

Defence Committee

Oral evidence: The US, UK and NATO, HC 184

Wednesday 2 November 2022

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Members present: Mr Tobias Ellwood (Chair); Robert Courts; Dave Doogan; Richard Drax; Mr Mark Francois; Mr Kevan Jones; Gavin Robinson; John Spellar; Derek Twigg.

Questions 209-326

Witnesses

I: the right Hon. Ben Wallace MP, Secretary of State for Defence, Clare Cameron, Director, Euro-Atlantic, Ministry of Defence, and Major General David Eastman, ACDS CFD.

Examination of witnesses

Witnesses: the right Hon. Ben Wallace MP, Clare Cameron and Major General David Eastman.

Q209 **Chair:** Welcome to this Defence Committee hearing on Wednesday 2 November. Our primary focus will be on looking at our relationships with the United States and indeed NATO. I am delighted to welcome the Secretary of State, the right hon. Ben Wallace, and Major General David Eastman, who is the—

Major General David Eastman: Assistant Chief of the Defence Staff—capability and force design.

Chair: “Capability” was the word I was looking for. We also have Clare Cameron, who also deals with—

Clare Cameron: Euro-Atlantic security.

Chair: And that is absolutely pertinent to what we are discussing here today. Before I go any further, it would be remiss of me not to welcome our latest member to the Committee. Sir Robert, welcome indeed. Thank you for joining us.

Before we get into the centre of it, there are a couple of issues to turn our attention to. Secretary of State, you mentioned yesterday, I think, in the other place that there were more aeroplanes—F-35s, in fact—than pilots. Can you elaborate on why we are in that situation, given the fact that the security situation seems to be getting progressively worse, not better?

Mr Wallace: First of all, I can help by slightly correcting the assertion. The two parts of what I said were that we had more F-35s than we had pilots, and that the pilot pipeline was not where I wanted it to be. The first point, about more aircraft than pilots, was based on a few months ago, and I have since been updated by the RAF. The fact is that we now have 27 aircraft and 33 pilots, so we have a few more pilots than we do aircraft. If you take into account exchange officers from the Australian air force and the United States air force, we are at 33 pilots to 27 aircraft. That is still not a staggering amount. And in the frontline squadron, which is a squadron of 12, there are 13 pilots—again, not where I would be.

On the more strategic point about the pilot pipeline I am concerned about, that is not in a place that I want it to be. I raised with the Chief of the Air Staff some three years ago, when I was first appointed, that there were too many people holding and not getting through the system. As I said to the Committee in the other place, one of the challenges there was, of course, there is always a bit of a lag when you have a first in class. Obviously, you need to train the instructors to train the new pilots, and that would have been exactly the same with Typhoon. It is a slight catch-22: how do you get the pilots? You need the instructors. How do you get the instructors? You need the pilots.



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Still, in the pilot training, where you go from basic training to elementary, to the two parts of the fast jet—from the Texan into the Hawk and then into the pilot type—I am concerned that in the middle of that process, basically at the RAF Valley place, we have gone effectively backwards from when I gave my instruction to the Chief of the Air Staff. We originally had 38 in that block waiting, and we now have 51.¹ I do not think that is acceptable.

We have, however, still got only nine waiting for conversion, and we have massively reduced the entry point; where we had 120 waiting, we now have only 25. So in some parts, it is better, but the really key meat-on-the-bone pilot pipeline is the space that I think is definitely lacking and needs to be improved with urgency.

That is not a new piece of news. I think both this Committee and the NAO did reports on that pilot pipeline construct. It was way before our time. IT was a bizarre mix of PFI and three different types of air type. You may remember that it was set up to improve the process, but I think it has had the opposite effect.

Q210 **Chair:** I have a couple of very quick questions. First, we have 27 F-35s, but the hope was that we would end up with 48—well, 138 was the original number. How quickly will we get the extra aircraft?

Mr Wallace: We will have 48 by 2025 and—

Chair: What about pilots?

Mr Wallace—up to 74 towards the end of the decade.

Chair: Seventy-four pilots?

Mr Wallace: No, planes.

Q211 **Chair:** And pilots?

Mr Wallace: I do not know the overall forecast for pilots.

Chair: Perhaps you could write to the Committee.

Mr Wallace: I am happy to do that. At the very least, I think we would all agree that we want more pilots than we have planes.

Q212 **Chair:** And the most appropriate and best pilots. There were concerns about the way the selection process was meeting BAME requirements. Has that now been sorted?

Mr Wallace: I have just had an interim report from the RAF's investigation into that, and I will discuss it with the Chief of the Air Staff when I next see him. What we said consistently through that was that there was no dropping of standards to get people in; it was about how

¹ Note from the MOD: There were 40 pilots holding in October 2019 post-Elementary Flying Training (EFT) across all three pilots streams (7x Fast Jet, 22x Multi Engine and 11x Rotary Wing). In October 2022, there were 161 pilots across all three streams on hold post EFT, of which 51 were Fast Jet pilots.



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people were queued to get in and whether it was first come, first served and so on. That seems to have been the tension point in the process. No one was dropping standards for one group or another. Actually, the best thing would be for us to share the detailed report with the Committee when we get it.

