

THE INTEGRATED REVIEW OF SECURITY, DEFENCE, DEVELOPMENT AND FOREIGN POLICY

— A Special Report —

In this Special Report we look at how the Government can and should approach the subject of UK defence policy and, crucially, the resourcing of Britain's Armed Forces. The keynote article is by Defence UK Vice-President Tony Edwards.

Lessons can and must be learned from the last six defence reviews since the end of the Cold War. The author describes the context of the previous reviews and draws out the aspects which worked and those which did not. Both an opportunity and a threat exist for the United Kingdom from the current Integrated Review of Security, Defence, Development and Foreign Policy. There is the opportunity to rebuild both the Armed Forces and their associated industries and to match them to the needs of post-Brexit Global Britain. The threat is the continuation of the spiralling downward of both the Armed Forces and the defence industries.

While rebuilding the Armed Forces there is the commensurate need to invest in the defence and aerospace Industries in order to provide from the UK the equipment the military will require. This would represent good value investment for the UK because the equipment can also be exported to our allies and thereby return the investment many times over. Team Tempest, a new aircraft programme, represents one such opportunity to invest and export.

Achieving the correct level of investment commitment to defence will not be easy to accomplish and in order to build support across Parliament and the country as a whole the Ministry of Defence ministerial team should be able to call upon the combined resources of the various House of Commons select committees and the back benches.

THE BATTLE OF BRITAIN ... THE ALTERNATIVE ENDING



Date: 31 October 1940

Place: The Prime Minister's Study

Scene: The PM is sitting at his desk and Air Chief Marshal Hugh Dowding, Head of Fighter Command, stands before him.

Churchill: Well, Dowding, what have you got for me?

Dowding: Prime Minister, I have some good news and some bad news.

Churchill: Give me the bad news first.

Dowding: I regret to inform you, Sir, we have just lost the Battle of Britain.

Churchill: Then, pray, what on earth is the good news?

Dowding: Sir, we have balanced the Defence Budget!

The Anatomy of an 'SDR'

By Tony Edwards



An SDR by any other name is still a Strategic Defence Review. Any complication of the title is merely a recipe for incoherence. What is more, such a review is of vital importance to the security of the Realm and is the direct personal responsibility of the Prime Minister.

An SDR needs to include the following features:

- An inspirational **vision** for the United Kingdom. What does the Prime Minister mean by 'Global Britain'?
- A **mission** for the Armed Forces to support the vision for the country. For example, does Global Britain imply that we would send Armed Forces to support our allies in the Asia-Pacific region – as the ANZACs did for us in earlier times?
- The **process** for the SDR needs to be intellectually honest and transparent and with appropriate involvement at all stages of all stakeholders to ensure buy-in.
- The conclusion to the process needs to be revealed and explained to the nation in a deliberate way showing how UK defence cost-effectively supports the overall vision for the United Kingdom.

Only one defence review in the last 30 years has included all these features, and that was the Strategic Defence Review 1998.

The Six SDRs in the Past 30 Years

- **1990 Options for Change**

Following the end of the Cold War, the Government decided to take advantage of the situation by declaring a 'peace dividend'. This was intellectually dishonest as the peace dividend had already been enjoyed. It was 40 years of successful deterrence and peace in Europe.

- **1992 Frontline First**

The Major Government decided to take a second bite of the cherry by emphasising the front line and at the same time shrinking the support functions. The impact of this reduction was felt in later operations.

- **1998 The Strategic Defence Review**

Tony Blair's Government came into office in 1997 with a clear vision and well prepared for office. The very strong defence team under George Robertson embarked on a thorough and intellectually honest review. Although not perfect, this review has stood the test of time and has become a case study of how reviews should be done.



- **2002 SDR New Chapter / 2003 Delivering Security in a Changing World**

Under pressure from the Treasury the Ministry of Defence was forced to update the 1998 SDR. The defence budget was cut under the cover of the trite phrase 'Getting more defence from less'. Emphasis was put on expeditionary capability led by the two proposed carriers. As Mrs Thatcher had been led to believe in the 1980s that 'manufacturing no longer mattered', Blair's Defence Secretary Geoff Hoon declared that 'ownership no longer matters' – and so the take-over of the UK's defence industry by overseas players was accelerated.

