department should issue its response to this report after the Modernising Defence Programme has fully concluded, instead of within the usual two-month period, so that the response can directly lay out how the MDP has addressed the observations and suggestions that we have made.*

2 The Modernising Defence Programme

Background

5. One of the first acts of the Coalition Government in 2010 was to reform the staff and structure of the national security apparatus which existed at the centre of government by establishing a new National Security Council (NSC). The stated aim of the NSC was to:

co-ordinate responses to the dangers we face, integrating at the highest level the work of the foreign, defence, home, energy and international development departments, and all other arms of government contributing to national security.²

6. In line with this more holistic approach, it was decided that rather than defence policy reviews being conducted in isolation by the Ministry of Defence (MoD), a more wide-ranging review of national security policy should be undertaken across government. The end result was the publication of both a new National Security Strategy (NSS)³ and Strategic Defence and Security Review (SDSR)⁴ in October 2010. These two documents committed the Government to publishing a new NSS and SDSR every five years. Adhering to this five-year review cycle, a single, combined NSS/SDSR was published in November 2015,⁵ with the expectation that the five-year cycle of reviews would continue and the next review would take place in 2020.

7. Fewer than 18 months after the publication of 2015 SDSR, reports began emerging that the possibility of re-opening or ‘refreshing’ the review was being considered.⁶ It is clear from the Ministry of Defence’s written evidence to us that, at some point between April and June 2017, Defence Ministers had come to the view that, although the fundamentals of the 2015 SDSR remained sound, “a significant programme of work would be required through the second half of 2017” to address the strategic and financial challenges that Defence was facing.⁷ A number of other areas of national security policy were engaged in a period of review or annual evaluation at the same time. Following the 2017 General Election, Ministers and officials began openly to discuss the possibility of a ‘refresh’ of the SDSR.⁸ This was implemented in the form of the National Security Capability Review (NSCR), which was formally announced on 20 July 2017—via a Cabinet Office press release—on the last day that the House of Commons was sitting prior to rising for the summer recess.⁹

2 10 Downing Street, ‘Establishment of a National Security Council’, 12 May 2010

3 HM Government, *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, Cm 7953, 18 October 2010. The UK’s first National Security Strategy had been published in 2008 - Cabinet Office, *The National Security Strategy of the United Kingdom: Security in an interdependent world*, Cm 7291, March 2008

4 HM Government, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, 19 October 2010

5 HM Government, *National Security Strategy and Strategic Defence and Security Review 2015: A Secure and Prosperous United Kingdom*, Cm 9161, 23 November 2015

6 ‘Tensions at top of Conservatives over defence review’, *The Times*, 12 May 2017

7 Ministry of Defence (MDP0026)

8 See for example the speech of Mark Sedwill, National Security Adviser, at the RUSI Land Warfare Conference, 29 June 2017 and HC Deb, 13 July 2017, c 452 [Rt Hon Sir Michael Fallon KCB MP]

9 Cabinet Office, ‘Strategic Defence and Security Review Implementation’, 20 July 2017

8. Firm details on the form, process and timescale of the NSCR were slow to emerge. The press release of 20 July established that the NSCR would consist of a number of individual ‘strands’ of work taken forward by cross-departmental teams and led from the Cabinet Office by the National Security Adviser. The review would include an:

examination of the policy and plans which support implementation of the national security strategy, and help to ensure that the UK’s investment in national security capabilities is as joined-up, effective and efficient as possible, to address current national security challenges.¹⁰

9. The MoD’s written evidence goes into some detail on how the review process proceeded within the Department as part of the NSCR through the latter half of 2017: a process of global strategic analysis followed by the establishment of a planning framework, leading into policy review and the presentation of a range of options on force structure and capability by the Service Commands. The evidence then describes that, as work proceeded on the NSCR, a major tension began to emerge between its headline goals and its ‘fiscally neutral’ character (this is discussed in more detail below at paragraph 37). This coincided with the appointment of Rt Hon Gavin Williamson MP as Defence Secretary in November, who agreed that further work needed to be done to resolve this tension.¹¹ From this, reports began to emerge towards the end of 2017 that the MoD was seeking for the defence strand to be extracted from the NSCR and treated separately.¹² Giving evidence to us in February 2018, the Defence Secretary confirmed that discussions on this subject began with the Prime Minister and the Chancellor of the Exchequer before Christmas 2017.¹³

10. In January 2018, the NSC agreed that the Defence strand of the NSCR should be separated, moved from the supervision of the Cabinet Office to the MoD, and expanded in scope to review a wider range of areas of defence policy over a longer time period. This autonomous defence review process would become the Modernising Defence Programme (MDP). The MDP was first revealed at a 10 Downing Street press briefing on 23 January 14 and was mentioned by the Prime Minister at Prime Minister’s Questions the following day.¹⁵ It was only on 25 January that the Defence Secretary made a full statement to the House announcing the MDP and setting out its objectives.¹⁶ He confirmed that the MDP would have four strands: MoD organisation and operation; efficiency and business modernisation; commercial and industrial approach; and defence capability and outputs. This represents a much more wide-ranging review of Defence than was being undertaken by the NSCR, seeking to explore how the management of defence business can be conducted more effectively, cost efficiently and collaboratively, rather than examining defence capability in isolation. Crucially, and in contrast to the NSCR, the MDP was not a ‘fiscally neutral’ exercise.

11. The NSCR was published on 28 March 2018.¹⁷ A central feature of the document was the announcement of a new national security doctrine—the Fusion Doctrine—which

10 Cabinet Office, ‘[Strategic Defence and Security Review Implementation](#)’, 20 July 2017

11 Ministry of Defence ([MDP0026](#))

12 ‘[Defence chiefs seek new review and £4bn bailout](#)’, *The Times*, 11 December 2017

13 [Oral evidence taken on 21 February 2018](#), HC 814, Q23

14 ‘[Defence minister wins more time to avoid spending cuts](#)’, *Financial Times*, 23 January 2018

15 HC Deb, 24 January 2018, [c 260](#)

16 HC Deb, 25 January 2018, [c 423](#)

17 HM Government, [National Security Capability Review](#), 28 March 2018

aims at strengthening the UK's collective approach to national security. The document's defence chapter reaffirms that the fundamentals of defence strategy laid out in the 2015 SDSR remain sound and that the major elements of Joint Force 2025 will enable the UK to meet the criteria laid out in the SDSR.¹⁸ It explains the rationale of the MDP and describes its aim to identify "how we can deliver better military capability and better value for money to make a full and enduringly sustainable contribution to national security and prosperity".¹⁹ The remainder of the chapter provides a detailed account of progress that has been made in a range of areas of defence policy since 2015, but provides no new major announcements on defence capability.

Rationale

12. The departure from the newly established cycle of five-yearly SDSRs raises the question of whether it was justified. In oral evidence to us in October 2017, while Defence was still part of the NSCR process, the then Defence Secretary, Rt Hon Sir Michael Fallon MP, identified Defence's two principal headline goals in the NSCR, which have continued to inform its approach into the MDP:²⁰

- a review of capabilities to meet threats that had intensified at a faster rate than was anticipated in the 2015 SDSR, and
- addressing the significant budgetary pressures that Defence is facing arising from inflation, cost growth and ambitious efficiency targets.²¹

Intensification of threat

13. The NSCR repeated the four main challenges that were identified in the 2015 SDSR as those likely to drive the UK's security priorities over the coming decade:

- the increasing threat posed by terrorism, extremism and instability;
- the resurgence of state-based threats; and intensifying wider state competition;
- the erosion of the rules-based international order, making it harder to build consensus and tackle global threats;
- the impact of technology, especially cyber threats and wider technological developments.

To these the NSCR added two additional challenges:

- the ongoing growth in serious and organised crime and its impact; and
- diseases and natural hazards affecting the UK.²²

14. Intensification of threat in each of these areas has an impact on Defence. The Armed Forces have led the UK's efforts in tackling international terrorism and extremism overseas. The fight against DAESH continues in Iraq and Syria through Operation

18 Joint Force 2025 is the force structure laid out as an objective by the 2015 SDSR

19 HM Government, *National Security Capability Review*, 28 March 2018, p 14

20 Ministry of Defence ([MDP0026](#))

21 [Oral evidence taken on 25 October 2017](#), HC 439, Q1

22 HM Government, *National Security Capability Review*, 28 March 2018, p 5

SHADER. Contingents of British military and civilian personnel are deployed throughout the Middle East, Africa and elsewhere to support security and stabilisation operations.²³ The NSCR also recalls that with five terrorist attacks in London and Manchester in 2017, resulting in 36 deaths and many more injuries, the threat from terrorism remains high. Armed Forces personnel were deployed through Operation TEMPERER in response to the Manchester and Parsons Green attacks and up to 10,000 Armed Forces personnel remain at staggered readiness to support the police and other security services in counter terrorism operations.²⁴ Specialists from the Armed Forces also played a central role in the decontamination operation following the nerve agent attack in Salisbury earlier this year. The impact of technology is of fundamental importance. Developments in cyber and other disruptive technologies have opened up entirely new domains of warfare and have the potential to transform the future character of conflict. Implications of these technological changes for Defence will be touched on in the next chapter.

15. The resurgence of state-based threats however is the most direct and immediate concern Defence faces, and this has been reflected in the Government's view of the priority of threats. In a speech made in January, General Sir Nicholas Carter, the then Chief of the General Staff, now Chief of the Defence Staff said, after addressing threats from international terrorism and from large-scale population movement:

But, I think it is the rising threat from states and the consequences that stem from this for the military that is of most immediate concern. And particularly to me as the head of the Army.²⁵

16. In oral evidence in February, the Defence Secretary Rt Hon Gavin Williamson MP reflected on how the Government's view of the significance of state-based threats had begun to change:

If we go back to 2010 and the review that was conducted then—you will probably remember this—I think it was stated that there were seen to be no state-based threats. The world has changed so rapidly since then and we have to adapt to that change.²⁶

[...]

I think the world got caught napping, in terms of the rise of those state-based threats. We emerged from the Cold War with the belief that things were going to get better and better. You had one superpower that strode across the world, and you didn't really have any challenge to that. We are seeing that change quite dramatically.²⁷

The Secretary of State then indicated that this had brought about a shift in strategic priorities:

We would highlight state-based threats and the speed at which they were escalating as the top priority, but, within a hair, that is followed by the terrorism threat, which comes straight after that. The thing you are seeing

23 Ministry of Defence, *Annual Report and Accounts 2016–17*, HC 21, July 2017

24 HM Government, *National Security Capability Review*, 28 March 2018, pp 5, 17

25 [Speech by General Sir Nicholas Carter](#), RUSI, 22 January 2018

26 [Oral evidence taken on 21 February 2018](#), HC 814, Q2

27 [Oral evidence taken on 21 February 2018](#), HC 814, Q7

is a convergence of how state-based threats are using terrorist threats to bring instability to other countries. The days of where things were more black and white are sadly gone.²⁸

The Secretary of State also confirmed that this shift would have knock-on effects in terms of force structure and readiness for the Armed Forces.²⁹ In a later oral evidence session, the National Security Adviser, Sir Mark Sedwill, did not characterise this change of emphasis as a fundamental shift, as state-based threats had always been part of strategic planning in earlier reviews. However, he agreed with the Defence Secretary’s analysis about how the threat had developed and how it was of particular significance to Defence:

The Defence Secretary is right, and I think that is particularly right for defence. Of the national security capabilities, defence has an important role to play, as it has, in dealing with non-state threats, but the fundamentals of defence are about a state-based threat—the deterrent, the big strategic conventional capabilities, the carriers, the air group and so on.³⁰

17. Russia is central to the discussion of resurgent state-based threats. The 2015 SDSR described Russia as having become more “aggressive, authoritarian and nationalist”.³¹ The NSCR, which was published shortly after the Salisbury nerve agent attack, is more direct in describing “a well-established pattern of Russian State aggression”, citing Russia’s illegal annexation of Crimea alongside its fomentation of conflict in other regions around its borders, its involvement in supporting the Assad regime in Syria, its repeated violations of the airspace of its neighbours and a sustained campaign of cyber espionage and disruption, which has included attempts at subverting democratic elections in other states.³² This reflects the Government’s increasingly uncompromising stance in challenging Russian behaviour, which has been articulated by several senior Ministers, including the Prime Minister in her Mansion House speech of 2017³³ and appearances in the House of Commons following the Salisbury attack.³⁴

18. Our predecessor Committee published a detailed report on the defence and security implications of a resurgent Russia in July 2016.³⁵ As part of the MDP inquiry, we have taken evidence from the Ambassadors of Estonia, Latvia and Lithuania on the security challenges posed by Russia from the perspective of the Baltic States. The Ambassadors discussed a range of challenges including the growing military presence on their borders,³⁶ cyber-attacks,³⁷ attempts to influence Russian-speaking minorities,³⁸ disinformation campaigns,³⁹ and energy security concerns.⁴⁰ The NATO initiatives active in the region, including Enhanced Forward Presence, were seen to be vital in providing

28 [Oral evidence taken on 21 February 2018](#), HC 814, Q48

29 [Oral evidence taken on 21 February 2018](#), HC 814, Q53

30 [Oral evidence taken on 1 May 2018](#), HC 818, Q153

31 HM Government, *National Security Strategy and Strategic Defence and Security Review 2015: A Secure and Prosperous United Kingdom*, Cm 9161, 23 November 2015, para 3.19

32 HM Government, *National Security Capability Review*, 28 March 2018, p 5

33 [Speech by the Prime Minister at the Lord Mayor’s Banquet 2017](#), Gov.uk, 13 November 2017

34 HC Deb, 12 March 2018, [c 620](#); HC Deb, 14 March 2018, [c 855](#); HC Deb, 26 March 2018, [c 551](#)

35 Defence Committee, *Russia: Implications for UK defence and security*, First Report of Session 2016–17, HC 107

36 [Oral evidence taken on 17 April 2018](#), HC 818, Q97

37 [Oral evidence taken on 17 April 2018](#), HC 818, Qq 93–94

38 [Oral evidence taken on 17 April 2018](#), HC 818, Qq 90–92

39 [Oral evidence taken on 17 April 2018](#), HC 818, Qq 81–83

40 [Oral evidence taken on 17 April 2018](#), HC 818, Qq 95

strong deterrence.⁴¹ We took further evidence from a panel of experts which discussed a number of shortfalls in UK and NATO capability which might be exploited by Russia, such as ground-based artillery, electronic warfare, missile technology and military space technology.⁴²