Chair: I do not want to go into too much detail. We would love to have a whole session on this. In fact, we want a session on it, but with the Chief of the Air Staff, which brings me to my final question on the air component. Please can you take back our desire for the Chief of the Air Staff to appear before our Committee as soon as possible?

That was the first short section. I will now ask Mark to cover the next one, on the Army.

Q213 **Mr Francois:** Very briefly, Secretary of State, you said 33 pilots, but you also said the number included exchange pilots. Does that total of 33 pilots include non-UK pilots?

Mr Wallace: In exchange officers, we have one from the US Air Force, one from Australia and one from the US Marine Corps—

Q214 **Mr Francois:** Within the 33?

Mr Wallace: Yes.

Q215 **Mr Francois:** So it is actually 30 Brits.

Mr Wallace: Yes. I need to find out whether three of ours are genuinely in exchange or if we just have three of theirs. We also have some on testing.

Q216 **Mr Francois:** Okay—I just thought it important to check that.

As you well know, a bit over a year ago, we produced an excoriating report entitled “Obsolescent and outgunned” about the severe deficiencies in upgrading the Army’s armoured fighting vehicle programme. We have been trying since September to get senior generals and procurement officials to come back before the Committee so that we can do a follow-up on where we have got to since that report. Lots of Committees do that after their reports. For some reason, your generals and senior procurement officers seem rather skittish about appearing before us. Perhaps we should take that as a backhanded compliment. Can you guarantee that they will appear before Christmas?

Mr Wallace: I cannot say before Christmas, but I can certainly say that I expect senior officers of the Armed Forces to appear before the Committee. That is part of the job.

Q217 **Mr Francois:** With respect, we have been asking since September, so why could they not be here by the end of December?

Mr Wallace: I will do my utmost to get them to you within time. I cannot sit in front of them and cancel what may or may not be going on in their other duties, but I am absolutely happy to have them appear before you to answer those questions.



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Q218 **Mr Francois:** Why do they regard democratic oversight by this Committee as a low priority?

Mr Wallace: I think that is unfair.

Q219 **Mr Francois:** Then why do we not have a date?

Mr Wallace: I cannot tell you their whole diary—nor, potentially, can you. Some of our capability are totally front and centre in delivering capability and urgent requirements for Ukraine on almost a daily basis, outside all the norms in how we procure things.

Q220 **Mr Francois:** Secretary of State, there are 10,000 people in DE&S. Can two of them not spare one morning?

Mr Wallace: I am guessing that you want the bosses—the person in charge of it.

Mr Francois: That would be nice, but they seem to think that other things—

Mr Wallace: You have pressed the case, and I will make sure to press the case with them and encourage them to be with the Committee forthwith.

Chair: I am afraid that this is a continuing theme. We will now move on to shipbuilding.

Mr Jones: Secretary of State, you are the shipbuilding tsar. We wrote in June, and followed up in July, trying to get more evidence for this Committee on the shipbuilding strategy and the procurement pipeline, but we are still waiting for that evidence. In the bazaars, the rumour is that you have already decided that Navantia will get the FSS and that will be announced in January. First, where are we at with that? When can we expect to get someone before us to talk about where we are with that programme and others? Clearly, giving it to Spain and exporting UK jobs does not fit with the growth agenda that the Government seem to be pushing.

Mr Wallace: You have been in a position that means you know about contracting relationships. We are not going to get ahead of the contracting process, nor indeed announce the exact results of that yet, because there is a process to go through for all the people who have put their time and effort into bidding in that contest.

Q221 **Mr Jones:** But the people who have lost seem to know already.

Mr Wallace: The only media I recall was by one consortium that decided it was going to write that it thought it knew who else had won. I think we should wait for the outcome of that competition.

On the other issue, I am delighted to try to facilitate people, as I said in answer to the previous question, to come to speak to this Committee. We have the head of the National Shipbuilding Office—I think he appeared last time or maybe it was at another Committee. However, the head of the National Shipbuilding Office is happy to come here and talk about the

strategy, as well as anybody else who you wanted to speak to. I could try to make sure that happens.

Q222 **Mr Jones:** We have been asking since June.

Mr Wallace: Okay.

Q223 **Chair:** I think the point has been made; you are hearing it from a number of quarters—thanks, Kevan—and I am afraid there are two other aspects. One is that we have been asking to go and visit Hereford for some time. Hereford is an important aspect of what we do. We are very proud of what we do there and we are arguably the best in the world, but it is not above scrutiny or accountability, which is what this Committee provides. So thank you for your letter, but we are asking you to facilitate a visit. A precedent has already been set as members of this Committee have visited in the past, so please can we organise a visit?

Mr Wallace: The answer is no, Chairman. This Committee does not have oversight of special forces and their operations, and you know that as well as I do.

Q224 **Chair:** I am sorry, but we have oversight of the Armed Forces in the UK defence.

Mr Wallace: Special forces operations have never been oversighted by Parliament.

Q225 **Chair:** Are you saying now, Sir, that we are not allowed a visit to Hereford?