- **2010 Strategic Defence and Security Review**

In 2010 the new Conservative-led coalition Government of David Cameron embarked on its promised Strategic Defence and Security Review (SDSR). This review was carried out under the dark cloud of a statement made by George Osborne when Shadow Chancellor. In 2009 Osborne had stated that there was simply no money available for defence. This statement turned into a mantra repeated by all the Shadow Cabinet and became *de facto* Government policy after the 2010 general election.

In February 2009 the UK National Defence Association (UKNDA), now Defence UK, had presented an analysis to Parliament which set out 'the decision the next Prime Minister must make'. If the new Government wanted to continue with Blair's expeditionary foreign policy, with the ability to fight alongside the United States on Day One of any campaign, then the budget needed to be uplifted to at least 3% of GDP. However, if the Treasury insisted that no more money was available, then the only realistic decision would be to cut the Armed Forces to meet the available funds. At the same time, the strategic intent of defence would have to be trimmed to support lower ambitions for the country.

The UKNDA's analysis in 2009 proved embarrassing for Prime Minister Gordon Brown's Government. However, during the subsequent defence review the analysis was not taken seriously by David Cameron's coalition Government, and so unforgivable decisions were taken to hollow-out the Armed Forces. The security climate was considered so benign that it was decided to take 'capability holidays' – a novel but dangerous concept from which the Armed Forces are still suffering.

The service chiefs of the time still recall the embarrassing sight of Mr Cameron pleading for more options for carrying out his Libyan escapade. They had to remind him that the ideal capability for Libya had either been sold to the United States for a song or had been scrapped as a result of his review. It is ironic that the majority of sorties carried out by US Forces in Libya used AV8Bs, the equivalent of our disbanded Harriers. The French also used their carrier!



David Cameron, whose coalition Government in 2010 raided the defence budget to pay for expenditure elsewhere

- **2015 Strategic Defence Review (update)**

The problems thought to have been resolved by the 2010 SDSR still persisted. This was because the uninformed solutions determined by Philip Hammond, merely came from scrapping equipment and rearranging the deck chairs on his spreadsheet. He prematurely boasted that he had closed the funding gap. In 2015 minor corrections were made to the 2010 actions and a slight real uplift in the budget was promised. However, the uplift did little to correct the damage caused by the 2010 review.

Management of Decline

Over the past 30 years, with no clearly stated vision for the United Kingdom, defence capability has been allowed to decline. The resulting impact on morale has meant that all three Services have suffered from chronic under-manning, made worse by inadequate contracted-out recruiting.

The total complement of defence equipment in service with the Armed Forces is now seriously out of balance. At one extreme, there are two oversized and almost defenceless aircraft carriers, without sufficient operational aircraft, unable to be sent into harm's way with UK resources alone. Russia, China and Iran see these ships as relatively risk-free targets for embarrassing Britain. At the other extreme, the UK has some exquisite defence systems and items of kit, but not in sufficient quantity. Overall, the Armed Forces are now 'unsynergetic', i.e. the whole is less than the sum of the parts.

- **The British Army**

The Army remains seriously undermanned. It has to manage with quantities of legacy equipment, much of which needs serious updating. This refurbishment and upgrading

have been delayed for more than a decade in some cases. The Army would find it exceedingly difficult to mount a sustainable long-range overseas operation at the division level. Yet this is what America would expect. The US Department of Defense no longer counts on the Brits as they used to.

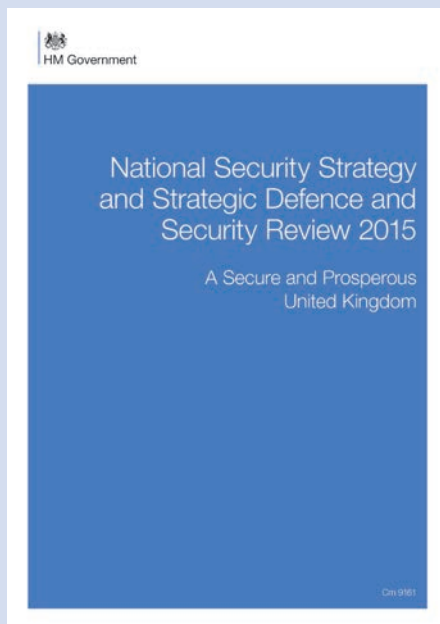
- **The Royal Navy**

The Royal Navy with serious under-manning of critical functions and with an insufficient number of vessels finds itself now seriously out of balance.