19. The state-based threat does not emanate from Russia alone. Alongside Russia, the NSCR singles out Iran and North Korea.⁴³ When asked about the threat from Iran the Defence Secretary replied:

As a state, it certainly is [a threat]. In its ability to use terrorism and other means of causing instability, danger and threats to people's national security, it is very much engaged in those different avenues.⁴⁴

We have recently published a report on North Korea which lays out a range of nuclear, conventional and other threats posed by the DPRK.⁴⁵

20. An omission of note in the NSCR is the lack of discussion about future challenges which might be posed by China. The United States has said in its recent National Security and National Defence Strategies that China is a revisionist power on a par with Russia and is seeking to build up its military, diplomatic and economic influence to achieve regional hegemony and, in the longer term, global pre-eminence.⁴⁶ By contrast, the only specific mention of China in the NSCR is to confirm the establishment of “a global comprehensive strategic partnership” with China—an ambition laid down in the 2015 SDSR. A more realistic note was struck by the First Sea Lord in a recent speech, who mentioned the potential for state-on-state rivalry in the South China Sea. He also highlighted the capability of China's rapidly growing Navy, which in a few years will be in a position to challenge the US Navy and may result in new threats to freedom of navigation.⁴⁷

21. In recognising this changing threat and acting upon it, the Government also has an opportunity to change a trend in defence reviews that has been observed in written evidence by Vice Admiral (Retd) Sir Jeremy Blackham, a former Deputy Chief of Defence Staff (Defence Capability):

The most striking feature of recent (if not most in the modern era) defence reviews, has been the constant reiteration by government that the world is an increasingly dangerous place and getting more so. This is palpably and demonstrably true, yet these protestations have been continually accompanied by reductions in our defence capability on a more or less arbitrary basis with little convincing evidence that this is either safe or wise.⁴⁸

41 [Oral evidence taken on 17 April 2018](#), HC 818, Qq 99

42 [Oral evidence taken on 17 April 2018](#), HC 818, Qq 110–146

43 HM Government, *National Security Capability Review*, 28 March 2018, p 6

44 [Oral evidence taken on 21 February 2018](#), HC 814, Q48

45 Defence Committee, *Rash or Rational: North Korea and the threat it poses*, Fourth Report of Session 2017–19, HC 327

46 *National Security Strategy of the United States of America*, December 2017; *Summary of the 2018 National Defense Strategy of the United States*, February 2018

47 [Speech by Admiral Sir Philip Jones at the RUSI Sea Power Conference](#), 24 May 2018

48 Sir Jeremy Blackham ([MDP0005](#))

Budgetary pressures in Defence

22. The goal for all NATO members to spend a minimum of 2% of their GDP on Defence by 2024 was re-affirmed at the 2014 Wales Summit.⁴⁹ The Government committed the UK to continuing to meet this minimum in the July 2015 Budget, alongside the current funding formula which guarantees a real terms increase of 0.5% a year in defence expenditure until 2020/21.⁵⁰ In giving evidence to the Joint Committee on the National Security Strategy (JCNSS) in December 2017, the National Security Adviser, recalling his previous role as Permanent Secretary at the Home Office, seemed to regard this as a comparatively generous settlement:

... having run a big department and having dealt with an awful lot of budgetary pressures in that department ... the Government can do a great deal to achieve a greater impact with the inputs we have available to us, particularly if we pull them together and use them in a coherent way.⁵¹

23. Even within this modestly rising budget, it is clear that the MoD's finances are on an unsustainable footing. There is a widespread view that the 2015 SDSR was insufficiently funded. As General Sir Richard Barrons, a former Commander, Joint Forces Command, told us in November 2017:

And the context of the current review (the NSCR): we are having this because everybody knows that the defence programme in its current form was not funded.⁵²

Professor Andrew Dorman of King's College London also described in oral evidence how a "financial hole was built in to the 2015 review".⁵³

24. The largest area of long-term uncertainty comes from the MoD's Equipment Plan, which has a total budget of £179.6 billion over ten years.⁵⁴ In 2016/17 the Department spent 43% of its budget on equipment procurement and support.⁵⁵ The MoD's 2017 financial statement on the Equipment Plan recognised that, as it then stood, the Plan "contains a high level of financial risk and an imbalance between cost and budget".⁵⁶ The National Audit Office's 2017 report on the Plan was more direct, concluding that it was simply "not affordable". The NAO found an affordability gap of at least £4.9 billion over the next decade, and estimated that in the worst-case scenario this gap could be as large as £20.8 billion. The report also found a number of significant financial risks within the Plan. The extent of purchases that are denominated in foreign currency makes Defence particularly vulnerable to foreign exchange fluctuations: assumptions made by the Department on foreign exchange may have understated these eventual costs. Systematic problems within the Department on how costs for equipment were estimated were noted, with projections often being based on either immature or overly optimistic cost models and forecasts.

49 The predecessor Defence Committee's observations on how the Government's methods of calculating defence expenditure have changed over time and continue to be opaque are made in [Shifting the Goalposts? Defence expenditure and the 2% pledge](#), Second Report of Session 2015–16, HC 494

50 HM Treasury, [Summer Budget 2015](#), HC 264, July 2015, para 2.22

51 Joint Committee on the National Security Strategy, [Oral evidence taken on 18 December 2017](#), HC 625, Q27

52 [Oral evidence taken on 14 November 2017](#), HC 556, Q19

53 [Oral evidence taken on 27 February 2018](#), HC 818, Q18. See also Chalmers, M, [Decision Time: The National Security Capability Review 2017–2018 and Defence](#), RUSI Whitehall Report 1–18, February 2018, pp 8–11

54 Ministry of Defence, [The Defence Equipment Plan 2017](#), 31 January 2018

55 Ministry of Defence, [Annual Report and Accounts 2016–17](#), HC 21, July 2017, p 76

56 Ministry of Defence, [The Defence Equipment Plan 2017](#), 31 January 2018

Lastly, as we have pointed out in our first report in this Parliamentary session,⁵⁷ the affordability of the Equipment Plan has from the start been dependent on a series of ambitious savings targets which experience shows are unlikely to be realised in full, or will cause considerable damage elsewhere in the defence programme.⁵⁸

25. Further reports by the NAO have revealed specific risks within some of the larger equipment programmes. For example, while the *Queen Elizabeth*-class aircraft carriers are moving towards initial operating capacity, there is still capacity for cost growth in the elements which need to be developed to deliver the full capacity to conduct carrier strike operations, and costs may need to be re-prioritised from the already overstretched budgets of the Service Commands.⁵⁹ The Defence Nuclear Enterprise, centred on the construction and maintenance of the UK's nuclear-powered submarines and nuclear weapons is highly complex, geographically widely distributed and open to the prospect of cost growth which could distort the rest of the Equipment Plan.⁶⁰ The cost growth and delay which have already affected parts of the Enterprise, together with the six-year delay by the Coalition in the Trident Successor Parliamentary vote, have resulted in the current *Vanguard* class submarines needing to be kept in service substantially longer than their original design life.⁶¹ Elsewhere in the Royal Navy, there has been a dramatic increase in the cannibalisation of parts from ships and helicopters, and even from nuclear submarines, due in part to the reduction in support budgets.⁶² There is a lack of available quantitative information that the investment in support, both maintenance and weapons stocks, across all three Services is sufficient to sustain units to meet policy demands, although there is categoric and circumstantial evidence of cannibalisation in all three services. ***We expect to be reassured that investment in support and ammunition stocks is sufficient to recover from existing shortages and enable the Department to fulfill the requirements of policy.***

26. Pressures are present elsewhere in the budget. Reduction in allocations for Service Commands has required the application of stringent controls on non-contractual expenditure. This has resulted in Royal Navy ships being kept in port when they would normally be on patrol, aircraft flying hours being reduced, and cuts being imposed on training and exercises across all three Services.⁶³ Additionally, following the Government's announcement of the end of the blanket policy of applying a 1% pay increase cap across the public sector,⁶⁴ reports have suggested that the Armed Forces Pay Review Body may recommend an increase of some 3% this year,⁶⁵ which, although welcome and thoroughly deserved, would put further strain on the personnel budget. When asked how the Department would fund pay increases above 1%, the Defence Secretary replied:

57 Defence Committee, [Gambling on 'Efficiency': Defence Acquisition and Procurement](#), First Report of Session 2017–19, HC 431, paras 43–57

58 National Audit Office, [Ministry of Defence: The Equipment Plan 2017 - 2027](#), HC 717 [2017–19], 31 January 2018

59 National Audit Office, [Ministry of Defence: Delivering Carrier Strike](#), HC 1057-I [2016–17], 16 March 2017

60 Oxford Research Group ([MDP0019](#))

61 National Audit Office, [Ministry of Defence: The Defence Nuclear Enterprise: a landscape review](#), HC 1003 [2017–19], 22 May 2018

62 National Audit Office, [Ministry of Defence: Investigation into equipment cannibalisation in the Royal Navy](#), HC 525 [2017–19], 1 November 2017

63 [Oral evidence taken on 21 February 2018](#), HC 814, Qq25 -28. See also Ministry of Defence ([DPS0001](#)).

64 HC Deb, 12 September 2017, [c 17WS](#)

65 ['Thousands of troops in line for pay boost'](#), *The Times*, 28 May 2018

We have a budget to have a 1% increase in terms of salaries across the armed forces, but we do not have a budget beyond that ... If it comes above 1% we are going to be faced with a difficult decision in terms of the finances that we have to deal with.⁶⁶

27. As part of its wider efficiency programme and to ease pressure on its personnel budget, the Department is seeking to reduce its number of civilian staff to 41,000 by 2020. While substantial reductions have been made, the rate of reduction has slowed over the past three years and the most recent personnel statistics show a small increase in civilian headcount during the past twelve months.⁶⁷ Finally, the NAO has estimated that the Department faces a shortfall of £8.5 billion in its future funding for the Defence Estate over the next 30 years, despite the measures that are being taken to reduce the Estate footprint and create a new accommodation model.⁶⁸ Stephen Lovegrove, the Permanent Secretary of the MoD, has admitted that the Department's many different efficiency programmes have become too confused.⁶⁹ This is a point we have highlighted in previous reports, along with the more general criticism that greater clarity is required between genuine efficiencies—maintenance or improvement of capability at lower cost—and reductions in capability, including trained manpower and collective training, which in reality are cuts.⁷⁰ The Department has indicated that it will consider our suggestion of introducing an 'efficiency tracker' to bring greater clarity to efficiency programmes.⁷¹

28. The Government was right to initiate the National Security Capability Review in response to the intensifying threats that the country faces. The developing threats from state actors in a new age of strategic inter-state competition—typified by, but not limited to, the threat from a resurgent Russia—reinforce the need for a wide-ranging review. The Modernising Defence Programme must now seek to create a force structure which meets this challenge.

29. Several factors lie behind the financial pressures on the defence budget, such as the heightened level of risk relating to foreign exchange, to which Defence is particularly exposed. Yet, the fundamental problem is that the personnel and equipment requirements of Joint Force 2025 that were laid down the 2015 SDSR were insufficiently funded and consequently are unaffordable under the current settlement. The fact that defence spending is technically growing is no answer, as it is not growing at a rate which will correct the structural deficit in the defence budget over the long term.

30. Previous defence reviews have demonstrated that failure to fund commitments properly eventually leads to the re-opening of supposedly settled policy in order to balance the books. This frustrates long-term strategic implementation and reinforces the perception of inherent and intractable financial chaos in Defence.

66 [Oral evidence taken on 21 February 2018](#), HC 814, Q97

67 Ministry of Defence, [UK Armed Forces quarterly personnel statistics: 1 April 2018](#), published 17 May 2018. Table 13 shows a civilian headcount of 56, 865 on 1 April 2018, compared to 56, 675 on 1 April 2017, an increase of 190.

68 National Audit Office, [Ministry of Defence: Delivering the Defence Estate](#), HC 782 [2016–17], 15 November 2016. Written evidence from the Scottish Government ([MDP0023](#)) highlights the impact of the Better Defence Estate programme in Scotland.

69 [Speech by Stephen Lovegrove, Permanent Secretary of the MoD](#), RUSI, 5 March 2018. See also Sir Jeremy Blackham ([MDP0005](#)).