Mr Wallace: I have said that I have entertained your request, and I have said that they are incredibly busy on operational work. I think at this moment it is not appropriate for the Committee to visit.

Q226 **Dave Doogan:** That is a different thing.

Chair: Exactly.

Mr Wallace: Oversight of special forces is carried out by the Ministers of the Crown, as they have always done under all Governments.

Chair: That is right, but there is also a precedent for this Committee to visit Hereford and the SBS in Poole as well. I put back to you the fact that, in due course, you should facilitate that visit. Your letter back to us made it very clear that you had no interest in allowing us to visit. We have been asking to go since before Ukraine, so I ask you reconsider.

Q227 **Derek Twigg:** Importantly, Minister, the numbers evolved during the Iraq and Afghanistan conflicts and wars, so we know how incredibly busy all sections of the Armed Forces are, not least the special forces. Quite frankly, however, given that it is well over a year since we asked for a visit, it appears to us that it now seems to be being used as an excuse to stop us visiting. For some reason, the MoD or somebody in MoD does not want us to visit Hereford.



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Mr Wallace: If my memory serves me right, when I was in Opposition, I cannot remember the Labour Government allowing the Defence Committee to visit. Maybe it did, but the point is that the oversight of special forces—

Chair: Order. Secretary of State we have other things to discuss and we need to press on as I have another point I need to raise. The point has been made. I really do not want to go down memory lane as to what happened. We made it very clear and a precedent has been set. We wrote to you prior to the Ukraine invasion and still we did not get a reply at all, so please—

Mr Jones: Chair, we have visited special forces in Afghanistan and Iraq. In one case in Iraq we, as a Committee, actually flew out of Baghdad on an SAS transport.

Q228 **Chair:** Right. The point has been made. I ask the Secretary of State to reconsider.

The final point was raised as an Urgent Question, but I want you, Secretary of State, to be able to respond yourself to show that the issue of the inappropriate conduct that has been taking place on our Vanguard-class submarines, and more widely in our Armed Forces, has been taken seriously. You will be aware of the Wigston report, which was welcomed; indeed, many of that report's recommendations were honoured, but unfortunately not to the extent of challenging the problem. That led to our own Sarah Atherton, our hon. Friend from Wrexham, writing an excellent sub-Committee report, which was mentioned many times in the Urgent Question and made it very clear that there continue to be huge concerns about inappropriate behaviour across all three services, not least the Navy. Over 4,000 female personnel responded to that survey, of whom 64% said they endured bullying, harassment, intimidation, discrimination or sexual abuse. The reason I am raising this again is that we made two clear recommendations, among many: first, to establish a central defence authority to provide a reporting system outside the chain of command, and secondly, to remove the chain of command entirely from complaints of a sexual nature. I am asking you whether you can now honour those two recommendations.

Mr Wallace: Chair, if you read our response to the excellent Committee report by Sarah Atherton, you will know that we accepted all but one of the recommendations, including removing service complaints from the chain of command as well as setting up a whole range of centralised authorities, including a specialist prosecution authority to make sure we have better quality investigations. We put in place reports of the ombudsman referable across to senior commanders if they had failed to follow the right processes, so it would affect their career. The report that Sarah Atherton produced was excellent. She was an excellent Minister, even in the short few weeks she was serving in the Department.

Chair: I was sorry to see her depart, Minister.

Mr Wallace: I am equally sorry. I was delighted when she was appointed. That report was a weighty report and, as you know, when you are a Minister and someone produces a report, you think, "This can help me change things." It is really useful.

Q229 **Chair:** We hope that is the case with all our reports.

To conclude this, Secretary of State, I hear what you say about the recommendations, but the reply from Andrew Murrison, the new Minister for Defence People, was that another investigation would be launched. All I am saying is that these are two critical recommendations, and if you have accepted them, please can you action them? That is all I am requesting.

Mr Wallace: Some of them are being actioned. Some of them require legislation changes—I think we had some secondary legislation recently through the system. I authorised serving personnel to contribute to that report, which had not been done before. Thousands of them did that, and I was delighted that they did it.

Q230 **Mr Jones:** You tried to stop it originally.

Mr Wallace: I didn't try to stop it.

Mr Jones: Well, the Army did.

Mr Wallace: The Army do as they are told in the end. Some of the services did not like a number of the recommendations in the report, but Ministers decided they would be imposed and would go ahead, and it was important that they were.

It is important to reflect, however, that while a significant number of those contributors said that their time in the Armed Forces had not been good, if you put a dividing line between pre-2014 and post-2014, women in the Armed Forces seem to have had a better experience at the later period than some from our day, for example. We have to be careful about the fact that sometimes the deeply disturbing reports I read in the papers predate the work that this Committee and this Government have done to fix the problem. I cannot do anything about historical incidents, although I can try to remedy the consequences and hold people to account for them, but like you, we are absolutely seized with the seriousness of making sure we change the culture in the Armed Forces to deal with this. I think those recommendations were very good, and 34 of the 36 are being implemented.

Chair: Thank you. I think it needs to be underlined that in the experience of us all—this Committee, those who have served as Ministers, and indeed those who have served in the Armed Forces—the majority of people who serve in the Armed Forces go away with a very positive experience. That came out in the reporting as well.