The two new carriers have emerged after a long production time. The cuts in their protection and support vessels were not anticipated and so there is a danger they may end up being objects of ridicule. They do not have sufficient aircraft or manpower. The Royal Navy and the Royal Air Force together cannot provide sufficient protection for the carriers to go into harm's way. The Navy simply does not have sufficient frigates, destroyers, submarines and air cover to protect the carriers and to fulfil all of the other naval commitments around the world. The only way for the Royal Navy to enter into harm's way, especially within range of Russia, China or Iran, in an operation led by the carriers would be as part of an allied fleet. In other words, the essential protection would come from another country, probably America.

The pivotal decision which caused this unenviable situation was the selection of the F-35B Short Take-off/Vertical Landing aircraft for the carriers which were sized for 'cats and traps', i.e. for aircraft with conventional landing and take-off. The fact that so few F-35Bs have been ordered probably reflects the fact that they are too expensive, too complex and with too little performance for practical and flexible operation from the new carriers. The king of carrier landings, Capt Eric 'Winkle' Brown, following his visit to America to fly the F-35B simulator, said privately that on reflection and all things considered the F-18 would have been a better choice for the UK. The carriers would then have been in operation earlier and interoperable with both the US and French fleets. This could have been achieved from a design and economic point of view, but the decision window was missed early in the programme.

General Jim Mattis, US Secretary of Defense, was a great fan of the new British carriers. He thought that the design could teach the US Navy a great deal especially in terms of automation and efficiency. Understanding the British dilemma about how to deploy the carriers and how to afford them he offered a simple solution... Reverse Lend-Lease. In other words, he proposed the US fleet leasing the two carriers from the Royal Navy



The Strategic Defence and Security Review 2015 was another missed opportunity

perhaps with White Ensigns and British Captains. This would solve the British budget problem and allow the carriers to be exploited to their full potential with sufficient aircraft, manpower and funding. At today's level of defence funding this might be an attractive alternative and would do much for the 'special relationship'.

- **The Royal Air Force**

The RAF remains remarkably busy and perhaps overstretched, with a series of operations and commitments around the globe. The well-proven Tornados have been scrapped prematurely and some of their capability is not yet being replicated in the replacement aircraft. Because of funding constraints and the limitations of the European joint programme, the Typhoons have yet to achieve their full potential. The number of RAF F-35Bs is still too small to constitute an effective Force. Although more aircraft and equipment are being promised to the RAF, the critical manpower shortages mean that the capability will not mature for many years.

- **Cyber and Intelligence**

The UK has been active in cyber and intelligence for as long as any country. The special relationships with the other English-speaking nations (e.g. 'Five Eyes') are critical, but the UK must continue to be reliable and to pull its weight. The demands are growing disproportionately because potential enemies see the field as 'legitimate for aggression' and almost risk-free for them. Funding will need to be increased continuously to provide for sophisticated hardware, software and specialists.

The vulnerability of the UK to cyber-attack is becoming increasingly evident and the hardening of our defence inevitably expensive. However, funding of cyber and Intelligence is not an alternative to funding of conventional defence. All potential adversaries are increasing their conventional defence capability at the same time they are exploiting cyber.

- **The Space Force**

In the 1950s, the UK was keeping up with the Americans and the Russians in terms of the space race. British aerospace companies had important links with relevant American corporations. Ironically, the UK Government decided to pull out of the space race just as JFK issued his moon-shot challenge.

Fortunately, British industry has kept up with the technology of a particularly important niche – small and medium satellites. However, a large slice of this sector has already been abdicated to European ownership.

Post-Brexit, Britain needs to invest in critical aspects of the space race. This goes beyond satellites to a global positioning and communications systems, to satellite protection and back-up. Britain cannot compete with the big spenders but needs to develop the important niches.

Defence Industrial Policy

Until recently, the United Kingdom was one of the few countries which did not treat industrial policy as part of their strategy to achieve their national vision. In the 1990s, the British Government's approach to industrial policy was to have no policy. Much

has improved since then and there is now a functional dialogue between industry and Government on the subject of industrial policy. Industrial organisations such as ADS (Aerospace, Defence and Space) have developed co-operative programmes with the Government which are replenishing the technology baskets in the aerospace and defence sectors. However, time is running out...

The two Western countries which give industrial policy the highest priority are the United States of America and France. In both countries they have striven to nurture the defence and aerospace Industries to great effect. France is now the leading aerospace country in Europe, centred at Toulouse (it could have been Bristol, given full support from the UK Government) and the United States is the leading defence and aerospace country in the world.