70 Defence Committee, [Gambling on 'Efficiency': Defence Acquisition and Procurement](#), First Report of Session 2017–19, HC 431, para 43

71 Defence Committee, [Gambling on 'Efficiency': Defence Acquisition and Procurement: Government Response to the Committee's First Report of Session 2017–19](#), Fourth Special Report of Session 2017–19, HC 846, para 10

31. **The force structure that emerges from the MDP must be supported by a robust and sustainable financial settlement, which is not reliant on loose projections and unrealistic so-called efficiency targets to make the numbers add up. While ‘efficiency’ should always be the aim of any programme of reform, and a constant objective of all Government departments, the practice of using unachievable programmes of ‘efficiency’ savings to make ends meet in defence reviews must come to an end. Experience has shown that relying on such targets sows the seed of instability in a long-term programme. The readiness to label a cut as an ‘efficiency’, without any proper analysis of its effect, has devalued the word as a useful term.**

Ambition and process

32. We have discussed above both how the NSCR was originally characterised as a ‘refresh’ of the 2015 SDSR and that it would consist of twelve different strands of work. The National Security Adviser told us in May 2018 that the Government had three options at the outset of the NSCR, in terms of the ambition of the exercise:

The first was not to have any kind of cross-cutting review, and just to look at the individual pieces of work separately and see how they came together. There was the option of a full SDSR without a spending review ... Obviously, those big resource decisions have to be taken in the context of the Government’s overall fiscal position and spending priorities. This option was essentially between the two. We thought it was right to look at capabilities and do a cross-cutting review, but not a full SDSR.⁷²

33. The original intention therefore seemed to be a process which was less comprehensive than a ‘full SDSR’, mainly because it would not be held at the same time as a comprehensive departmental spending review. However, as far as the Defence strand was concerned, reports began emerging in late 2017 that drastic changes to force structure and capability of the Armed Forces were being considered as options were drawn up by the MoD to meet the parameters of the NSCR. These options reportedly included:

- significant reductions in the strength of the Royal Marines⁷³
- the early disposal of both of the Royal Navy’s *Albion*-class landing platform dock amphibious assault ships⁷⁴ (with the possibility of future beach assaults and insertions having to rely on the French Navy)⁷⁵
- a reduction of the size of the Regular Army below 70,000 soldiers, with reports of a figure as low as 50,000 being advocated⁷⁶
- removal of an armoured brigade from the Army’s planned warfighting division⁷⁷

72 [Oral evidence taken on 1 May 2018, HC 818, Q150](#)

73 [‘Defence review puts 1,000 Marines in firing line to fund navy shortfall’, *The Times*, 20 September 2017](#)

74 [‘Royal Navy could lose “fight on beaches” ships in planned cuts’, *BBC News*, 5 October 2017](#)

75 [‘France open to helping UK marines if landing fleet scrapped’, *Financial Times*, 3 December 2017](#)

76 [‘Tory revolt could prompt compromise on defence cuts’ *The Guardian*, 26 November 2017; \[‘Army Cuts’ *The Sun*, 4 December 2017\]\(#\)](#)

77 [‘British Army armoured brigade faces the chop’, *The Times*, 8 October 2017](#)

- reductions in the numbers of Ajax armoured fighting vehicles, which are due to equip the new Army Strike brigades, and delays to the Challenger and Warrior upgrade programmes⁷⁸
- reductions in the number of F-35 Joint Strike Fighters to be purchased⁷⁹

An account of three options obtained by *The Times* in early January 2018 pointed to total reductions of 14,000 personnel and large-scale cuts in capability across the three Services.⁸⁰ We questioned the National Security Adviser at some length on the accuracy of these apparent leaks and, while he refused to discuss any specifics about the options that were reported, he accepted that options looking at cancellation of previous plans and early removals of capability from service would always be canvassed as part of a process of this kind.⁸¹

34. The JCNSS, in its report published prior to the release of the NSCR, also remarked on how the review process would be stretching over a longer period of time than either the 2010 or 2015 SDSRs, if one took into account the extra time needed for the MDP. The Joint Committee concluded that the NSCR “has inadvertently become an uncomfortable halfway house between a refresh and an SDR”.⁸²

35. Details of the process and methodology of the NSCR were slow in emerging. For example, it was through a Westminster Hall debate in October 2017—months after the NSCR had been initiated—that it was revealed that there were 12 strands of the NSCR, of which Defence was merely one. Comprehensive information on the scope and process of the NSCR, including the full list of the 12 strands, was provided to the JCNSS only towards the very end of the review process in February 2018.⁸³

36. The NSCR was originally characterised as a ‘refresh’ of the 2015 SDR. However, once the NSCR was established, it soon became apparent that as far as the Defence strand was concerned, major reconfigurations of force structure and reductions in military capability were being considered, across the entirety of the Joint Force, on a scale that went far beyond a mere ‘refresh’. The lack of clarity from the Government on the level of ambition in the NSCR was one of many factors which added to the perception that it was a closed and opaque exercise.

37. A second major aspect of the NSCR which emerged only late in the process was that it was a ‘fiscally neutral’ review. This was confirmed by the National Security Adviser when appearing before the JCNSS in December 2017. Sir Mark said that the review had been commissioned by the National Security Council as a fiscally neutral exercise and that “the purpose in doing it is to see if the money that is already allocated is allocated in the right way”.⁸⁴ This effectively meant that no new resources were being allocated and that more resources for one area of national security policy would have to be found by inflicting cuts on another. This became the defining feature of the review, and the

78 ‘Tory revolt over defence cuts’, *The Times*, 25 November 2017

79 ‘General hints at cuts to F-35 warplane order’, *The Times*, 22 November 2017

80 ‘Defence cuts: “Pinstripe warriors” take aim at forces’, *The Times*, 12 January 2018

81 Oral evidence taken on 1 May 2018, HC 818, Q207–219

82 Joint Committee on the National Security Strategy, *National Security Capability Review: A changing security environment*, First Report of Session 2017–19, HL Paper 104, HC 756, paras 48–49

83 Joint Committee on the National Security Strategy, Written evidence from Sir Mark Sedwill, National Security Adviser ([CSE0018](#))

84 Joint Committee on the National Security Strategy, [Oral evidence taken on 18 December 2017](#), HC 625, Q4

restrictions thus imposed were instrumental in the decision being made to break out the defence strand and initiate the MDP. On the announcement of the MDP, the Defence Secretary confirmed in response to questions in the House that the MDP would not have the same constraint applied:

The [MDP] does not aim to be fiscally neutral—that is why we brought it out of the national security and capability review.⁸⁵

Giving evidence to us a few weeks later, Gavin Williamson elaborated:

... we needed to separate defence out of the national security capability review, because it had been put into a straitjacket that would have meant that there was a danger of some of the wrong decisions being made. No one wants to make the wrong decisions. It goes without saying that where you have a world that presents much greater and greater threats, you need to step up to the challenge in making sure that you meet them. That is making sure that you have the right capabilities and the right support, and that they are properly financed.⁸⁶

38. Despite the scope of the NSCR in terms of reviewing the Joint Force, the ambition to provide more resources to national security was practically imperceptible. It did not become clear until December 2017, almost 6 months after the review had been initiated, that the NSCR would be ‘fiscally neutral’. This was the defining aspect of, and fundamental flaw in the review. It is inexcusable that vital aspects, like this, had to be extracted through parliamentary debates initiated by backbenchers and select committee hearings, rather than from information volunteered by the Government. The information which was revealed was given piecemeal, making it very difficult to gain an understanding of the scope and limitations of the review and its method of analysis.

39. The work under the Defence strand of the NSCR had to be done within the wider constraint of so-called fiscal neutrality. Thus, there could be no way of applying more resources to address individual threats without reducing provision elsewhere in Defence, whether this ran counter to the conclusions of the strategic analysis or not. This created the perverse situation that reductions in capability were being considered in a review that was initiated because threats were intensifying. The NSCR was, in this sense, wholly resource-led from the outset. The MDP, freed from this constraint, has the potential to be a genuinely strategically-led exercise that can prescribe—and potentially produce—the force structure necessary to meet strategic objectives rather than one that merely fits within straitened financial parameters. *Accordingly, we recommend that the MDP should set out a clear ‘menu’ of military requirements, together with an estimate of the cost of each main component listed. The Government, and the country, will then be able to see the scale of what it is necessary to invest in Defence, in order to discharge ‘the first duty of Government’.*

85 HC Deb, 25 January 2018, [c 428](#)

86 [Oral evidence taken on 21 February 2018](#), HC 814, Q4

Future of the SDSR process

40. We have received differing views on the implications of the separation of defence from the wider consideration of national security policy, and the longer-term future of the SDSR cycle. Professor Andrew Dorman of King's College London considered that separating Defence was a retrograde step:

The separation of defence from security is a step backwards, in the sense that we have moved towards looking at a cross-Government view of security, of which defence is a part, for the past 10 to 15 years, and now this is a reverse of that. What is unclear is whether this is just a temporary measure to try to square the MoD's budget or is part of a longer-term trend giving authority back to the Ministry of Defence. That is unclear. This Committee asked questions of the Defence Secretary about the next SDSR and what would happen with it, when it would be and how it would be managed. From my perspective, I think it would make more sense to delay the national security capability review and produce the whole thing as one single document in the round, and not take defence out of that.⁸⁷

41. Other witnesses took a different view. Tom McKane, former Director General for Security Policy at the MoD, said:

In principle, it makes more sense to consider defence in the round with the rest of the national security capabilities, but I can see that if, in the current circumstances, it is taking longer to resolve the issues that defence faces, and there is a desire to publish the rest of the national security capability review, then it is perfectly sensible to take a bit more time to do it. The other thing I would say is that, although I do think it is better to look at all these things in the round, there is some benefit from having a close political oversight of the defence element of the review. One of the disadvantages of the wider national security reviews was that inevitably the Prime Minister cannot give the same level of attention to the day-to-day workings of the review as, say, a departmental Cabinet Secretary of State can. There are pluses and minuses.⁸⁸

42. James de Waal, Senior Consulting Fellow at the International Security Department at Chatham House gave a different reason why defence might be set apart:

I am not that opposed to the idea of separating out defence, partly because, in the recent national security exercises—the defence and security reviews—there has always been a sense that defence has dominated the discussion, just because of its size and the political sensitivity of a lot of the issues. That has meant that some of the other national security issues have been rather neglected.⁸⁹

87 [Oral evidence taken on 27 February 2018](#), HC 818, Q2

88 [Oral evidence taken on 27 February 2018](#), HC 818, Q2

89 [Oral evidence taken on 27 February 2018](#), HC 818, Q2

43. Written evidence submissions also varied on this issue, some supporting the view that a holistic and co-ordinated approach should be preferred,⁹⁰ while others considered that there are particular circumstances where a separation is justified.⁹¹

44. On the issue of the future of the five year SDSR cycle, the Government has not yet indicated how it will proceed. The next SDSR following 2015 would normally be due in 2020. When asked about future SDSRs, the Defence Secretary said:

We had committed to doing them on a cycle of every five years, and I very much imagine that that cycle will continue to stand. We are doing a Modernising Defence Programme because we think that that is the right thing to do in order to make sure that we get the right deal for our armed forces and make sure that they are in the best possible position to keep this nation safe, but I would still imagine that future Secretaries of State for Defence will want to have their own SDSRs. I would imagine that they would keep it within the existing cycle that had been established.⁹²

45. The Secretary of State was then asked, with the 2020 date in mind, whether keeping to the existing cycle would mean that work would have to begin within 12 months of the MDP:

As I say, I think that when we have completed the Modernising Defence programme I would probably not be looking at going into a full SDSR straightaway within a year, but I do think that having a regular pattern of SDSRs is quite important in having a full threat assessment and looking in real detail at what the challenges are. I do not think it would be the right thing for our armed forces to launch into a full SDSR a year after the conclusion of the Modernising Defence programme.⁹³

The MoD's written evidence confirms that there has been no announcement on when the next NSS and SDSR will take place but that there may be consideration of adjusting the regularity of major reviews in a manner similar to the UK's international allies.⁹⁴

46. We support the separation of the Defence strand from the NSCR and the initiation of the MDP. While we recognise the benefit of a holistic approach to national security policy reviews, Defence represents by far the largest proportion of expenditure on national security and is facing particular challenges which warrant greater consideration than would be possible within the confines of the NSCR. In particular, the 'fiscal neutrality' of the NSCR meant that any extra expenditure on any part of national security could lead to corresponding cuts in defence capability. Furthermore, the range and complexity of functions under the supervision of the MoD, and the long-term implications that stem from changes to military capability require a deeper analysis than the NSCR is able to provide.

90 Dr Jie Sheng Li (MDP0001); General Atomics Aeronautical Systems (MDP0013); United Nations Association (MDP0014); Oxford Research Group (MDP0019); ADS Group (MDP0024); DefenceSynergia (MDP0029)

91 Commander (Retd) N D MacCartan-Ward (MDP0007); Professor David Kirkpatrick (MDP0010); Defence Police Federation (MDP0012); Plymouth City Council (MDP0021); James Rogers (MDP0028)

92 Oral evidence taken on 21 February 2018, HC 814, Q30

93 Oral evidence taken on 21 February 2018, HC 814, Q31

94 Ministry of Defence (MDP0026), para 28

47. A question remains about the future of the SDSR process of which Defence has previously been an integral part. Although the Defence Secretary has indicated that there are likely to be SDSRs in the future and that a regular pattern of defence and security reviews is important, no firm decisions seem to have been made on the future of the SDSR cycle. The Government should make clear when it expects the next NSS/SDSR will be held and whether Defence will be part of the wider process, or remain separate.

External engagement

48. In our recent report on the Royal Marines and UK amphibious capability, we criticised the lack of external engagement in the course of the NSCR.⁹⁵ We considered the NSCR to be an unnecessarily ‘closed’ process which created an atmosphere in which leaks and rumours flourished and from which Parliament was almost wholly excluded. The JCNS expressed similar concerns in their report.⁹⁶

49. We are pleased to observe a more open approach under the MDP, which, despite having been initially trailed in a Downing Street press briefing two days previously,⁹⁷ was announced in the House in an oral statement by the Secretary of State laying out the purpose, scope, process and expected length of the review. The MoD has submitted detailed written evidence to this inquiry and we have been provided with a private briefing by senior officials. A public consultation ran from early March until the end of April⁹⁸ and the Defence Secretary has indicated that a wide range of stakeholders will be involved.⁹⁹

50. We took oral evidence from a panel of defence journalists in March and they told us that they had also detected a change in the level of engagement. Larisa Brown, Defence and Security Editor of the *Daily Mail* told us that there had been:

a dramatic shift in the MoD engagement policy over the last few months. Clearly, there is a new strategy where the MoD thinks it is better to engage with journalists, to let them know what is going on in the Department and to allow us to speak to the military chiefs to get their sense on where the threat is at and what capabilities are needed.¹⁰⁰

Deborah Haynes, the Defence Editor of *The Times*, agreed that there seems to be a greater desire to acknowledge the difficult challenges under the current Secretary of State, but that “it is going to become more difficult in the summer, when we actually see the product of the work”.¹⁰¹

51. There is also evidence that the Department has stepped up its efforts to consult with allies and international partners. The Defence Secretary told us that he sent a team out to the United States for consultation¹⁰² and that there has been close dialogue with NATO

95 Defence Committee, *Sunset for the Royal Marines? The Royal Marines and UK amphibious capability*, Third Report of Session 2017–19, HC 622, para 13

96 Joint Committee on the National Security Strategy, *National Security Capability Review: A changing security environment*, First Report of Session 2017–19, HL Paper 104, HC 756, paras 65–71

97 *Defence minister wins more time to avoid spending cuts*, *Financial Times*, 23 January 2018

98 Ministry of Defence, *Modernising Defence Programme public consultation*, 7 March 2018

99 *Oral evidence taken on 21 February 2018*, HC 814, Q15

100 *Oral evidence taken on 13 March 2018*, HC 818, Q47

101 *Oral evidence taken on 13 March 2018*, HC 818, Q67

102 *Oral evidence taken on 21 February 2018*, HC 814, Q13

officials on how capabilities can complement NATO requirements.¹⁰³ When we asked the Ambassadors from the Baltic States whether they had been consulted, the Latvian Ambassador said “there has been a lot of exchange and discussion”.¹⁰⁴ The Secretary of State has also offered to hold meetings with Scottish Ministers.¹⁰⁵

52. At the outset of the MDP the Secretary of State undertook to keep Parliament updated as decisions were made.¹⁰⁶ The Department has told us that the MDP is due to deliver high-level findings by the end of June and to conclude in the autumn.¹⁰⁷

53. We, along with the Joint Committee on the National Security Strategy, have been critical of the opacity of the NSCR process and the leaks and rumours that such a closed process created. As well as frustrating scrutiny, it generated a great deal of worry and uncertainty among Service personnel and their families. We commend the Department for taking a more open approach in the MDP.