Thank you for that; we are grateful. Let us now turn to the substantive part: our relationship with the United States and indeed NATO, not least in the context of what is happening in Ukraine. Richard, do you want to take

us forward?

Q231 Richard Drax: Good afternoon to you all. This question borders on the special relationship, in a sense. The new US national security strategy makes no reference to the US-UK relationship, and instead describes the EU as the “indispensable partner” in Europe. What impact is the political relationship having on the defence relationship, Secretary of State?

Mr Wallace: I have been Defence Secretary covering both the Trump presidency and President Biden, and what I would say is that at operational level, it is incredibly strong; at military leadership level, it is a very strong and enduring relationship; and actually at political level, my relationship with Lloyd Austin is absolutely as strong as it was with Mark Esper. We are very much still seen as a key European ally—one of the closest European allies—on defence and NATO.²

We are one of the biggest contributors of NATO and, indeed, the Five Eyes community. Underpinning good defence relationships is, obviously, intelligence, and being a Five Eye partner is absolutely important to that glue. It is sometimes easy to forget that what we read and look at in intelligence is not available to the vast numbers of people elsewhere in NATO, and that is a unique relationship that binds us together in a way that isn’t there elsewhere. I know what you’re saying about the US strategy, but I have seen nothing in action or, indeed, word in my meetings or anywhere else to indicate that Britain has lost that key position in any way.

Q232 Richard Drax: It is true that there are references to AUKUS and Five Eyes—you’ve mentioned one of those. However, the US is very much mentioned in anything we write; without the US, we would be naked in the conference chamber, to use probably a rather bad phrase, but you know what I mean. They are crucial to us, as you say we are crucial to them. Personally, I am surprised—I am also surprised that you’re not surprised—that we are not actually mentioned in the way that we would mention our foremost ally.

Mr Wallace: We did contribute to it, so we are asked and consulted on it throughout the process, just as we shared our draft thinking with the United States.³ I am delighted that the US strategy embraces

² Note from the MOD: The UK is mentioned on several occasions in the Biden Administration’s National Security Strategy, in the context of various alliances including AUKUS, Five Eyes and the G7, and specified as a key partner in shaping the future international order in light of increasing Chinese competition. The UK is also mentioned in the National Defense Strategy and Nuclear Posture Review, in the context of our role in AUKUS and in NATO’s nuclear deterrent.

³ Note from the MOD: The UK was consulted throughout the development of the US strategies, a commitment enshrined in the April 2021 [Joint Statement on US-UK Coordination on Strategic Documents](#).



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campaigning, which I have decided and thought about being one of the most important reforms to our defence. Our modern way of addressing threats around the world is constant campaigning. There is almost a chapter or a large section on it in the American report that focuses on campaigning as a method of doing business. I suppose that is quite a good thing, because that is how we intend to do our job.

Q233 Richard Drax: Is the messaging not important? I would have thought that the message here says that the EU is indispensable, while the UK, who is meant to be the close buddy, doesn't get a mention—despite the fact that, as you say, we have contributed to it. I find it odd. What message does that give out to the rest of the world? We don't get a mention.

Mr Wallace: To be fair, you could ask the United States that. For me, I don't feel any lesser because of how many times I am mentioned in any report—

Richard Drax: Not you personally.

Mr Wallace: Or the UK. When you talk about NATO, we are one of the biggest contributors. That is important. AUKUS is a very clear strategic partnership that is not available to many other countries. I suppose I don't worry about it because I have had an experience over the past three and a bit years with the United States on both sides of the aisle, effectively, that has demonstrated only one thing, which is a constant trust and partnership with us at a level that I don't see in other countries around the world.

Q234 Richard Drax: Finally, the US have mentioned two things that they were not happy with, haven't they? One is the cutting of the Army by 10,000, which, as you well know, I have campaigned against. I mention it again today. That is one of their bugbears. I am also wondering about the 3% that, logically, we should be spending on defence in an increasingly unstable world. I wonder whether, if we don't do that, the US will comment further that they are concerned that their greatest buddy is not investing in something that they—and we—think we should.

Mr Wallace: I certainly think the US would always want to see us at the front of the pack; seeing us in the top few teams of the premiership is what they would expect of their allies.

Q235 Richard Drax: So 3% is not unreasonable.

Mr Wallace: Three per cent. is an aspiration or a planned marker. Whether we get to that, subject to our budget discussions, it is a perfectly reasonable aspiration in the dangerous world that is emerging. I have always said that as threat changes, so should our commitment, planning and funding. Like this Committee, I am passionate about defence moving back up the priority list—back towards cold war levels of where it should be. That isn't just words; that should be accompanied by—

Q236 Chair: That was 4%, though, wasn't it?



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Richard Drax: It was 5% in my day.

Mr Francois: In the mid-1980s it was 5%.

Mr Wallace: My point is that people accepted that as being a Government spending priority in the mid-'80s. It was culturally acceptable. In today's world, every political party talks about protecting the NHS, getting bobbies on the beat—whatever. As all of us who advocate for defence know, it lurks far too low down. However, I think it is coming up. My discussions and my track record so far is that that gets accompanied with more funding. I think the direction of travel should be to continue to increase funding on defence because the threat is going up.