The UK Government's reluctance to provide continuous support to Britain's defence and aerospace industries persisted until the late 90s. Since then much progress has been made but not enough to catch up with France and America. In many respects, our defence and aerospace companies have been hollowed out and much of what has been retained is owned by Foreign companies. The UK has given up much of its sovereign capability to foreign takeovers or abandonment. The privatisation of the Defence Evaluation and Research Agency (DERA) was part of the story.

Important technology remains in the UK defence and aerospace sector, but it essentially contributes to component and subsystems design and manufacturing. We have become suppliers of 'bits and pieces' to the rest of the world. It is not possible to continue at the forefront of the technologies involved in aerospace and defence and maintain a cadre of experienced people if there are no systems to work on. Systems engineering is one of the gold standards of engineering. It is difficult to learn the skills of systems engineering and experience must be gained by participating in real systems design, development, test and manufacturing.

Technology demonstrators are an exceptionally good focus for developing new defence and aerospace technologies. Demonstrators provide a vehicle for engineers to design and develop components, subsystems and systems. The real value-added is the development and optimisation of the complete system.

Team Tempest is so important to the future of British defence and aerospace engineering. Tempest is the name of the next generation fighter for the RAF and will be the follow on to Typhoon. The aircraft design, including both manned and unmanned aircraft, is a complete system and even more importantly it is led by a single country, in this case Britain. This is important because the experience of several European joint programmes is that they take 50% longer to carry out and cost 40% more to complete.

Team Tempest is a partnership between BAE Systems and the British Government. It has already signed-up several critical UK-based companies and it has already attracted two valuable partners, namely Sweden and Italy. This promises to be the most efficient way to develop the aircraft system. Its importance to the future of British industry cannot be overstated.

Eighty per cent of British defence exports depend upon the aerospace sector. Even allowing for considerable investment by the UK Government in various aerospace



Tempest: Is this the future of combat aircraft?

projects, both commercial and defence, the returns to the Exchequer have been vast. Examples include British investment in the Hawk jet trainer, Harrier vertical take-off aircraft, the Tornado and the Typhoon in addition to the complete Airbus family of aircraft. They have returned the original investment by the British Government many times over. No other Government investments can claim this record.

By way of contrast, the British Government has invested hugely in the ship and submarine building sector. This was done for reasons of sovereign capability. However, Britain lost its shipbuilding competitiveness many decades ago and the volume of shipbuilding has not been sufficient to maintain skills. It has taken a great deal of investment to build the current shipbuilding and submarine building capability. Modern approaches and technologies have been adopted and expensive American expert manpower has been procured. Although the overall design of the vessels is good, the lack of design experience and volume production leads to reliability problems when the vessels enter service.

The tragedy is that very few of these vessels designed for the Royal Navy have ever been exported. In other words, the shipyards are not globally competitive in supplying vessels the world wants to buy.

By way of contrast, the UK aerospace sector has maintained a quite different record. Eight tenths of the output is exported, either directly or indirectly. This is the ultimate proof that the aerospace sector is globally competitive. The challenge is growing the sector and keeping it competitive. It is not very often that the Government can make an investment and expect a vast positive return from it. This results from satisfying a vital national requirement for defence equipment by production in the UK and then from subsequent exports.

The temptation will occur for civil servants to recommend Team Tempest to engage with France and Germany in order to form a European joint programme. This might have short-term benefits but will cost the UK dearly in the long run.

On the subject of industrial policy, the question should be raised as to why so many foreign companies have seen fit to buy UK defence and aerospace companies. They were obviously attractive Investments and moreover provided access to the British Government in terms of procurement. But why has this happened to such an extent in the UK... far more than it has happened in other countries. Countries such as France and Germany and even America would not allow such a high proportion of national assets to become foreign owned. This trend accelerated after the Hoon statement two decades ago that ownership no longer mattered.

The recent Huawei episode possibly gives a clue as to what has been going on. Twenty years ago, Huawei deliberately set a strategy to penetrate the UK telecoms market. At the outset, they offered products and systems at deeply discounted prices which, naturally, caused the only British supplier to go out of business. Then, they amassed a whole array of prestigious advocates in the highest places. On what terms these individuals were retained is not at all clear. The Huawei strategy was remarkably successful and nearly achieved complete dominance of the UK telecoms market.

Yet some time ago, the former Australian Prime Minister, Kevin Rudd, divulged that his Government was persuaded to exclude Huawei components and systems from the Australian telecoms market based upon input from the Government Communications Headquarters (GCHQ). Mysteriously, GCHQ then advised the British Government that they considered the risk from Huawei could be managed adequately via a Huawei-funded technical audit office.