54. That said, we expect the Government to provide opportunities to debate the findings of the MDP when they begin emerging, so that Parliament has an opportunity to influence the process. The Department has indicated that it aims to publish ‘high-level findings’ by the end of June, with a view to the process being fully complete in the autumn. *The Government should ensure that Parliament has the opportunity to debate the MDP’s high-level findings before the summer recess, and that there is a continuing dialogue with all key external stakeholders, including international partners, up to the point when the MDP finally concludes.*

103 [Oral evidence taken on 22 May 2018](#), HC 387, Q147

104 [Oral evidence taken on 17 April 2018](#), HC 818, Q103

105 The Scottish Government ([MDP0023](#))

106 HC Deb, 25 January 2018, c 424

107 Ministry of Defence ([MDP0026](#)), para 27

3 Observations and expectations

55. In this chapter we make some observations from the evidence that we have received in the course of the inquiry, as well as from aspects of other areas of our recent work that are relevant to the Modernising Defence Programme. These are neither exhaustive, nor a list of requirements that we would expect to be met instantaneously or simultaneously, but a collection of headline themes which we would expect to be explored in the MDP, given the range of tasks and challenges that Defence currently faces.

Capability and force structure

56. In oral evidence in February, the Secretary of State agreed that re-emergence of state-based threats would have repercussions in terms of force structure and readiness.¹⁰⁸ **We offer our observations on areas within the scope of the MDP that we see as priorities.**

Maritime

57. **The most serious maritime issue which has been recognised by Ministers, and in the evidence we have taken, is the need for greater anti-submarine warfare (ASW) capacity.** The Defence Secretary has described how Russian submarine activity in the North Atlantic has increased tenfold in recent years.¹⁰⁹ The outgoing Chief of the Defence Staff has recognised the threat this poses to the sea lines of communication across the Atlantic and to vital undersea communication cables.¹¹⁰ The UK lies close to the main transit routes that the Russian submarine force can use to project power into the Atlantic from its bases in the Arctic and High North, a region that is seeing increasing military activity.¹¹¹ Hostile submarine operations also have the potential to endanger the security of the nuclear deterrent.¹¹² ASW is a complex and resource-intensive exercise, and the world-leading capability which the UK maintained in the Cold War has been substantially reduced. Many of those who submitted written evidence argued that the Royal Navy's numbers of attack submarines and ASW frigates were far too low. This problem has been compounded by the late arrival into service and low availability of the highly capable *Astute* class, which has caused a temporary reduction in the number of attack submarines. Particular concern was expressed about the probability that the forthcoming class of Type 31e frigates may have only minimal ASW capability.¹¹³ As the Royal Navy is currently finding in mine clearance capability, the use of unmanned systems or manned-unmanned teaming may be the future of ASW.¹¹⁴

108 [Oral evidence taken on 21 February 2018](#), HC 814, Q53; Plymouth City Council ([MDP0021](#))

109 [Oral evidence taken on 21 February 2018](#), HC 814, Q7

110 [RUSI Annual Chief of Defence Staff Lecture delivered by Air Chief Marshal Sir Stuart Peach](#), 14 December 2017

111 Gabriele Molinelli ([MDP0004](#)); Oxford Research Group ([MDP0019](#)); The Scottish Government ([MDP0023](#)). The [Defence Sub-Committee](#) has been conducting an inquiry into Defence in the Arctic and High North which is due to report shortly.

112 [Russians 'are spying on Trident subs'](#), *Daily Mail*, 8 October 2015

113 Dr Jie Sheng Li ([MDP0001](#)); Gabriele Molinelli ([MDP0004](#)); Dr David Blagden ([MDP0009](#)); Human Security Centre ([MDP0020](#)); DefenceSynergia ([MDP0029](#)); Graham Edmonds ([MDP0030](#)). See also our predecessor Committee's report into the size and capacity of the Surface Fleet - Defence Committee, [Restoring the Fleet: Naval Procurement and the National Shipbuilding Strategy](#), Third Report of Session 2016–17, HC 221

114 Ministry of Defence, ['Royal Navy gets first unmanned minesweeping system'](#), 5 May 2018. Manned-unmanned teaming involves using a combination of manned and unmanned platforms. Lockheed Martin UK ([MDP0025](#)); General Atomics Aeronautical Systems ([MDP0013](#))

58. **With the *Queen Elizabeth*-class aircraft carriers shortly coming into service, generation of a carrier group will become a priority task for the Royal Navy.** In 2017 the Public Accounts Committee was told that a sovereign carrier group at the ‘maximum level’ of deployment would require two air defence destroyers and two ASW frigates, along with an attack submarine and attached support shipping.¹¹⁵ Generating such a force for any length of time is likely to put considerable strain on the Royal Navy, given the current size of the Fleet.¹¹⁶ The carriers are likely to be operating within larger allied groups in the future, but we disagree with the National Security Adviser that we should proceed on the basis this is inevitable.¹¹⁷ **Operating aircraft carriers without the sovereign ability to protect them is complacent at best and potentially dangerous at worst. The UK should be able to sustain this capacity without recourse to other states.**

59. **We have recently reported on the continuing relevance and requirement for amphibious capability, concluding that the disposal of amphibious assault ships—reportedly being considered under the NSCR—was “militarily illiterate”.**¹¹⁸ Written evidence to this inquiry has largely supported these conclusions.¹¹⁹ The Royal Navy will at some point in the next decade need to consider replacing the amphibious assault ships which are due to go out of service in the early 2030s. A landing helicopter dock (LHD) design, combining the ability to operate landing craft and aircraft, should be considered.

60. The recent military action taken in April against chemical weapons targets in Syria demonstrated the wider range of missile options available to the United States and French Navies for use against land targets. By contrast, the Royal Navy has only the option of submarine-launched Tomahawk Land Attack Missiles (TLAM)—an option that was not used. The UK and France have entered into an agreement to produce a Future Cruise/Anti-Ship Weapon which will expand the Royal Navy’s missile capability, but this is not due to enter service until the 2030s.¹²⁰ Harpoon, the Royal Navy’s principal heavy anti-ship missile, was due to be taken out of service in 2018, but this has been deferred until at least 2020.¹²¹ **Consideration should be given to extending TLAM capability to the surface fleet, ahead of development of the Future Cruise/Anti-Ship Weapon System, which will not be in service until the 2030s. The Harpoon anti-ship missile has also wisely been kept in service beyond 2018, but a decision about its future into the 2020s is still needed.**

61. On wider commitments, the Government has signalled an intention to establish a more substantial presence ‘East of Suez’.¹²² There will be a continual presence of Royal Navy vessels in the Asia-Pacific region this year¹²³ and the Defence Secretary recently

115 Public Accounts Committee, [Oral evidence taken on 11 October 2017](#), HC 394, Q18

116 Air Vice-Marshal (Retd) Andrew L Roberts ([MDP0011](#)); Dr David Blagden ([MDP0009](#))

117 [Oral evidence taken on 1 May 2018](#), HC 818, Q175

118 Defence Committee, [Sunset for the Royal Marines? The Royal Marines and UK amphibious capability](#), Third Report of Session 2017–19, HC 622, para 13

119 Commander (Retd) N D McCartan-Ward ([MDP0007](#)); Oxford Research Group ([MDP0019](#)); Plymouth City Council ([MDP0021](#)); The Scottish Government ([MDP0023](#))

120 Ministry of Defence, [‘UK and France strengthen defence cooperation with new weapon system agreement’](#), 28 March 2017. See also James Rogers ([MDP0028](#)). On 23 May 2018 we launched an [inquiry](#) with the National Defence and Armed Forces Committee of the French National Assembly into the Future Cruise/Anti-Ship Weapon system.

121 ‘DSEI 2017: [‘UK defers Harpoon retirement’](#)’, *Jane’s Defence Weekly*, 14 September 2017; Gabriele Molinelli ([MDP0004](#)); Dr David Blagden ([MDP0009](#))

122 Foreign and Commonwealth Office, [‘Foreign Secretary speech: “Britain is back East of Suez”](#)’, 9 December 2016

123 Ministry of Defence, [‘Royal Navy ships fulfil international duty in Asia Pacific’](#), 11 April 2018. See also Oxford Research Group ([MDP0019](#))

announced a more substantial permanent presence in the Gulf, where the Royal Navy's still world-class mine countermeasures vessels are highly valued by our Middle Eastern allies and, in particular, by the US Navy.¹²⁴ **The growing ambition which the UK has outside of the Euro-Atlantic area will be a largely maritime-led endeavour. This needs to be backed up with sufficient resources to make a strategically significant contribution to our allies in the region.** Without this, the Royal Navy may struggle to meet these new commitments in addition to an already onerous series of standing tasks.

Land

62. **The generation of the warfighting division should continue to be the central aim of the British Army.** As our predecessors pointed out in their April 2017 report, *SDSR 2015 and the Army*, it is critical that the Army has a full strength of trained Regulars and Reservists to achieve this.¹²⁵ **To this end, the target strength of the Regular Army should not be reduced below 82,000 personnel.** The report also underlined the importance of the necessary regeneration and reconstitution structures being put in place for the Army Reserve to support the division, with a view to generating a second, follow-on division.¹²⁶ There was little detail on the steps that had been taken towards this in the Government Response to the report.¹²⁷ The indication from the Chief of the General Staff, in his speech in January, that full-scale Reserve mobilisation exercises will take place in 2019 is a necessary first move; but **further evidence of progress on reconstitution is necessary.**¹²⁸

63. A second matter addressed in the April 2017 report was the ability of land forces to reinforce continental Europe rapidly—in particular, the ability to reinforce Poland and the Baltic States where British soldiers, alongside those of many other NATO partners, are deployed as part of NATO's Enhanced Forward Presence.¹²⁹ A number of physical, logistical and regulatory challenges still exist to the swift movement of military units across the continent. Both NATO¹³⁰ and the EU¹³¹ have launched initiatives to improve military mobility across continental Europe. **The UK needs to take a full role in the NATO and EU initiatives that are underway to address military movement and logistics. Even with the relevant infrastructure and permissions in place, the Army needs to look to its ability to transport personnel and equipment, including armour and heavy weapons.** The 2010 SDSR confirmed that the Army would be withdrawn from Germany to the UK.¹³² General Carter indicated in oral evidence to us in June 2016 that

124 [Speech by Rt Hon Gavin Williamson MP at the 2018 RUSI Seapower Conference](#), 24 May 2018

125 Defence Committee, *SDSR 2015 and the Army*, Eighth Report of Session 2016–17, HC 108, para 89

126 Defence Committee, *SDSR 2015 and the Army*, Eighth Report of Session 2016–17, HC 108, para 66

127 Defence Committee, *SDSR 2015 and the Army: Government Response to the Committee's Eighth Report of Session 2016–17*, First Special Report of Session of 2017–19, HC 311, para 8

128 [Speech by General Sir Nicholas Carter](#), RUSI, 22 January 2018

129 Defence Committee, *SDSR 2015 and the Army*, Eighth Report of Session 2016–17, HC 108, para 40. See also Oxford Research Group ([MDP0019](#)); James Rogers ([MDP0028](#))

130 ['Germany chooses Ulm for new proposed NATO logistics command'](#), *Reuters*, 20 March 2018. A new NATO Joint Support Enabling Command has been proposed to facilitate movement across Europe.

131 ['Action Plan on military mobility: EU takes steps towards a Defence Union'](#), European Commission, 28 March 2018. The EU produced an Action Plan on Military Mobility in March 2018. Military mobility is also a central part of the Permanent Structured Co-operation on Defence (PESCO) structure that was activated in December 2017.