Chair: Dave, did you have a quick question?

Q237 **Dave Doogan:** Just quickly. Good afternoon, Secretary of State. Some of your response to the question about the role of the United Kingdom within a NATO and an ally framework, the mass that the United Kingdom can generate and the budget that the United Kingdom contributes towards defence—I think that is all true. I do not think anybody could realistically argue that the United Kingdom is not a very important ally for the west and members of NATO.

But it is only the United Kingdom that persists with the special relationship title and the need to be reassured at regular intervals that we have a special relationship with the United States. Is it time to quietly let that crutch go and accept the esteem with which defence in particular in the United Kingdom is viewed by allies, not the least of whom must be the United States? Should we just let that cliché of the special relationship go? Frankly, one of the most important things about the United Kingdom to the United States in defence terms is how much of the United Kingdom procurement budget is spent in the United States. That is very important to them. I just wonder if does not look increasingly desperate to cling on to this special relationship, when patently it actually is not that special anymore.

Mr Wallace: I disagree that it is not special: it is special. The Five Eyes relationship is a deeply special relationship. Combine that with NATO membership—Five Eyes, NATO, defence spending scale, plus all the other stuff in the other parts of our culture. I think I can clarify that Britain is still the biggest investor in the United States, and the United States is still the biggest investor in Britain.

Our layer on layer of economic, cultural and defence relationship makes it special. It is far different from our relationships around the world. Plus there is our history. At all levels you would call it a special relationship. Does it have to be quoted every five minutes? No. I don't think I have a need to. I think you are trying to paint us as some desperate island that desperately needs it. No, we don't, but we do have a special relationship and that is the fact. You can call it something else if you want, but it is a special relationship.

Q238 **Chair:** Following on from Richard's question, when do you expect to



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complete the review of the integrated review?

Mr Wallace: I think by the end of the year. Professor John Bew is holding the pen on it. The budget discussions we are having in the next few days and weeks will define the extent—as I have always said, our ambition must be matched by our funding and vice versa—I think by the end of the year, I am hoping. I will then follow on with the refresh of the Defence Command Paper in early next year.

Chair: It goes without saying that you would welcome some Defence Committee input.

Q239 **Gavin Robinson:** Good afternoon, Secretary of State. When we started taking evidence in this inquiry some time ago, Lord Darroch gave evidence in which he indicated that there are wide swathes of US elites, including the Biden Administration, Congress and the media, that were concerned by the UK's perceived weakness. The Democrats in particular view the UK as being "in Brexit-induced decline and protracted crisis". I am not sure if you were aware of those comments, but could you reflect on them? Do you think there is any currency or credibility to them today?

Mr Wallace: No, I do not. I think Ukraine has shown that. I was in Washington just a couple of weeks ago; I am constantly approached by either Congressmen, Senators or senior personnel in the US military thanking us for British leadership on Ukraine. Ukraine has been a really interesting process for people who had written off Britain post Brexit as not having a role in Europe or in the world.

We proved that when it comes to security guarantees, partnerships, leadership and knowledge and standing up for the values of people that we share, Britain is front and centre. Britain is reliable. Britain is there. It does not play games. Our support for Ukraine is not gamed on some sort of winning or losing; it is because it is the right thing. That's it. That's the British thing. We did not calculate whether we can be clever about it at the end. And we will be with them to whatever. In the United States they recognise the important role that we have played.

Q240 **Gavin Robinson:** Do they have equal strength of feeling behind their support for the provision of aid to Ukraine, both humanitarian and defensive? And did you detect, when you were in Washington, any concern that the mid-term elections could have a material impact on that support?

Mr Wallace: Certainly from the White House point of view, their contribution to Ukraine dwarfs all of us. The scale of the financial and military aid dwarfs us all. While they haven't necessarily throughout the period shouted it from the rooftops, the facts are that it is very large. The amount of munitions, military support and aid as in munitions, vehicles and so on has been large. Huge amounts of weaponry have been donated; it goes into billions and billions of dollars. I haven't found that waning.

Obviously, the United States are always trying to think, in a global position, "And what about China? And what about the end of the decade?"



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They are trying to think concurrently at the same time as—obviously, like all of us—dealing with cost of living challenges at home and so on. But at the moment, even across the aisle, most of Congress—not every single one but most of Congress—is supportive. Americans see what they see in President Putin. They know exactly what that type of person can lead to. They recognise that he challenges their values as much as ours. So at the moment I would say that, there, political support is in the overwhelming majority. I won't say it is unanimous—not like the House of Commons here—but high percentages are very in favour.

Q241 Gavin Robinson: Secretary of State, I think it is fair for you to answer about the relationship and the noise you have heard from the Biden Administration, to give a broad, collective view of what is there in the United States, but you will be aware that the congressional minority leader has made indications that, should his party be successful in the mid-term elections, they will not be signing cheques continually for Ukrainian aid. Those comments were made by him on 18 October this year, so some two weeks ago, around the time of your visit.