Based on this endorsement, Boris Johnson was persuaded to carry on with Huawei, with minor limitations. Just a few months later GCHQ changed its position and recommended against giving Huawei any access to the British telecoms market and even recommended removing the existing installed products. How could GCHQ change its position twice? Could it be that even certain individuals associated with GCHQ have been influenced by Huawei?

This raises the question about how much support foreign companies have enjoyed from British Government officials in order to acquire so many British companies and contracts. Questions could be raised regarding how a French company, bought British defence and aerospace companies with the aim to become a UK resident competitor to BAE Systems. Questions could be raised regarding how an Italian company came to buy the only British helicopter company and other defence and aerospace assets. These acquisitions were not normal commercial transactions as they entailed intense involvement with British officials. Were these acquisitions really in the long term British national interest?

These examples suggest that it is critical that the SDR defines clearly what is and what is not in the British national interest.

Defence Equipment Procurement

In recent memory, there have been at least 14 attempts to overhaul and redefine the defence equipment procurement process. Yet, every year the National Audit Office report shows lengthy overruns in both cost and schedule in so many major programmes.

The most enduring defence equipment procurement reform took place in the mid-eighties under Lord Levene. Although many gains and improvements were made in the short-term, including breaking of the virtual stranglehold by one powerful industrialist, the enduring effects of the reforms have not always been positive. The enduring strapline which came out of the Levene reforms was that 'value for money' comes only from competition. Superficially this is correct, but in practice over many decades the inherent contradictions become apparent. True competition is not always possible with a monopoly customer and a very small number of potential suppliers.

This situation can lead to phoney competitions. Eventually the players rumble the situation and demand compensation either in cash or in later contract awards. Further, the competitions, either real or bogus, lead to changes in the procurement organisation. For instance, reliance on competition and the selection of the lowest-cost compliant bid leads to a false impression of what contracts 'should cost'. Finally, the cost estimators in the Ministry are made redundant as the competitions substitute for their contribution. After decades of this process and reliance on competition any idea at the outset of what a contract 'should cost' is lost. In the cut-throat arena of 'must-win' competitions some contractors bid low and quite often too low. This results in the procuring organisations misunderstanding the true cost.

Whatever the contract says, the initial pain is absorbed by the contractor, but the eventual cost is borne by the taxpayer. This is where the phrase 'conspiracy of optimism' is generated. It is not in the interest of the contractor nor that of the Ministry to own up to what they know about the real costs. In general, this encourages the Ministry to believe it can handle more contracts than the overall budget would allow. Over time a 'black hole' develops of unfunded programmes. This has been evident for the past 15 years.

I have experience in controlling the cost of both development and production programmes. I was director of Design to Cost / Life Cycle cost for the F404 General Electric jet engine for the F/A 18 aircraft. My starting point was the 'should cost' estimate for the whole engine before it was designed. This estimate was constructed by my team of Value Engineers who worked alongside the Design Engineers on the drawing boards. This process harnessed the collective experience of both design and manufacturing engineers. During the design process, we updated our production unit cost estimate every week. In this way we used trade-offs to make sure we met sometimes conflicting targets of performance, weight and cost. When the first engine went to test, we had a 7% positive unit production cost margin. This allowed for the normal increase in production unit cost during the development phase. The proof of the pudding was the fact this engine was not only successful in operation but also very profitable for General Electric.

Because of this experience, I became fascinated with the cost escalation of the two new aircraft carriers. I learned that the first public estimate for the cost of these carriers was made at the insistence of a Defence Minister. He wanted an estimate that he could reveal to Parliament that same afternoon. A team of four experienced individuals (including one from the Royal Air Force) was assembled to provide the estimate. After frantic phone calls and the use of parametrics a figure of £2.9billion was arrived at. The Minister expressed delight that the estimate was below £3billion. Six months later it had grown by 10% to £3.2billion. After another six months it had escalated by another 10% to £3.6billion.

At this point, I prepared my own estimate. I arrived at a range of £6billion to £8billion for the two carriers. I then met with one of the CEOs involved in the carrier consortium. When I explained my rationale, he admitted that the £3.6billion estimate was based upon three heroic assumptions... any one of which could be wrong and if so, my estimate would be right. The current estimate is north of £6billion.