132 HM Government, [Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review](#), Cm 7948, 19 October 2010, p 28

this decision may be revisited and the Army may seek to retain assets in Germany.¹³³ This was repeated in his January 2018 speech.¹³⁴ **A clear decision on forward basing is needed in the MDP.**

64. **There are serious deficiencies in the quantities of armour, armoured vehicles and artillery available to the British Army.** The 2010 SDSR reduced the numbers of Challenger 2 main battle tanks (MBTs) by 40% and heavy artillery by 35%.¹³⁵ The Army now possesses 227 Challenger 2 MBTs,¹³⁶ a reduction of 89 from 2010,¹³⁷ and the number of front line armoured regiments equipped with them is being reduced from three to two. Challenger is facing a number of obsolescence issues which are being addressed by a £700 million life-extension programme.¹³⁸ The Warrior armoured fighting vehicle is also going through a life-extension programme at a cost of an estimated £1.3 billion.¹³⁹ Reports emerging from the NSCR suggested that the number of Warriors due to be upgraded would be substantially reduced.¹⁴⁰ The Army is procuring the next generation of Mechanised Infantry Vehicle (MIV), a procurement taking place outside of the MDP. We took evidence on this process in April and, at that time, the MoD was not in a position to provide detailed figures on how much each vehicle would cost. A failure to manage costs could put further strain on an equipment programme already under enormous pressure.¹⁴¹

65. Justin Bronk, Research Fellow for Airpower and Technology at RUSI, told us in oral evidence:

NATO's firepower is approximately 80% air-delivered, which makes it very vulnerable to infrastructure and airspace denial, and also quite dependent on communications links not being disrupted. We don't tend to try to drop bombs if we can't talk to the person who is going to be nearby on the ground. The Russians put an enormous amount of emphasis on artillery. They have put a lot of effort into modernising and making sure that all their artillery—whether 152mm or 203mm—is self-propelled, and in increasing the range and rapid deployability and survivability of those systems in order to out-shoot NATO.¹⁴²

Written evidence has highlighted some of the deficiencies which limit the Army's firepower, citing a lack of vehicle-mounted anti-tank weapons, the potential ineffectiveness of anti-tank weapons to defeat modern active protection systems on enemy armoured vehicles, a lack of precision in tube artillery, the need for modernisation of rocket artillery to improve range and precision, and a lack of self-propelled artillery, all of which leave the Army, as currently configured, at serious

133 [Oral evidence taken on 14 June 2016](#), HC 108, Q22

134 [Speech by General Sir Nicholas Carter](#), RUSI, 22 January 2018

135 HM Government, [2010 Strategic Defence and Security Review: Fact Sheet 7: Future Force 2020 - British Army](#), 19 October 2010

136 Ministry of Defence, [Armed Forces Equipment and Formations 2017](#), 6 July 2017, Table 5

137 Defence Committee, [SDSR 2015 and the Army](#), Eighth Report of Session 2016–17, HC 108, para 133

138 Human Security Centre ([MDP0020](#))

139 Defence Committee, [SDSR 2015 and the Army](#), Eighth Report of Session 2016–17, HC 108, para 135

140 ['British Army armoured brigade faces the chop'](#), *The Times*, 8 October 2017

141 [Oral evidence taken on 24 April 2018](#), HC 958

142 [Oral evidence taken on 17 April 2018](#), HC 818, Q131. See also Human Security Centre ([MDP0020](#))

risk of being outgunned by its Russian counterpart.¹⁴³ A decision on the Army's Future Indirect Fire System, which would address some of these requirements, is due as part of the MDP.¹⁴⁴

66. **Air defence is a further requirement against state adversaries, and one which we have noted as a deficiency in previous reports.** The April 2017 report noted the deficiency in ground-based air defence for the warfighting division. The Army has only two Regular and one Reserve air defence regiments. Rapier, the outgoing area air defence system, is being replaced by the Sky Sabre system, but only in the Falkland Islands. The principal air defence weapon left available to the warfighting division is the Starstreak high velocity missile, which is short-ranged and does not provide wide area coverage. **A layered air defence system is a basic requirement in the face of an adversary like Russia and a solution should be found to protect the warfighting division. This is a major weakness in the Army's current Order of Battle and should be addressed as a matter of high priority.**¹⁴⁵

67. **General Carter has underlined the importance of the need for the Army to bring into service its next generation of tactical communications and information system.** As the General stated, these systems are essential for command, control and communications purposes. Not only do they need to be fully integrated in UK units, but they must have the ability to be 'extrovert' so that allies are able to plug into them to share data securely and co-ordinate manoeuvre and fire control.¹⁴⁶

Air

68. We have recently reported on the F-35 Joint Strike Fighter programme.¹⁴⁷ In that report, we accepted assurances from the MoD and from the manufacturer Lockheed Martin that a number of reported developmental problems were being addressed and we look forward to being kept updated on them. **We reiterate our view that the MoD's refusal to disclose cost estimates for the F-35 to Parliament is unacceptable and risks undermining public confidence in the programme.** As well as providing greater clarity on this matter, **the Department should also use the MDP as an opportunity to make clear whether it remains its policy to buy the intended complement of 138 aircraft and what mix of variants it now envisages purchasing for the remainder.**¹⁴⁸

69. A key component of anti-submarine warfare (ASW) operations, mentioned above in the maritime section, is the airborne ASW capability delivered by maritime patrol aircraft (MPA). The UK is re-establishing its long-range MPA capability with the purchase

143 Gabriele Molinelli ([MDP0004](#)); Human Security Centre ([MDP0020](#)); DefenceSynergia ([MDP0029](#)); Graham Edmonds ([MDP0030](#))

144 'DSEI 2017: UK looks to boost indirect-fire capability', *Jane's Defence Weekly*, 14 September 2017

145 Defence Committee, *SDSR 2015 and the Army*, Eighth Report of Session 2016–17, HC 108, paras 29–33. See also [Oral evidence taken on 1 November 2016](#), HC 108, Qq239–243, Dr Jie Sheng Li ([MDP0001](#)); Gabriele Molinelli ([MDP0004](#)); Human Security Centre ([MDP0020](#)); DefenceSynergia ([MDP0029](#)); Graham Edmonds ([MDP0030](#)); 'British Army unveils Sky Sabre air defence system', *Jane's Missiles and Rockets*, 15 February 2018

146 [Speech by General Sir Nicholas Carter](#), RUSI, 22 January 2018

147 Defence Committee, *Unclear for Take-off? F-35 Procurement*, Second Report of Session 2017–19, HC 326

148 The F-35B is the short take-off/vertical landing variant which will be used on the Royal Navy's aircraft carriers. The F-35A is a conventional take-off and landing variant and is a cheaper airframe. The Government has refused to rule out purchasing units of the F-35A variant - see Public Accounts Committee, [Oral evidence taken on 4 December 2017](#), HC 394, Q175 and Defence Committee, [Unclear for Take-off? F-35 Procurement: Government Response to the Committee's Second Report of Session 2017–19](#), Fifth Special Report of Session 2017–19, HC 845, para 6. See also Dr Jie Sheng Li ([MDP0001](#)); Gabriele Molinelli ([MDP0004](#)); Lockheed Martin UK ([MDP0025](#))

of nine Boeing P-8A Poseidon aircraft from the United States. We have received detailed written evidence from former RAF officers with extensive experience of ASW operations who argue that **the intended aircraft and crew provision for the MPA force is too low to fulfil the range of tasks under its responsibility.** Unrealistic assumptions have been made about the ability of NATO allies to contribute to MPA provision and that at least 16 aircraft and a higher crewing requirement is needed to attain the necessary coverage.¹⁴⁹

70. **The UK has no substantial missile defence capability.**¹⁵⁰ The 2015 SDSR recognised the threat from state and non-state actors acquiring increasingly sophisticated missile technology. Commitments were made to invest in a ground-based ballistic missile defence (BMD) radar system to enhance NATO's BMD Network, and to investigate the potential of Type 45 destroyers taking on a BMD role.¹⁵¹ Answers to written questions¹⁵² have indicated that these capabilities are still in their early developmental stages. *The Department should make clear in the MDP its proposed way forward on BMD, including on both radars and potential interceptors, whether in a UK or combined NATO context. In addition, the Department should consider how it will address the need for point defence—including against cruise missiles—at key installations in the UK, not least the principal RAF airbases.*

71. **The Airborne Warning and Control System (AWACS) capability provided by the RAF's E-3D Sentry fleet has been allowed to decline.** The 2015 SDSR committed the RAF to keeping the fleet in service until 2035,¹⁵³ but the E-3D aircraft are no longer maintained and upgraded to the required avionics standards, and flying hours in recent years have been substantially reduced. AWACS provide airborne surveillance and battle management capability over extended range, crucial in a complex airspace contested by peer adversaries. Recent reports indicate that a replacement for Sentry is being considered as part of the MDP.¹⁵⁴ *The full range of available options including (but not confined to) an upgrade of the E-3D Sentry aircraft, should be considered by the RAF to restore its AWACS capability.*

72. **The ability of aircraft to penetrate sophisticated enemy air defence systems must be addressed.** The RAF's principal anti-radar **suppression of enemy air defence (SEAD)** weapon, designed to target and neutralise enemy air defence systems, was abandoned in 2013.¹⁵⁵ The advanced capability of the F-35 may compensate for this, but the safety of the non-stealth aircraft also still in service—such as Typhoon—must also be considered.

73. At the oral evidence session of 21 February the Secretary of State announced that the MoD has begun work on a Combat Air Strategy. Its aim is :

149 Air Vice-Marshal (Retd) Andrew L Roberts ([MDP0011](#)); Group Captain (Retd) Derek K Empson ([MDP0018](#)). See also Dr Jie Sheng Li ([MDP0001](#));

150 Gabriele Molinelli ([MDP0004](#)); Commander (Retd) N D MacCartan-Ward ([MDP0007](#)); Dr David Blagden ([MDP0009](#)); Lockheed Martin UK ([MDP0025](#))

151 HM Government, *National Security Strategy and Strategic Defence and Security Review 2015: A Secure and Prosperous United Kingdom*, Cm 9161, 23 November 2015, para 4.16

152 PQ 1301 7; [2017–19] PQ 1368 2 [2017–19]

153 HM Government, *National Security Strategy and Strategic Defence and Security Review 2015: A Secure and Prosperous United Kingdom*, Cm 9161, 23 November 2015, para 4.49

154 'RAF starts talks on E-3D AWACS replacement', *Jane's Defence Weekly*, 18 May 2018. See also Dr Jie Sheng Li ([MDP0001](#)); Gabriele Molinelli ([MDP0004](#)); DefenceSynergia ([MDP0029](#)); Graham Edmonds ([MDP0030](#))

155 Gabriele Molinelli ([MDP0004](#)); DefenceSynergia ([MDP0029](#)); Graham Edmonds ([MDP0030](#))

to ensure that the UK maintains the ability to operate both independently and as part of international coalitions. It will set out the UK's future requirements in this important area and seek to secure an enduring and strategic relationship with UK industry, so that it can deliver our future requirements while becoming increasingly affordable, sustainable and internationally competitive.¹⁵⁶

The Combat Air Strategy is a valuable opportunity to consider how UK design, development and manufacturing expertise in combat air, from programmes such as Tornado and Typhoon, can continue to contribute to future combat air capability. It is also an opportunity to reduce the reliance on off-the-shelf purchases from overseas when domestic or collaborative alternatives are available.

Cyber and electronic warfare

74. The 2015 SDSR announced that the Government would be spending £1.9 billion over five years on improving cyber capabilities.¹⁵⁷ Defence has responded through the Defence Cyber Programme¹⁵⁸ with the creation of the Joint Forces Cyber Group, and the Joint Cyber Reserve Force in 2013¹⁵⁹ and more recently the Cyber Security Operations Centre and the Defence Cyber School.¹⁶⁰ Lockheed Martin mentioned that **the MoD's Cyber Vulnerability Investigations programme, is too focused on identifying cyber risks and that there should be more focus on neutralising them.**¹⁶¹ Another submission observed that **there is a need for more focus on deployable cyber capabilities.**¹⁶²

75. A number of written submissions also considered that **there is need for greater investment in electronic warfare (EW) capabilities** to defend against more sophisticated threats.¹⁶³ One submission considered that investment in cyber had not been matched by resources being put into exploitation of the wider electromagnetic spectrum, which might be utilised by adversaries to get around the UK's advanced cyber capabilities.¹⁶⁴ In his January 2018 speech General Carter described how Russia used EW in Ukraine to direct artillery bombardment, and to distort GPS signals across much of Scandinavia during the Zapad exercise in 2017.¹⁶⁵ Justin Bronk of RUSI told us that Russia possesses “very strong jamming capabilities—broad-brush jamming—across the whole electromagnetic spectrum”. He also noted that “Russian forces can't compete with Western command-and-control-heavy, network-centric warfare, if Western systems are working as intended. Therefore, they do not intend to fight us with our systems operational”. Russian forces down to the tactical level are trained to be able to continue operating even with modern

156 [Oral evidence taken on 21 February 2018](#), HC 814, Q1

157 HM Government, *National Security Strategy and Strategic Defence and Security Review 2015: A Secure and Prosperous United Kingdom*, Cm 9161, 23 November 2015, para 4.105

158 [PQ 267 7](#) [2015–16]

159 Ministry of Defence, [‘New cyber reserve unit created’](#), 29 September 2013

160 Ministry of Defence, [‘Defence Secretary announces £40m Cyber Security Operations Centre’](#), 1 April 2016; Ministry of Defence [‘UK steps up cyber defence’](#), 8 March 2018

161 Lockheed Martin UK ([MDP0025](#)). The CVI is a programme to help the Department better understand cyber vulnerabilities and improve resilience.

162 DefenceSynergia ([MDP0029](#))

163 Gabriele Molinelli ([MDP0004](#)); DefenceSynergia ([MDP0029](#)); James Rogers ([MDP0028](#)); Graham Edmonds ([MDP0030](#))

164 Lockheed Martin UK ([MDP0025](#))

165 [Speech by General Sir Nicholas Carter](#), RUSI, 22 January 2018

command, communications and navigation systems disabled.¹⁶⁶ UK Defence needs to develop similar flexibility to counter over-reliance on technology in operations. General Carter spoke of the need for greater focus on “reversionary skills” such as night navigation and map reading, and General Sir Gordon Messenger, the Vice-Chief of the Defence Staff recently said in an interview: “assume that your networks are going to be taken down and have a different way of doing things.”¹⁶⁷

Space

76. In May 2018 the MoD announced it would be launching a Defence Space Strategy,¹⁶⁸ as suggested by one witness in written evidence.¹⁶⁹ In a recent speech, Air Chief Marshal Sir Stephen Hillier, the Chief of the Air Staff discussed the challenges being faced in the domain—an increasing reliance on space and satellite technology, an increasingly congested space environment and a growing number of threats.¹⁷⁰ Russia and China have for example been developing anti-satellite missile technology and are believed to be investing in a wider range of counter-space capabilities.¹⁷¹ UK Defence is heavily reliant on space-based technology for communications, navigation and surveillance purposes¹⁷² and **the new challenges in space must be reflected in the next generation of capability, including the design of the Skynet 6 military communications satellite. Use of low-cost microsattellites, such as the recently launched Carbonite-2 should also continue to be pursued.**¹⁷³ These represent key opportunities for Defence to support the world-class UK space industrial sector. Suggestions that have been made in written evidence on further exploitation of space capability include exploration of the delivery of cyber payloads from space and whether assets such as the ground-based BMD radar system mentioned in paragraph 70 above may have secondary capacity in providing space situational awareness.¹⁷⁴

Information advantage

77. In his January 2018 speech, General Carter explained the impact of the Russian approach to information warfare and how it has been incorporated into military operations.¹⁷⁵ Other senior military figures have reinforced these points and presented ideas about how Defence should respond. The Vice-Chief of the Defence Staff¹⁷⁶ and the Chief of Defence Intelligence¹⁷⁷ have discussed the emerging concept of ‘information

166 [Oral evidence taken on 17 April 2018](#), HC 818, Q131

167 [Speech by General Sir Nicholas Carter](#), RUSI, 22 January 2018; ‘[In full: interview with General Sir Gordon Messenger, vice-chief of the defence staff](#)’, *The Times*, 1 March 2018. See also DefenceSynergia

168 Ministry of Defence, ‘[UK poised for take-off on ambitious Defence Space Strategy with personnel boost](#)’, 21 May 2018

169 Lockheed Martin UK (MDP0025)

170 [Speech by Air Chief Marshal Sir Stephen Hillier at the 2018 Defence Space Conference](#), 21 May 2018

171 See Office of the Director of National Intelligence (United States), [Worldwide Threat Assessment of the United States Intelligence Community](#), 13 February 2018, p 13

172 Ministry of Defence, [Annual Report and Accounts 2016–17](#), HC 21, July 2017, p 38; Ministry of Defence, [Future Operating Environment 2035 \(1st Edition\)](#), Development, Concepts and Doctrine Centre, August 2015, p 23

173 Ministry of Defence, ‘[Lift-off: Satellite launched into space on RAF mission](#)’, 1 March 2018.

174 Lockheed Martin UK (MDP0025)

175 [Speech by General Sir Nicholas Carter](#), RUSI, 22 January 2018

176 ‘[In full: interview with General Sir Gordon Messenger, vice-chief of the defence staff](#)’, *The Times*, 1 March 2018

177 [Speech by Air Marshal Phil Osborn, Chief of Defence Intelligence](#), RUSI, 18 May 2018

advantage', looking at how military advantage can be gained by harnessing emerging technology to collect and assess information at unprecedented speed from a wide range of open and closed sources.