Mr Wallace: Was that the minority leader or was it the—

Gavin Robinson: It was Kevin McCarthy. I think that is concerning. You were in position during the Trump Administration; you will remember all the theatre around NATO support from individual member states and an increase of their commitment. My question is more about the concern on what is to come than about what you have heard from the Administration itself. When you were there, did you detect any concerns about the political resolve in Congress to support or endorse spending commitments and aid commitments from the Administration? Or do you think they are overplayed?

Mr Wallace: I think they will remain; I think they will continue defending Ukraine's sovereignty from Russian aggression. When I visited, at short notice, I saw very quickly—in one day—the Secretary of State, the national security adviser, the Defence Secretary and others. That was in a single day and in a very determined group of meetings about making sure that Ukraine is successful in seeing Russia fail in that conquest or attempted conquest of it.

I can't second-guess the outcome of the mid-terms, and I think the one reflection I would say on President Trump's Administration is this. I understood what he was trying to say, which was that people were taking the United States for granted, in NATO and in Europe, when it came to funding and when it came to commitment. I think that is one of the reasons why I am in favour of the direction of travel. The United States spends and delivers huge amounts of security assurances and guarantees into the European continent, including ourselves, and I think what they were saying was—to be fair, it was the Obama Administration who talked about 2% of GDP. It wasn't Trump's Administration who said some of these things; it was President Obama. "Come on, you've got to keep up. There's no such thing as a free lunch," as they probably say. I think that was really at the heart of what President Trump's agenda was.



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Q242 **Gavin Robinson:** Can I ask, in the spirit of co-operation, that if you do feel that the commitment within the political or the legislative branch in the States is starting to wane, you will co-operate with us, because we have our own connections with our counterparts in the legislature, just as you do in the Administration? I think that that is a fair request and it is one that I hope you would consider openly.

Mr Wallace: Yes. One of the things about the special relationship is that it is at all levels and on all routes. We all—some of us—had friends on the hill. I remember your neighbour on your left, the Member for Warley, the Member for North Durham and I went on a trip in 2006, lobbying on the hill, and—

Chair: Before we start putting out the sandbags—

Mr Wallace: No, no. The point is that if you want to know what the special relationship is, it's that: it's that depth of knowledge.

Chair: To that end, it is worth underlining that we had a very helpful visit to Finland last week. It was very clear, from a wide spectrum of meetings, that there was concern that if America pulled back out of its support for Ukraine, it would be game-changing, because other nations potentially might follow suit. There was concern about where that might lead. We will turn to that a little later, but that is the concern here. Let us make progress.

Q243 **Mr Jones:** Secretary of State, may I ask a question on a subject that we both have history on and scars from—you mentioned our visit in 2006—which is export controls and ITAR in the US? How effective have the efforts been to work through this and to encourage more co-operation between US and UK defence companies?

Mr Wallace: The good news is that very recently the United States issued an open general licence to the UK, Canada and Australia around ITAR. That means that, among the four of us, we can buy in from the United States and export out to one of the other countries without the controls that used to be around with ITAR. In all my time and probably your time, that is a really significant change, now that there is an open general licence between the four of us.

That still does not deal with what is called "ITAR taint". The question for the United States Administration has always been this: I spend about half a billion a year complying with all the ITAR requirements. In theory, that is half a billion we cannot spend on our industry or on the US's industry. It goes on compliance work. Just like when we were there in 2006, it seems that everyone agrees. The US defence industry agrees that this should change. People in the White House usually agree. President Bush's White House agreed with the tech trade transfer treaty. But it has not moved on.

AUKUS is an opportunity for that to happen. I think what is behind the open general licence is that the United States realised that, ultimately, if we want to work together, collaborate and burden share, ITAR is a barrier that is not helpful. It needs to be either removed or bypassed where appropriate. I think people in Congress realise that too. A couple of weeks



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ago, I was with someone from Congress who talked, unprompted, about these challenges. I think the answer is "slow but sure".

Q244 Mr Jones: We are procuring a lot of kit from the United States. I am thinking of things like Wedgetail, for example. Has that created problems in terms of having sovereign capability here over maintenance and upgrades? Are we tied back by those capabilities having to be maintained and upgraded—the software and so on—in the United States?

Mr Wallace: With any foreign purchase, whether it is from the United States or another European country, there are always trade-offs in respect of sovereign capability—that is, how much you want to have in your sovereign backyard—and how much you are going to pay for it later through spiral development costs, upgrades and access to source code. If you remember, with the F-35 there was always the challenge, "Okay, we have bought it, but can we actually have the source code to put our own missiles on it?" As you know, that was a very hard battle.

That is always the way. Sometimes, you just have to make the decision because of the capability. Heavy-lift helicopters are a good example. The Chinook is effectively the market leader. The G variant that we have committed to buy is simply the best thing we can give our people. Let's be honest here: as we don't make heavy-lift helicopters, that means I'm in for a penny, in for a pound on the Chinook. There is always that challenge.

Q245 Mr Jones: I don't disagree at all. I am not opposed to buying kit from the United States, but we are not very good at screwing Boeing down, for example, to ensure that it actually puts work share here, are we? That is unlike other examples; the Indians have quite a big work share from the P-8.