I would suggest that the defence procurement organisation needs a fully staffed cost estimating organisation consisting of both commercial expertise and value engineering experts. They would have the capacity to make cost estimates in order to establish baselines. In turn, the organisation would develop the confidence to deal with sole-source contracts. A sole-source contract is preferable to having to arrange a phoney competition.

For example, one company for which I was both Chairman and CEO supplied all the landing gear to the Airbus organisation. Airbus ran out of time to arrange a regular competition for the procurement of the landing gear system for the next model. In desperation, they accepted my suggestion of a sole-source contract based upon open books and good faith. This saved the time for conducting a competition and gave Airbus even more assurance of what they were getting.

‘Value for money’ does not only come from competition. Effectively managed sole-source contracts with a thorough understanding of the ‘should cost’ can be equally effective.

Looking back on the evolution of defence equipment programmes over a 25-year perspective does raise troubling questions. In retrospect, a number of critical decisions are hard to understand. Sometimes these contracts were awarded, with fixed prices and firm schedules, to foreign or foreign-owned UK companies. With subsequent overruns in both cost and schedule, it is not clear what the overall advantage was to the Nation for acquiring so much equipment from non-UK owned companies.

I comment on three programmes with which I have some familiarity.

- **Archer / Bowman tactical radio system**

It is hard to unravel the way in which this programme was implemented. One Minister who inherited this troubled programme called for a confidential analysis by his Scientific Advisor. The latter’s conclusion was that the system would never meet its specification and he advised the Minister to continue to invest for another 24 months and then start again. Understanding the reality of the situation, the Minister told him to burn the report. At the time of contract award, Britain had the world’s most successful tactical radio system designer and manufacturer – RACAL. In spite of this, it was decided to rely upon scaling up a relatively small system by a small Canadian company owned by a big American company. In practice, the system did not lend itself to ready scaling.

- **Watchkeeper**

This tactical reconnaissance drone was procured through a French-owned company although the system was based upon an off-the-shelf Israeli product. Whatever advantages that were claimed at the time from this approach, they did not work out in practice. Instead, as all the necessary technology existed in the UK, a small UK consortium could have produced the system required. With the combined expertise of BAE Systems, Qinetiq and Meggitt the system could have been home produced.

It is ironic that the Chief of Defence Equipment procurement for the People’s Republic of China told me that he obtained avionic and other electronic technology, via the

French President, from this same French company. At the same time, he told me that he received aero-structures technology from Italy and a wide range of US military technology from Israel.

- **Armoured vehicles**

The long-awaited upgrade programme for the GKN-produced Warrior armoured vehicles is finally being carried out by an American company with its British subsidiaries. The extensive programme for brand new armoured fighting vehicles is also on contract to an American company with its British subsidiaries.

Yet history shows that Winston Churchill and the Royal Navy invented the tank (land ships). The programmes for upgrades and new armoured vehicles have taken so long that the two British producers have gone out of business.

The Warthog tracked vehicle is a scaled up and armoured version of the vehicle already in service with the Royal Marines. The original vehicle was designed and produced by a Swedish subsidiary of BAE Systems. Surprisingly, the new enhanced version was designed and procured from a Singaporean company. Was this really necessary or even good value for the nation?

- **The Revolving Door**

Much has been written about the revolving door between Industry, the Civil Service and the Armed Forces. All the moves are duly approved by the various committees. However, a 25-year perspective on defence procurement suggests that opportunity still exists for inappropriate placement of contracts to take place, not necessarily in the interest of the Nation, but to personal agendas. Whilst the rules have been tightened there are still too many cases of senior managers who were intimately involved in the procurement process being employed, sometimes much later, by the company that won the contract. Whilst in most cases it is likely to have been the correct decision, it still leaves a bad taste, particularly for the companies who failed to win the contract. In part, it could explain why MOD at times does not achieve value for money.

Warnings from the United States

The US Government and US citizens naturally resent paying the lion’s share of NATO. Many NATO members try to enjoy defence on the cheap. Many refer to the NATO 2% GDP figure as a goal to aim at. However, it should be regarded as the minimum figure... in other words the joining fee. Experience shows that, in practice, 2% or less of GDP merely provides sufficient defence capability for ceremonial purposes and for presenting a minimum contribution to joint operations. It is not, however, anywhere near enough for serious operations on overseas deployment alongside America. Unless NATO members pay their fair share then it is inevitable that America will lose interest in NATO and in protecting its ungrateful allies.