78. **The challenge for the Armed Forces is to integrate the principles and capabilities associated with information advantage into existing structures.** The Army has formed 77 Brigade to bring together expertise in information operations from across the Services. There is also an emerging Army 'information manoeuvre division'.¹⁷⁸ Since 2017, the Royal Navy has been conducting its annual INFORMATION WARRIOR exercises to explore how information advantage might be implemented in the maritime domain.¹⁷⁹ **This development should continue, with close co-operation between the Services and other parts of Government involved in information collection and assessment.**¹⁸⁰ With the future introduction of platforms with advanced sensory systems, such as the F-35 and the Ajax armoured vehicle, **the necessary infrastructure will have to be in place to securely transfer, process and analyse large quantities of data that these platforms will collect.**¹⁸¹

War Reserves

79. The long lead times to manufacture modern military platforms (for instance a Eurofighter Typhoon takes up to four years to build) means that in any conflict without extended warning, the UK would have to fight, at least in the early stages of a war, with equipment currently in service or that which could be either rapidly manufactured (such as missiles) or reconstituted in time of crisis. To this end, **the Department should give serious consideration as part of the MDP to how it might in future retain surplus equipment platforms as a war reserve (as both Russia and the US often do) rather than disposing of them cheaply to other countries or even destroying them altogether.** Having war reserves of this kind, can add to the conventional deterrent effect of our Armed Forces.

80. **The above represents our observations on the areas of capability we would expect to be addressed in the MDP. We ask that each section above is individually addressed by the Department in its response at the conclusion of the MDP.**

Recruitment and retention

81. The NSCR acknowledges that all three Services are facing recruitment and retention challenges.¹⁸² The latest quarterly personnel statistics show an overall personnel deficit of 6% across the Armed Forces, a shortfall of over 8,800.¹⁸³ Both the Army and the RAF are running deficits of over 6%. There was an overall decrease of over 2,000 personnel across the Services in the 12 months to April 2018. Over the same period, in both the Regular and Reserve Forces, fewer people joined and more people left the Armed Forces than in the preceding year.

82. A recent report by the National Audit Office has shown that all three Services are experiencing particular difficulties in retaining personnel in specialist military trades.

178 'British Army looks to form info manoeuvre division', *Jane's Defence Weekly*, 3 July 2017

179 Royal Navy, [Exercise Information Warrior](#)

180 Dr Jie Sheng Li ([MDP0001](#))

181 Gabriele Molinelli ([MDP0004](#))

182 HM Government, [National Security Capability Review](#), 28 March 2018, p 17

183 Ministry of Defence, [UK Armed Forces quarterly service personnel statistics: 1 April 2018](#), published 17 May 2018

The NAO found that there were 102 ‘pinch points’¹⁸⁴ across the Services, and that only six of the 102 pinch points were expected to be resolved within five years. The largest category of shortfall is in engineering trades, with shortages in intelligence analysts, pilots and logistics specialists following closely behind.¹⁸⁵

83. The NAO’s report also presented data on the performance of the Service Commands against their recruitment targets, showing that all three Commands had failed to meet those targets over the preceding three years. Army recruitment has performed particularly poorly, showing a deficit of 31% in 2016/17. A substantial factor in this is the woeful performance of Capita, which entered into a partnership agreement on recruitment services with the Army in 2012. The long delay in implementing the programme has been compounded by the failure of the ICT system put in place by Capita to manage the recruitment process across all three Services.¹⁸⁶

84. Our predecessor Committee in the last Parliament published two reports on the legal pursuit and persecution of serving and former Service personnel for alleged historic allegations arising from Iraq¹⁸⁷ and Northern Ireland—a process known as ‘Lawfare’.¹⁸⁸ These matters are substantially unresolved and we will continue to fight for the protections that former and serving personnel deserve. In the meantime, the continuing legal pursuit of veterans and serving personnel cannot be anything less than the strongest disincentive for individuals to join the Armed Forces.

85. Trained manpower is a constituent of military capability. Even at historically low levels of establishment, the Armed Forces are struggling to meet their recruitment targets. The reasons for this are diverse, and are not exclusive to the UK. It is clear, though, that negative perceptions of shrinking mass, capability and role of the Armed Forces do nothing to maintain—let alone improve—recruitment and retention. The MDP gives the Government an opportunity to reverse the perception of decline and present a career in the Armed Forces as a purposeful and dynamic professional choice.

86. The repeated failures of Capita have affected recruitment across all three Services, and have done particularly serious damage to Army recruitment. If the service provided does not significantly improve very soon, the Department should implement its contingency plans and take recruitment back into its own hands. The Department’s attitude on this issue, of hoping year on year, rather like Mr Micawber, that something will turn up, is simply no longer credible or acceptable.

184 Pinch points are defined as roles where there are not sufficient trained regular personnel to perform specialist roles without taking mitigating action.

185 National Audit Office, *Ministry of Defence: Ensuring Sufficient Skilled Military Personnel*, HC 947 [2017–19], 18 April 2018

186 Defence Committee, *SDSR 2015 and the Army*, Eighth Report of Session 2016–17, HC 108, paras 106–108. See also ‘Army recruitment system “unacceptable”, says defence secretary’, *BBC News*, 19 February 2018; ‘Ministers spent £1bn on armed forces recruitment despite repeated failure to hit manpower targets’, *Daily Telegraph*, 29 January 2018. Rt Hon Mark Francois MP, a Member of the Committee, was commissioned by the Prime Minister to report and make recommendations on the state of recruiting. These recommendations have been accepted by the Government - see *Filling the Ranks: A Report for the Prime Minister on the State of Recruiting into the UK Armed Forces*, July 2017

187 Defence Committee, *Who guards the guardians?: MoD support for former and serving personnel*, Sixth Report of Session 2016–17, HC 109

188 Defence Committee, *Investigations into fatalities in Northern Ireland involving British military personnel*, Seventh Report of Session 2016–17, HC 1064

87. However, even if there were no issues involving particular firms, a more fundamental task would still remain. In addition to improving significantly the efficiency of its recruitment process, the Department must provide evidence that the offer to service personnel is sufficient both to recruit and retain.

88. The continuing pursuit of former and serving personnel in the course of investigations relating to historic allegations is an outrageous injustice to the personnel concerned. We will continue to put pressure on the Government to bring an end to this as a matter of urgency. The powerful and ongoing disincentive this provides to anyone considering a military career is one of the compelling reasons why the Government should do so. We unequivocally condemn the Government's backsliding on its firm commitment, when responding to our report on 'lawfare' against Northern Ireland veterans, to include the option of a Statute of Limitations in its current consultation on so-called 'legacy issues'.

89. Accordingly, we have just announced a further and wider inquiry into the pursuit of UK veterans many years after the conflicts in which they were engaged have come to an end. We intend to hold Ministers firmly to account for the fate of our veterans facing legal persecution, long after the event and in the absence of new evidence. Ministers must honour their obligation to our Service veterans.

Business and commercial relations

90. An early point made in written evidence predicted that a decline in mass and capability of the Armed Forces will be matched by a decline in the size and skillset of the domestic industrial base to the point that capabilities can no longer be domestically produced. This depletes our sovereign manufacturing base and results in reliance on overseas suppliers, with serious consequences for both national security and prosperity.¹⁸⁹

91. A recurring theme is the need for the Department to engage more directly with 'non-traditional' suppliers who may not have sector experience, if it is to effectively manage the emergence of new technology. As one submission stated: "The pace of advancement in these technologies, as well as their relatively low cost, is driven by demand factors from sectors outside of defence."¹⁹⁰ Evidence has identified the existence of procurement and contractual practices which reinforce the perception that the defence supplier base is too difficult to enter, and that despite the principles laid down in the Defence Industrial Policy Refresh,¹⁹¹ there is still a problem with access and visibility amongst SMEs. The advantages associated with early engagement with industry, in advance of procurements, to allow industry expertise to contribute to setting requirements and specifications, should also be more readily seized by the Department. Witnesses suggested greater use of secondments, co-location and embedded personnel to improve engagement.¹⁹²

92. Lack of engagement was also considered to be a contributing factor to the wider issue of the Department needing knowledgeable and experienced staff to manage commercial relationships. Evidence indicated that the sector is highly competitive, and it is a constant

189 Sir Jeremy Blackham ([MDP0005](#))

190 Boeing UK Ltd ([MDP0008](#)). See also The Scottish Government ([MDP0023](#))

191 Ministry of Defence, *Industry for Defence and a Prosperous Britain: Refreshing Defence Industrial Policy*, November 2017

192 techUK ([MDP0017](#)); ADS Group ([MDP0024](#)); Lockheed Martin UK ([MDP0025](#))

challenge to retain skilled staff.¹⁹³ This is only likely to get worse, with the pressure to reduce the Department's civilian headcount. It becomes a challenge in this environment for the Department to retain institutional expertise and sustain itself as an intelligent customer. A way of compensating for this is to seek independent advice and assurance from a wider range of sources.¹⁹⁴

93. Witnesses criticised the Department's general procurement practice of habitually awarding contracts to suppliers offering the lowest price for the minimum level of technical compliance, often leading to a later realisation that the full requirement is not deliverable at that cost.¹⁹⁵ The 'whole life' cost of programmes in terms of ongoing support and equipment replacement is often not considered.¹⁹⁶ ADS Group also argues that the MoD's definition of value for money in its competitive tendering criteria does not properly reflect the wider contribution of the defence sector to the UK's prosperity:

The UK defence sector makes a significant contribution to the national prosperity. In 2016 alone, the UK defence sector generated £23bn turnover and supported 142,000 direct jobs, including over 4,000 apprentices. Furthermore, the sector has witnessed productivity growth of 29% between 2010 and 2015, compared to just 2% across the rest of the UK economy. The domestic market and the IP generated onshore drives UK defence exports—both goods and services—which in turn generate the significant gross value-added contribution of the defence industry to the wider economy.

The Scottish Government also highlighted the contribution of the defence sector in Scotland.¹⁹⁷ ADS argued that such contributions should be formally recognised in tendering assessment criteria.¹⁹⁸

94. A second aspect of the MoD's general practice which witnesses criticised is the habit of intentionally introducing delay into equipment programmes to make ends meet in annual budgets, often leading to far larger costs in the long term and causing substantial disruption to suppliers.¹⁹⁹ The Secretary of State recognised the negative effects of this practice in oral evidence.²⁰⁰ In a separate speech, the Permanent Secretary identified the "curse" of contract adjustment as being one of the Department's priorities in the commercial strand of the MDP.²⁰¹

95. It is important for the Department to demonstrate through the MDP that it will be a responsible owner of any new financial settlement that emerges, and it should be commended for incorporating a review of its own practices and relationships with industry into the MDP. We have received a number of detailed submissions from defence industry representatives highlighting some specific recommendations which the Department should consider, to improve its approach in these areas, and we expect them to be considered.

193 techUK ([MDP0017](#)), Lockheed Martin UK ([MDP0025](#))

194 Professor David Kirkpatrick ([MDP0010](#))

195 Lockheed Martin UK ([MDP0025](#))

196 ADS Group ([MDP0024](#)); Lockheed Martin UK ([MDP0025](#))

197 The Scottish Government ([MDP0023](#))

198 Sir Jeremy Blackham ([MDP0005](#)); General Atomics Aeronautical Systems ([MDP0013](#)); ADS Group ([MDP0024](#)); Graham Edmonds ([MDP0030](#)).

199 Lockheed Martin UK ([MDP0025](#))

200 [Oral evidence taken on 21 February 2018](#), HC 814, Q58

201 [Speech by Stephen Lovegrove, Permanent Secretary of the MoD](#), RUSI, 5 March 2018

96. **The challenge for the Department, which has re-examined its commercial and procurement approach to these matters on several occasions over the past 20 years, is to demonstrate how what emerges from the MDP is distinct from the succession of new policies, strategies, reports and ‘refreshes’ which have previously been produced. There have been many successes and innovative reforms during this period, but there are clearly a number of pervasive issues which continue to exist. The Department needs to demonstrate that it understands what has gone wrong and how the lessons learned will form the basis of its future policy.**

NATO and alliances

97. In oral evidence on 22 May, the Defence Secretary confirmed that two of the UK’s main priorities at the NATO Summit in July would be command structure reform and ensuring that the burden of defence expenditure and capability is shared more evenly across the Alliance.²⁰² NATO is seeking to create new command structures to improve maritime security in the North Atlantic and to facilitate faster movement of military units across Europe.²⁰³ These two objectives are of direct strategic significance to the UK and we should be seeking to maximise the scope of the proposed new structures. On burden sharing, the UK is one of eight Member States who will meet the NATO requirement to spend at least 2% of GDP on Defence in the forthcoming year. The NATO Secretary General has said that 15 Members now have plans to meet the guideline by the target date of 2024.²⁰⁴ This still leaves 14 Members who have not made firm indications of how they will meet the commitment.