Mr Wallace: Yes, and I have changed some of that.

Q246 Mr Jones: We need to screw them down a bit more. You will remember as well as I do that when Boeing first set up Boeing UK, it gave huge indications about how it was going to develop jobs here and put work here. Basically, it has reverted to what it has always been: an export arm of the United States.

Mr Wallace: Funnily enough, within my first few months I audited Boeing's claims for jobs, because I thought that was important. I have done exactly what you have said. I have, in the social value weighting and in the broader supply chain weighting, insisted, in the contracts that have come before me, on much more UK content.

Q247 Mr Jones: Can I ask you to do one thing with Boeing? Stop them offsetting work share in the UK with civilian aircraft work. Every time you try to pin them down and say, "What is Boeing Defence?", you always seem to get segued into other things that have nothing to do with defence contracts.

Mr Wallace: Whichever prime contractor it is, I am alert to the T-shirt claim, as I call it, which is companies claiming British jobs when effectively the job is for somebody from another country with a T-shirt on pretending



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that they are working here. Then at the end of their 10 months or six months, they have gone back to wherever they came from. That is not sustainable British work share; that is press release work share. I think we are all used to that.

I have already changed the way we construct our contracts to make sure that we get some assurances, either around supply chain by value or supply chain by volume, depending on which is appropriate. It is a fine balance because some officials will say, "No one will bid if you do that." The Treasury might have a different point of view. The knack is to try to get that balance right.

Q248 Mr Jones: Can I ask one final question about the W93 warhead? Clearly, that is a decision before Congress. Are we actively lobbying on that, given its importance for us, and the involvement of UK defence industries in it?

Mr Wallace: First of all, it is a programme of record, so now there is no doubt on the programme, if I am correct. That has now been committed to. I have to be slightly careful. Under the nuclear proliferation treaty, there are certain things we cannot do. We cannot swap or change; no one is allowed to do that under that treaty. Where we are allowed to share either development or research, because it fits on top of a Trident missile, we shall do so, and that is a benefit to both parties.

In the Trident submarine, the Dreadnought, there are already crossovers. The single-missile compartments are made in the United States and the UK. We will find some of our components sitting on United States submarines and some of theirs on ours, so there is definitely crossover. The good news from my point of view is that the warhead programme is now committed to in Congress, and that will benefit us. That is another example of the special relationship.

Q249 Chair: On that note, it would be a bit odd to fire a low-yield tactical nuclear weapon from a submarine. Is there any plan, given the changing picture, for our nuclear arsenal to change?

Mr Wallace: At the last integrated review, we increased the number of warheads in the announcement. How we deploy our warheads and distribute them is, I am afraid, highly sensitive. I cannot discuss that. We keep the deterrent that is appropriate to the threat.

Q250 Chair: Belgium, Germany, Italy, Turkey and Holland are all part of a conglomerate that works with the United States to have on board their F-35s and the B61. They are part of a wider NATO nuclear deterrent, which is certainly cheaper than the submarine that we are currently using, the Vanguard class. Again, is there any exploration or discussion about joining that grouping?

Mr Wallace: I can write to the Committee if I am incorrect on this, but my understanding is that these are aircraft fitted for American weapons. We took the decision a long time ago to have our own nuclear deterrent. We have chosen, unlike the French and the United States, to have a single



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deterrent submarine launched. The French have air and submarine, and the United States has air, submarine and silo—the three stools of their deterrent. There is no plan to change the way we deliver our deterrent.

John Spellar: Secretary of State, I certainly remember dealing with ITAR with you and others. You have just described welcome developments, including with AUKUS. Looking at the less publicised aspects of AUKUS to do with industrial co-operation, as you know, a congressional taskforce produced a report that recommended that the US consider the benefits of what it called “ally and friend-shoring”. Supply chain resilience is clearly a massive topic, whether you are in Canberra, Washington or NATO in Brussels. How are your discussions going with the United States to put some flesh on that, so that it is not what we have sometimes seen: a noble aspiration that dies in the realms of the detailed bureaucracy, particularly in Washington?

Mr Wallace: Are we talking about AUKUS?

John Spellar: AUKUS as part of this mutual dependency in industrial resilience, underpinning our defence capacity.

Mr Wallace: If I start with the AUKUS concept and work backwards, with things that are incredibly strategic, whether that is warhead, Trident or AUKUS, it is incredibly important to maintain that resilience. To be honest, it has been one of those capabilities that has suffered from feast and famine. When was the last time we enriched uranium? Tridents came in whenever; the Trident nuclear missiles came in during—was it the 1980s? I don’t know when they last came in. All those things go from huge investment to everything going quiet. Everybody takes it for granted, and then suddenly you are having to start all over again.

The rarer the skills base, the harder it is to restart. That will be the challenge for the Australians and AUKUS. From scratch, they will have to build nuclear capability for their reactors. Remember, they don’t even have civil nuclear power in Australia, so they really are starting from a challenge, which is why Britain and America are going to do everything to help.