Although the highest levels of the US Forces enjoy collegial relationships with their opposite numbers in the UK it is not so true at the working level, e.g. Colonel level. At this level they have a jaundiced view of the UK’s present defence capability. They believe the Brits bite off more than they can chew.

Following Brexit, the US/UK relationship is bound to assume an even higher importance for Britain, but probably not for the Americans. The United States will always need a junior ally to stand alongside them. There is a real danger their first choice will not be the UK and thus seriously diminish the 'special relationship'.

What to Look For in the 2020 SDR, the 'Integrated Review'

First of all, look at the process:

Does the SDR start with an inspirational vision for the United Kingdom, together with a mission for the Armed Forces to support this vision?

Is the process for developing the SDR intellectually honest and transparent and with appropriate involvement of all stakeholders?

Is the conclusion to the process being revealed to the nation in a deliberate way?

Whatever the supporting text in the SDR, the jugular is inevitably going to be funding. For generic comparison purposes, funding needs to be expressed in percentage GDP to eliminate currency and inflation distortions. Because of the, hopefully temporary, impact of covid-19 the funding needs to be expressed as a commitment three to five years out.

In the 19th century the percentage of UK GDP devoted to defence was around 2%. This was considered sufficient to defend the Empire because the only serious capital expenditure was for ships and the bulk of the cost was inexpensive manpower. The percentage increased in the build-up to war in 1914. After WW1, the percentage of GDP fell back to 2.1% in 1931. It is noteworthy that even in a depression the Government of the day thought it was appropriate to devote 2.1% to defence. By 1936 this was seen to be totally inadequate and the build-up began for the next potential war. By 1945, Britain was devoting more than 60% of GDP to defence, i.e. the economy was on a war-footing. In the 1950s it was still about 9% of GDP. During the Cold-War it was +/- 4% of GDP however, the strategic nuclear deterrent was accounted for outside of the defence budget. By 2008 it had fallen back to 2.1% of GDP. In the 2010 SDR the Cameron-led coalition moved the goal posts and by way of accounting sophistry claimed he reached the NATO minimum of 2% by including the nuclear deterrent and other items in the new defence budget. On the old basis, the new 2% of GDP was probably equivalent to only 1.6% of GDP.

- If the resulting number from the SDR is the same old 2% GDP NATO figure then this is an indication that the strategy is to keep on muddling through. This amount of funding allows for Penny Packet operations but is not sufficient to intervene around the world alongside the United States.
- If the resulting number is plus or minus 3% GDP then operations in Europe and the Middle East would be possible alongside America and other allies. There would be limits to how far these operations could range and for how long.
- If the resulting number is plus or minus 4% GDP then Global Britain, post-Brexit, would be seen to be back in operation. Even the UK commitments to Australia, New Zealand, Singapore, Malaysia and even Japan would have substance, which they do not have now. This commitment would surely enable trade negotiations around the world to proceed much more smoothly. 'Britain means Business, Globally'.

Experience of the 1998 Strategic Defence Review

I was personally involved in, or observed closely, the Strategic Defence Reviews from 1991 to 2001 and have observed the developments since then. I was a member of the National Defence Industries Council (chaired by the Secretary of State for Defence) for the first ten years (1991-2001). I joined as President of the Society of British Aerospace Companies (SBAC) and left as the Head of Defence Export Services, reporting to the Secretary of State for Defence.

In 1991, I led the industry delegation to a joint conference with the MOD. My opposite number from the Ministry opened the conference by declaring that he did not understand why he was at the conference because industry and the MOD had no interests in common! It was not a surprise that the 1992 and 1996 Defence Reviews were essentially Treasury-directed cost-cutting exercises.

However, the 1998 Strategic Defence Review was a completely different exercise. As Chairman of the National Defence Industries Council, the then Secretary of State, George Robinson, kept industry fully informed and fully involved. The process was intellectually honest and transparent, and all the stakeholders felt duly consulted.

It was not a perfect exercise and three limitations eventually became apparent.

The consideration of Military Reserves was probably wrong. They were trimmed and experience since suggests they should have been expanded.

The total funding for Defence was perhaps a billion pounds per annum short of what was necessary. The shortfall could have been corrected in later years if the positive momentum had continued.