98. Alongside NATO, the UK is party to a number of multilateral organisations and agreements that have associated defence and security aspects, including the UN, the EU, the Five Power Defence Arrangements, the Lancaster House Treaties and the Joint Expeditionary Force. In addition, the UK sustains a continual cycle of joint exercises, training events and other international defence engagement commitments. The UK will be taking part in 25 major exercises in 2018, including the dispatch of substantial contingents to NATO’s Exercise TRIDENT JUNCTURE in Norway and Exercise SAIF SAREEA 3 in Oman.²⁰⁵ However, in the last financial year, several exercises, including joint exercises planned with international partners, were cancelled as a cost-cutting measure.²⁰⁶

99. **NATO remains the cornerstone of the UK’s defence policy and the conclusions which emerge from the MDP will send a strong message to our allies on how the UK is reacting to developing threats. At the forthcoming NATO Summit, the Government should seek to maximise the scope of the new command structures, as the focus of the two proposed Joint Force Commands relates directly to the UK’s principal strategic interests. The Government should take a robust approach to burden-sharing across the Alliance and should be seeking to hold other member states to the commitments entered into in 2014. We also observe that burden-sharing is not just about providing cash, but providing capability. Expenditure should not be the sole measure of commitment.**

202 [Oral evidence taken on 22 May 2018](#), HC 387, Q142

203 See para 63 and footnote 130 above.

204 [Press conference with Jens Stoltenberg, NATO Secretary General](#), 14 February 2018

205 PQ [HL5676](#) [2017–19]

206 Ministry of Defence (DP50001); Defence Committee, [Sunset for the Royal Marines? The Royal Marines and UK amphibious capability](#), Third Report of Session 2017–19, HC 622, para 34–38

100. **The range of international defence relationships that the UK enjoys reflects a continuing global role and allows the Services to train alongside the armed forces of allies and partners. Nonetheless, these obligations will be increasingly difficult to uphold with an under-resourced Joint Force, and the cancellations in joint training we have seen recently will undermine these relationships. The MDP must focus on sustaining a force structure that lives up to the wide range of international defence and security relationships.**

Defence expenditure

101. The Government places a great deal of significance on the UK meeting NATO's 2% GDP commitment on defence expenditure, but as our predecessor Committee said in its examination of the issue in the last Parliament, 2% is a measure of minimum political commitment, rather than military capability, and it does not necessarily follow that meeting this target creates a sufficient level of expenditure to keep the country safe.²⁰⁷ It should be recalled that the 2% figure has its origins in 2006 when the threat of state-on-state conflict was considered to be low.²⁰⁸ Throughout the Cold War years of the 1980s, we spent between 4.3% and 5.1% of GDP on Defence; and even in 1995–96 we were still spending fully 3% on keeping our country safe.

102. A growing consensus of opinion now exists that current defence expenditure is too low and needs to increase substantially. This position has cross-party support in both Houses of Parliament,²⁰⁹ including from the Secretary of State's predecessor, Rt Hon Sir Michael Fallon MP, who has called for a target of 2.5% of GDP to be reached by the end of the present Parliament.²¹⁰ Unusually, an increase in spending has been directly advocated by a serving Defence Minister: Rt Hon Tobias Ellwood MP, the Minister for Defence People and Veterans, stating during the debate on the Defence Estimates in February 2018 that "Two per cent, is just not enough".²¹¹ Mr Ellwood subsequently said that a level of expenditure "north of 2.5%" was necessary to meet the challenges Defence is facing.²¹² Senior serving military figures including the Vice-Chief of the Defence Staff,²¹³ the Chief of the General Staff,²¹⁴ and the Chief of the Air Staff,²¹⁵ have made a strong case for more resources, as have several former military chiefs.²¹⁶

103. **We and our predecessors repeatedly emphasised the inadequacy of the United Kingdom's level of defence expenditure—placing our views firmly on the record, both**

207 [Shifting the Goalposts? Defence expenditure and the 2% pledge](#), Second Report of Session 2015–16, HC 494, paras 62–74

208 The 2% commitment was established at the NATO Defence Ministerial meeting of June 2006. The commitment was reaffirmed at the 2014 Wales Summit and Allies at that time not meeting the target resolved to "move towards the 2% guideline within a decade". NATO, [Wales Summit Declaration](#), 5 September 2014. See also James Rogers (MDP0028).

209 HL Deb, 19 April 2018, [cc 1255–1332](#); HC Deb, 11 January 2018, [cc 503–578](#)

210 HC Deb, 26 March 2018, [c 577](#)

211 HC Deb, 26 February 2016, [c 624](#)

212 'Armed forces need pay rise to protect recruitment – minister', *The Guardian*, 28 May 2018

213 'Spend more on armed forces or risk defeat to Russia or North Korea, military chief warns', *The Times*, 1 March 2018;

214 [Speech by General Sir Nicholas Carter](#), RUSI, 22 January 2018

215 'RAF "needs more money and people" to combat Russia, air force chief warns on 100th anniversary', *Daily Telegraph*, 31 March 2018

216 [Oral evidence taken on 14 November 2017](#), HC 556, Q2 [Admiral Sir George Zambellas], Q5 [General (Retd) Sir Richard Barrons]; 'Britain's enemies "perilously close" to calling UK's "bluff" on defence, warns ex-Army chief', *PoliticsHome*, 3 May 2018

in this and in the previous Parliament. We do so again here. Defence spending is far too low. On the Government's calculation (which includes certain items, like war pensions, which we used not to count), the UK is narrowly exceeding the 2% target; but it is still facing a range of financial challenges. The Government now needs to apply the resources that are necessary to keep this country safe, and must begin moving the level of defence expenditure back towards 3% of GDP, as it was in the mid-1990s.

4 Conclusion

104. The Armed Forces have inevitably been shaped by the nature of operations which the UK has entered into over the past 20 years—largely land-based expeditionary operations, in pursuit of counter-insurgency and stabilisation, with minimal challenge in the maritime and air domains and minimal direct risk to the homeland.

105. The strategic environment has changed for the worse, and this defence review must reflect this. The UK needs to be in a position to deter and challenge peer adversaries equipped with a full range of modern military technologies who seek to use them in ways that confuse our traditional conceptions of warfare. The likelihood of operating in contested environments across all five domains—maritime, land, air, cyber and space should be reflected in this force structure.

106. Whilst old threats have reappeared and new ones have arisen, recent ones have not disappeared. The uncertainty of the future mandates a properly balanced force structure, capable of continuing the fight against terror and extremism, containing and deterring state-based adversaries, and sustaining the range of international commitments that support our strategic interests.

107. The Secretary of State should be congratulated on securing control of the Modernising Defence Programme. We wish him and his Ministers success, not only in their work across the four strands of the MDP, but also in securing a much better financial settlement for Defence that recognises the higher level of spending for which this Committee has consistently been calling. We look forward to scrutinising the outcome of this process in detail once it is complete.

Conclusions and recommendations

Introduction

1. *We request that the Department should issue its response to this report after the Modernising Defence Programme has fully concluded, instead of within the usual two-month period, so that the response can directly lay out how the MDP has addressed the observations and suggestions that we have made.* (Paragraph 4)

The Modernising Defence Programme

2. *We expect to be reassured that investment in support and ammunition stocks is sufficient to recover from existing shortages and enable the Department to fulfill the requirements of policy.* (Paragraph 25)
3. The Government was right to initiate the National Security Capability Review in response to the intensifying threats that the country faces. The developing threats from state actors in a new age of strategic inter-state competition—typified by, but not limited to, the threat from a resurgent Russia—reinforce the need for a wide-ranging review. The Modernising Defence Programme must now seek to create a force structure which meets this challenge. (Paragraph 28)
4. Several factors lie behind the financial pressures on the defence budget, such as the heightened level of risk relating to foreign exchange, to which Defence is particularly exposed. Yet, the fundamental problem is that the personnel and equipment requirements of Joint Force 2025 that were laid down the 2015 SDSR were insufficiently funded and consequently are unaffordable under the current settlement. The fact that defence spending is technically growing is no answer, as it is not growing at a rate which will correct the structural deficit in the defence budget over the long term. (Paragraph 29)
5. Previous defence reviews have demonstrated that failure to fund commitments properly eventually leads to the re-opening of supposedly settled policy in order to balance the books. This frustrates long-term strategic implementation and reinforces the perception of inherent and intractable financial chaos in Defence. (Paragraph 30)
6. The force structure that emerges from the MDP must be supported by a robust and sustainable financial settlement, which is not reliant on loose projections and unrealistic so-called efficiency targets to make the numbers add up. While ‘efficiency’ should always be the aim of any programme of reform, and a constant objective of all Government departments, the practice of using unachievable programmes of ‘efficiency’ savings to make ends meet in defence reviews must come to an end. Experience has shown that relying on such targets sows the seed of instability in a long-term programme. The readiness to label a cut as an ‘efficiency’, without any proper analysis of its effect, has devalued the word as a useful term. (Paragraph 31)
7. The NSCR was originally characterised as a ‘refresh’ of the 2015 SDSR. However, once the NSCR was established, it soon became apparent that as far as the Defence

strand was concerned, major reconfigurations of force structure and reductions in military capability were being considered, across the entirety of the Joint Force, on a scale that went far beyond a mere ‘refresh’. The lack of clarity from the Government on the level of ambition in the NSCR was one of many factors which added to the perception that it was a closed and opaque exercise. (Paragraph 36)

8. Despite the scope of the NSCR in terms of reviewing the Joint Force, the ambition to provide more resources to national security was practically imperceptible. It did not become clear until December 2017, almost 6 months after the review had been initiated, that the NSCR would be ‘fiscally neutral’. This was the defining aspect of, and fundamental flaw in the review. It is inexcusable that vital aspects, like this, had to be extracted through parliamentary debates initiated by backbenchers and select committee hearings, rather than from information volunteered by the Government. The information which was revealed was given piecemeal, making it very difficult to gain an understanding of the scope and limitations of the review and its method of analysis. (Paragraph 38)
9. The work under the Defence strand of the NSCR had to be done within the wider constraint of so-called fiscal neutrality. Thus, there could be no way of applying more resources to address individual threats without reducing provision elsewhere in Defence, whether this ran counter to the conclusions of the strategic analysis or not. This created the perverse situation that reductions in capability were being considered in a review that was initiated because threats were intensifying. The NSCR was, in this sense, wholly resource-led from the outset. The MDP, freed from this constraint, has the potential to be a genuinely strategically-led exercise that can prescribe—and potentially produce—the force structure necessary to meet strategic objectives rather than one that merely fits within straitened financial parameters. *Accordingly, we recommend that the MDP should set out a clear ‘menu’ of military requirements, together with an estimate of the cost of each main component listed. The Government, and the country, will then be able to see the scale of what it is necessary to invest in Defence, in order to discharge ‘the first duty of Government’.* (Paragraph 39)
10. We support the separation of the Defence strand from the NSCR and the initiation of the MDP. While we recognise the benefit of a holistic approach to national security policy reviews, Defence represents by far the largest proportion of expenditure on national security and is facing particular challenges which warrant greater consideration than would be possible within the confines of the NSCR. In particular, the ‘fiscal neutrality’ of the NSCR meant that any extra expenditure on any part of national security could lead to corresponding cuts in defence capability. Furthermore, the range and complexity of functions under the supervision of the MoD, and the long-term implications that stem from changes to military capability require a deeper analysis than the NSCR is able to provide. (Paragraph 46)
11. A question remains about the future of the SDSR process of which Defence has previously been an integral part. Although the Defence Secretary has indicated that there are likely to be SDSRs in the future and that a regular pattern of defence and security reviews is important, no firm decisions seem to have been made on the future of the SDSR cycle. The Government should make clear when it expects the next NSS/SDSR will be held and whether Defence will be part of the wider process, or remain separate. (Paragraph 47)

12. We, along with the Joint Committee on the National Security Strategy, have been critical of the opacity of the NSCR process and the leaks and rumours that such a closed process created. As well as frustrating scrutiny, it generated a great deal of worry and uncertainty among Service personnel and their families. We commend the Department for taking a more open approach in the MDP. (Paragraph 53)
13. That said, we expect the Government to provide opportunities to debate the findings of the MDP when they begin emerging, so that Parliament has an opportunity to influence the process. The Department has indicated that it aims to publish 'high-level findings' by the end of June, with a view to the process being fully complete in the autumn. *The Government should ensure that Parliament has the opportunity to debate the MDP's high-level findings before the summer recess, and that there is a continuing dialogue with all key external stakeholders, including international partners, up to the point when the MDP finally concludes.* (Paragraph 54)

Observations and expectations

14. We offer our observations on areas within the scope of the MDP that we see as priorities. (Paragraph 56)
15. The most serious maritime issue which has been recognised by Ministers, and in the evidence we have taken, is the need for greater anti-submarine warfare (ASW) capacity. (Paragraph 57)
16. With the *Queen Elizabeth*-class aircraft carriers shortly coming into service, generation of a carrier group will become a priority task for the Royal Navy. Operating aircraft carriers without the sovereign ability to protect them is complacent at best and potentially dangerous at worst. The UK should be able to sustain this capacity without recourse to other states. (Paragraph 58)
17. We have recently reported on the continuing relevance and requirement for amphibious capability, concluding that the disposal of amphibious assault ships—reportedly being considered under the NSCR—was “militarily illiterate”. (Paragraph 59)
18. Consideration should be given to extending TLAM capability to the surface fleet, ahead of development of the Future Cruise/Anti-Ship Weapon System, which will not be in service until the 2030s. The Harpoon anti-ship missile has also wisely been kept in service beyond 2018, but a decision about its future into the 2020s is still needed. (Paragraph 60)
19. The growing ambition which the UK has outside of the Euro-Atlantic area will be a largely maritime-led endeavour. This needs to be backed up with sufficient resources to make a strategically significant contribution to our allies in the region. (Paragraph 61)
20. The generation of the warfighting division should continue to be the central aim of the British Army. The target strength of the Regular Army should not be reduced below 82,000 personnel. Further evidence of progress on reconstitution is necessary. (Paragraph 62)

21. The UK needs to take a full role in the NATO and EU initiatives that are underway to address military movement and logistics. Even with the relevant infrastructure and permissions in place, the Army needs to look to its ability to transport personnel and equipment, including armour and heavy weapons. A clear decision on forward basing is needed in the MDP. (Paragraph 63)
22. There are serious deficiencies in the quantities of armour, armoured vehicles and artillery available to the British Army. (Paragraph 64)
23. Written evidence has highlighted some of the deficiencies which limit the Army's firepower, citing a lack of vehicle-mounted anti-tank weapons, the potential ineffectiveness of anti-tank weapons to defeat modern active protection systems on enemy armoured vehicles, a lack of precision in tube artillery, the need for modernisation of rocket artillery to improve range and precision, and a lack of self-propelled artillery, all of which leave the Army, as currently configured, at serious risk of being outgunned by its Russian counterpart. (Paragraph 65)
24. Air defence is a further requirement against state adversaries, and one which we have noted as a deficiency in previous reports. A layered air defence system is a basic requirement in the face of an adversary like Russia and a solution should be found to protect the warfighting division. This is a major weakness in the Army's current Order of Battle and should be addressed as a matter of high priority. (Paragraph 66)
25. General Carter has underlined the importance of the need for the Army to bring into service its next generation of tactical communications and information system. (Paragraph 67)
26. We reiterate our view that the MoD's refusal to disclose cost estimates for the F-35 to Parliament is unacceptable and risks undermining public confidence in the programme. The Department should also use the MDP as an opportunity to make clear whether it remains its policy to buy the intended complement of 138 aircraft and what mix of variants it now envisages purchasing for the remainder. (Paragraph 68)
27. The intended aircraft and crew provision for the MPA force is too low to fulfil the range of tasks under its responsibility. (Paragraph 69)
28. The UK has no substantial missile defence capability. *The Department should make clear in the MDP its proposed way forward on BMD, including on both radars and potential interceptors, whether in a UK or combined NATO context. In addition, the Department should consider how it will address the need for point defence—including against cruise missiles—at key installations in the UK, not least the principal RAF airbases.* (Paragraph 70)
29. The Airborne Warning and Control System (AWACS) capability provided by the RAF's E-3D Sentry fleet has been allowed to decline. *The full range of available options including (but not confined to) an upgrade of the E-3D Sentry aircraft, should be considered by the RAF to restore its AWACS capability.* (Paragraph 71)
30. The ability of aircraft to penetrate sophisticated enemy air defence systems must be addressed. (Paragraph 72)

31. The Combat Air Strategy is a valuable opportunity to consider how UK design, development and manufacturing expertise in combat air, from programmes such as Tornado and Typhoon, can continue to contribute to future combat air capability. It is also an opportunity to reduce the reliance on off-the-shelf purchases from overseas when domestic or collaborative alternatives are available. (Paragraph 73)
32. The MoD's Cyber Vulnerability Investigations programme, is too focused on identifying cyber risks and ... there should be more focus on neutralising them. There is a need for more focus on deployable cyber capabilities. (Paragraph 74)
33. There is need for greater investment in electronic warfare (EW) capabilities. (Paragraph 75)
34. The new challenges in space must be reflected in the next generation of capability. Use of low-cost microsattellites, such as the recently launched Carbonite-2 should also continue to be pursued. (Paragraph 76)
35. The challenge for the Armed Forces is to integrate the principles and capabilities associated with information advantage into existing structures. This development should continue, with close co-operation between the Services and other parts of Government involved in information collection and assessment. The necessary infrastructure will have to be in place to securely transfer, process and analyse large quantities of data that these platforms will collect. (Paragraph 78)
36. The Department should give serious consideration as part of the MDP to how it might in future retain surplus equipment platforms as a war reserve (as both Russia and the US often do) rather than disposing of them cheaply to other countries or even destroying them altogether. Having war reserves of this kind, can add to the conventional deterrent effect of our Armed Forces. (Paragraph 79)
37. The above represents our observations on the areas of capability we would expect to be addressed in the MDP. *We ask that each section above is individually addressed by the Department in its response at the conclusion of the MDP.* (Paragraph 80)
38. Trained manpower is a constituent of military capability. Even at historically low levels of establishment, the Armed Forces are struggling to meet their recruitment targets. The reasons for this are diverse, and are not exclusive to the UK. It is clear, though, that negative perceptions of shrinking mass, capability and role of the Armed Forces do nothing to maintain—let alone improve—recruitment and retention. The MDP gives the Government an opportunity to reverse the perception of decline and present a career in the Armed Forces as a purposeful and dynamic professional choice. (Paragraph 85)
39. The repeated failures of Capita have affected recruitment across all three Services, and have done particularly serious damage to Army recruitment. If the service provided does not significantly improve very soon, the Department should implement its contingency plans and take recruitment back into its own hands. The Department's attitude on this issue, of hoping year on year, rather like Mr Micawber, that something will turn up, is simply no longer credible or acceptable. (Paragraph 86)

40. However, even if there were no issues involving particular firms, a more fundamental task would still remain. In addition to improving significantly the efficiency of its recruitment process, the Department must provide evidence that the offer to service personnel is sufficient both to recruit and retain. (Paragraph 87)
41. The continuing pursuit of former and serving personnel in the course of investigations relating to historic allegations is an outrageous injustice to the personnel concerned. We will continue to put pressure on the Government to bring an end to this as a matter of urgency. The powerful and ongoing disincentive this provides to anyone considering a military career is one of the compelling reasons why the Government should do so. We unequivocally condemn the Government's backsliding on its firm commitment, when responding to our report on 'lawfare' against Northern Ireland veterans, to include the option of a Statute of Limitations in its current consultation on so-called 'legacy issues'. (Paragraph 88)
42. Accordingly, we have just announced a further and wider inquiry into the pursuit of UK veterans many years after the conflicts in which they were engaged have come to an end. We intend to hold Ministers firmly to account for the fate of our veterans facing legal persecution, long after the event and in the absence of new evidence. Ministers must honour their obligation to our Service veterans. (Paragraph 89)
43. It is important for the Department to demonstrate through the MDP that it will be a responsible owner of any new financial settlement that emerges, and it should be commended for incorporating a review of its own practices and relationships with industry into the MDP. We have received a number of detailed submissions from defence industry representatives highlighting some specific recommendations which the Department should consider, to improve its approach in these areas, and we expect them to be considered. (Paragraph 95)
44. The challenge for the Department, which has re-examined its commercial and procurement approach to these matters on several occasions over the past 20 years, is to demonstrate how what emerges from the MDP is distinct from the succession of new policies, strategies, reports and 'refreshes' which have previously been produced. There have been many successes and innovative reforms during this period, but there are clearly a number of pervasive issues which continue to exist. The Department needs to demonstrate that it understands what has gone wrong and how the lessons learned will form the basis of its future policy. (Paragraph 96)
45. NATO remains the cornerstone of the UK's defence policy and the conclusions which emerge from the MDP will send a strong message to our allies on how the UK is reacting to developing threats. At the forthcoming NATO Summit, the Government should seek to maximise the scope of the new command structures, as the focus of the two proposed Joint Force Commands relates directly to the UK's principal strategic interests. The Government should take a robust approach to burden-sharing across the Alliance and should be seeking to hold other member states to the commitments entered into in 2014. We also observe that burden-sharing is not just about providing cash, but providing capability. Expenditure should not be the sole measure of commitment. (Paragraph 99)

46. The range of international defence relationships that the UK enjoys reflects a continuing global role and allows the Services to train alongside the armed forces of allies and partners. Nonetheless, these obligations will be increasingly difficult to uphold with an under-resourced Joint Force, and the cancellations in joint training we have seen recently will undermine these relationships. The MDP must focus on sustaining a force structure that lives up to the wide range of international defence and security relationships. (Paragraph 100)
47. We and our predecessors repeatedly emphasised the inadequacy of the United Kingdom's level of defence expenditure—placing our views firmly on the record, both in this and in the previous Parliament. We do so again here. Defence spending is far too low. On the Government's calculation (which includes certain items, like war pensions, which we used not to count), the UK is narrowly exceeding the 2% target; but it is still facing a range of financial challenges. The Government now needs to apply the resources that are necessary to keep this country safe, and must begin moving the level of defence expenditure back towards 3% of GDP, as it was in the mid-1990s. (Paragraph 103)

Conclusion

48. The Armed Forces have inevitably been shaped by the nature of operations which the UK has entered into over the past 20 years—largely land-based expeditionary operations, in pursuit of counter-insurgency and stabilisation, with minimal challenge in the maritime and air domains and minimal direct risk to the homeland. (Paragraph 104)
49. The strategic environment has changed for the worse, and this defence review must reflect this. The UK needs to be in a position to deter and challenge peer adversaries equipped with a full range of modern military technologies who seek to use them in ways that confuse our traditional conceptions of warfare. The likelihood of operating in contested environments across all five domains—maritime, land, air, cyber and space—should be reflected in this force structure. (Paragraph 105)
50. Whilst old threats have reappeared and new ones have arisen, recent ones have not disappeared. The uncertainty of the future mandates a properly balanced force structure, capable of continuing the fight against terror and extremism, containing and deterring state-based adversaries, and sustaining the range of international commitments that support our strategic interests. (Paragraph 106)
51. The Secretary of State should be congratulated on securing control of the Modernising Defence Programme. We wish him and his Ministers success, not only in their work across the four strands of the MDP, but also in securing a much better financial settlement for Defence that recognises the higher level of spending for which this Committee has consistently been calling. We look forward to scrutinising the outcome of this process in detail once it is complete. (Paragraph 107)

Formal minutes

Tuesday 5 June 2018

Members present:

Rt Hon Dr Julian Lewis, in the Chair

Leo Docherty	Gavin Robinson
Martin Docherty-Hughes	Ruth Smeeth
Rt Hon Mr Mark Francois	Rt Hon John Spellar
Graham P Jones	Phil Wilson
Mrs Madeleine Moon	

Draft Report (*Beyond 2 per cent: A preliminary report on the Modernising Defence Programme*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 107 read and agreed to.

Summary agreed to.

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

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

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

[Adjourned till Tuesday 19 June at 10.45am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 27 February 2018

Question number

Professor Andrew Dorman, Professor of International Security, King's College London, **Tom McKane**, former Director General Security Policy, Ministry of Defence, and **James de Waal**, Senior Consulting Fellow, International Security Department, Chatham House

[Q1–42](#)

Tuesday 13 March 2018

Larisa Brown, Defence and Security Editor, Daily Mail; **Alistair Bunkall**, Defence and Security Correspondent, Sky News; and **Deborah Haynes**, Defence Editor, The Times

[Q43–78](#)

Tuesday 17 April 2018

Her Excellency Ms Tiina Intelmann, Ambassador of Estonia, **Her Excellency Mrs Baiba Braze**, Ambassador of Latvia, and **His Excellency Mr Renatus Norkus**, Ambassador of Lithuania

[Q79–109](#)

Justin Bronk, Research Fellow, RUSI, **Dr Andrew Monaghan**, Director of Research on Russia and Northern Europe Defence and Security, Changing Character of War Centre, Pembroke College, University of Oxford, and **Sir Adam Thomson KCMG**, Director, European Leadership Network and former UK Permanent Representative to NATO

[Q110–146](#)

Tuesday 1 May 2018

Sir Mark Sedwill KCMG, National Security Adviser

[Q147–281](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

MDP numbers are generated by the evidence processing system and so may not be complete.

- 1 84 Squadron Association ([MDP0016](#))
- 2 ADS Group ([MDP0024](#))
- 3 Air Vice-Marshal Andrew Roberts ([MDP0011](#))
- 4 Boeing UK Ltd ([MDP0008](#))
- 5 Cabinet Office ([MDP0031](#))
- 6 Campaign for Nuclear Disarmament ([MDP0022](#))
- 7 Commander RN DSC AFC Nigel MacCartan-Ward ([MDP0007](#))
- 8 Defence Police Federation ([MDP0012](#))
- 9 DefenceSynergia ([MDP0029](#))
- 10 Derek Empson ([MDP0018](#))
- 11 Dr David Blagden ([MDP0009](#))
- 12 Dr Jie Sheng Li ([MDP0001](#))
- 13 General Atomics Aeronautical Systems, Inc ([MDP0013](#))
- 14 Graham Edmonds ([MDP0030](#))
- 15 Human Security Centre ([MDP0020](#))
- 16 Jag Patel ([MDP0003](#))
- 17 James Rogers ([MDP0028](#))
- 18 Lockheed Martin UK ([MDP0025](#))
- 19 Ministry of Defence ([MDP0026](#))
- 20 Mr Gabriele Molinelli ([MDP0004](#))
- 21 Oxford Research Group ([MDP0019](#))
- 22 Plymouth City Council ([MDP0021](#))
- 23 Professor David Kirkpatrick ([MDP0010](#))
- 24 Sir Jeremy Blackham ([MDP0005](#))
- 25 techUK ([MDP0017](#))
- 26 The Scottish Government ([MDP0023](#))
- 27 United Nations Association - UK ([MDP0014](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	Gambling on 'Efficiency': Defence Acquisition and Procurement	HC 431
Second Report	Unclear for take-off? F-35 Procurement	HC 326
Third Report	Sunset for the Royal Marines? The Royal Marines and UK amphibious capability	HC 622
Fourth Report	Rash or Rational? North Korea and the threat it poses	HC 327
Fifth Report	Lost in Translation? Afghan Interpreters and Other Locally Employed Civilians	HC 572
Sixth Report	The Government's proposals for a future security partnership with the European Union	HC 594
First Special Report	SDSR 2015 and the Army	HC 311
Second Special Report	Armed Forces Covenant Annual Report 2016	HC 310
Third Special Report	Investigations into fatalities in Northern Ireland involving British military personnel: Government Response to the Committee's Seventh Report of Session 2016–17	HC 549
Fourth Special Report	Gambling on 'Efficiency': Defence Acquisition and Procurement: Government Response to the Committee's First Report	HC 846
Fifth Special Report	Unclear for take-off? F-35 Procurement: Responses to the Committee's Second Report	HC 845
Sixth Special Report	Sunset for the Royal Marines? The Royal Marines and UK amphibious capability: Government Response to the Committee's Third Report	HC 1044
Seventh Special Report	Rash or Rational? North Korea and the threat it poses: Government Response to the Committee's Fourth Report	HC 1155