The third limitation was the treatment of the Defence Evaluation and Research Agency, DERA. The SoS told us at the beginning of the review that the subject of DERA was so complex that it would be dealt with after the publication of the SDR. A few weeks before the anticipated publication of the SDR document the SoS came to an NDIC meeting looking concerned. He confessed that he had inadvertently misled us regarding the treatment of DERA. He said that he had only just learned from Number 10 that they had agreed to have DERA participate in a Public-Private Partnership (PPP). The SoS was visibly uncomfortable with this decision. Later, one of his Defence Ministers, who was an ardent Atlanticist, was sacked for opposing Number 10 regarding the DERA issue.

The US Embassy called me in for a briefing regarding their views of the PPP of DERA. They had assembled a powerful array of defence industry executives from the US and Pentagon officials. They told me that they had asked me to



Lord Robertson of Port Ellen,
Defence Secretary 1997-1999 and
Secretary-General of NATO 1999-2004,
principal architect of the 1998 SDR

come and listen to their side of the story because they could not get that story heard in the Ministry. They felt that the messages brought back by British officials regarding the US attitude to the PPP were not being fairly presented. In short, the US delegation was strongly opposed to the way the UK proposed to deal with the Government-owned DERA. They said that if the UK proceeded with this plan then doors would close in sensitive areas in the United States that the UK probably did not even know existed. They said they would just not be comfortable continuing the existing relationship with a partially privatised DERA. My report was passed through appropriate channels to Number 10. This report indirectly led to the sacking of the Minister. In turn, I was directed to not discuss the subject anymore, with anyone!

However, the really important story about the conduct of the SDR only came out in non-attributable discussions, but later was described in *White Flag: An examination of the UK's defence capability* (Ashcroft and Oakeshott, Biteback Publishing, 2018).

The powerful MOD ministerial team at the time – Defence Secretary George Robertson and ministers John Reid, John Spellar and John Gilbert – were determined to maintain the integrity of the SDR process. They reluctantly allowed for tight funding in each of the years of the review but, when pressure came from the Chancellor to remove another one to two billion pounds a year, they stood their ground. They had sufficient trust in each other to agree that if they came under ultimate pressure, they would resign rather than succumb. Moreover, they felt that the Chief of the Defence Staff at the time would join them. Even Gordon Brown backed off at that point.

Some historical revisionists have blamed the pain of the budget deficits in the next 10 years (1998–2008) on the outcome of this SDR. This is not fair, because the damage was done in the SDR updates which followed. Under the catchphrase, ‘getting more from less’, the budget was squeezed and not allowed to rise in real terms for the next 10 years. In 2008 the Defence Budget reached a low of 2.1% of GDP and even Gordon Brown agreed this was not sufficient and he allowed it to rise to 2.2% before he left office. During his term, the Chancellor treated the Foreign Office and the MOD as his lowest spending priorities.

Conclusion

Realistically with the economic woes caused by the pandemic and the uncertainty surrounding Brexit, a long-term commitment to defence is essential. Due to the perilous state of defence, the required investment, although needed now, will need to be phased in over a three to five-year period. The Ministry of Defence ministerial team will need a great deal of support to achieve this outcome.

Fortunately, the three relevant House of Commons committees – the Defence Select Committee, the Foreign Affairs Select Committee and the Intelligence & Security Committee – embody unusual and relevant experience and strength. The three chairs of these committees – Tobias Ellwood, Tom Tugendhat and Julian Lewis – have character, experience and resilience. In addition, there are potential reinforcements from the chairs of the Liaison Committee and the Conservatives’ backbench 1922 Committee.

With full support, the UK can continue as ‘a force for good’ in a complex and unstable world. ■

Tony Edwards has nearly 50 years of experience in defence and aerospace industries, academia and the Civil Service. After leaving Abingdon School, he completed a five-year apprenticeship with Rolls-Royce Aero Engines. He gained his engineering degree from Birmingham University and subsequently an MBA with distinction from the Harvard Business School, where he was later appointed a Lecturer. He led many aerospace and defence companies while living in four different countries. He was Head of Defence Exports at the Ministry of Defence and a Visiting Professor at the UK Defence Academy; he was elected President of the Society of British Aerospace Companies and later President of the Royal Aeronautical Society. During his career he was also responsible for raising nearly £30million for charities, mostly associated with the Royal Air Force and the Fleet Air Arm. HRH The Duke of Edinburgh presented him with the Air League Gold Medal for services to the cause of aviation. In 2009 Tony Edwards authored the UKNDA publication ‘A Decision the Next Prime Minister Must Make’ which was the subject of several major press articles including a Daily Telegraph editorial comment urging higher defence spending.

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