There are two ways to get resilience in your supply chain. One is long-term commitment to it—signalling that you will carry on building submarines at Barrow-in-Furness, for example, with highly complex systems, and ensuring that you continue to do so. We suffered from that dip with the four Astutes. We ended up building the Bulwark and Albion ships to fill the block in that. As a result, trying to restart submarining effectively took a long time.

The more complex something is, the more you have to commit to long programmes, and be serious about it, indicating continuity. I know that the new Labour Front Bench will continue to be pro-nuclear deterrent, and I don’t think that will change. That type of continuity matters in the highly complex. Then you need to partner properly with nations, whether with France or the United States, to ensure that that is developed.



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On the less complex, the other way to help ensure resilience is to have alternative supply chains, so there is not just one engine-maker; you always have alternatives. For example, when I awarded the Boxer contract, I was very keen to see if there was an alternative engine available, should the Bundestag or the German political system block exports in future.

Q251 **Chair:** That is the same Boxer programme that we left in 2005.

Mr Wallace: Yes, that would be right.

Mr Francois: The IOC for which has just slid by another year.

Chair: Let's not go down that rabbit hole.

Mr Francois: Why not?

Chair: Let's stay focused. John, any more?

Q252 **John Spellar:** That is welcome. What you are finding, on a daily basis I suspect, is that this goes right the way back through the suppliers into your equipment manufacturers. We have a better chance of sustaining the supply chain if we do it with trusted suppliers. Even the United States accepts that at a policy level, whether or not they do at an operational level. It cannot be "buy American" only. It might be "buy American" first. We need more co-operation and, indeed, access to these suppliers, precisely to provide that sort of resilience and a broader spread of suppliers. Isn't that the discussion that we will need to have in order to flesh out and fill the gaps in this policy move, which is very welcome but needs to be made operational?

Mr Wallace: For all of us to maintain complex weapon systems, we need volume. The more bespoke and complex something is, the fewer we can afford to buy, so we need partners internationally to buy lots of them. If you don't have the volume throughput, we buy our 55 or 100 tanks, and then everyone goes home. As we see in our Typhoon, the four countries worked together for export markets, and carried on to keep the production line going. If tomorrow morning I decided to order more Typhoons, there is a production line running hot. Given the scale of the United Kingdom and other European countries, those consortiums really matter.

The United States is in a slightly different position, in so far as its production runs are so big that it is harder for any one customer to be another key customer for them—for us to have the leverage we would like. If they are buying 2,000 F-35s, then even if we are buying 300, our leverage in that programme is much less. That is one of the challenges that we face with the US programmes. It also means that they are running hot. They are usually cheaper, because they are building an order of, let's say, 12,000 for their customer, so you can have another 200 on the end. That is often hard for British industry to compete against. We have all been there: the United States offer is highly competitive.

Q253 **Dave Doogan:** I agree with every single word you said about volume,



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throughput and getting the production systems running hot. Unfortunately, I think that runs entirely contrary to the decision to run with Challenger 3. That will be another standalone system, and the UK will be entirely responsible for upgrading it through its entire life, unlike Leopard 2, which is operated by many of our NATO allies. We would have shared economies of scale of all those other operators across Leopard 2, disaggregating the upgrade costs and making them 100% interoperable.

Chair: Can you give a short answer to that? We want to explore this further, but we will come back to it when we do our land warfare studies. That is one of the big questions that we want to look at.

Mr Wallace: Our last position on the Challenger 3 was over a year ago.

Q254 **Dave Doogan:** Sorry, Secretary of State; I should have said that, given the volumes we are talking about, we have allowed those to be built in the United Kingdom.

Mr Wallace: One of the points about the Boxer programme, which we left and rejoined, and its modularity, is that it allows us to do that. Remember, we were one of the founders of Boxer and OCCAR. Let's say Germany and Holland decide to buy the 155 mm variant gun to fit on the Boxer. Potentially we could seek to make them all 155 mm guns. If we are buying 750 normal Boxers, the deal with the consortium could be that we get the workshop of a different variant.

On the Challenger 3, the key there is the gun, which has the potential to be the gun that could be used in all the other Leopards when they get upgraded. I need to check that detail, but I understand what you are saying.

Q255 **Chair:** We are going to open that up. I can't resist saying that if you stick a turret on the Boxer, it does become a bit more helpful, if it's supposed to be a Warrior replacement.

Mr Wallace: Hang on. The two Boxer programmes with turret efforts going on it—Australia and Lithuania, I think—aren't going very well. Putting a turret and a turret ring on a vehicle that was not designed to have a turret, as we know from Ajax, is not an easy thing to do.

Q256 **Chair:** And you know that sending dismounted infantry out there without a big gun watching their backs is not wise. That's the issue.

Mr Wallace: They can be escorted by an Ajax.

Chair: That links us to Ajax, but we are really not going to go there. Mark, keep us away from that. Take us back towards NATO, please.

Q257 **Mr Francois:** We will see, Chairman. I want to ask a question on spending, and then we will go on to industrial relations. This Committee has argued for years that we should spend 3% of GDP on defence. When Dr Julian Lewis was the Chairman, he had a slogan: "Three to keep us free." That has been our consistent position for many years, so I am very disappointed to hear you say that spending 3% of GDP on defence is now



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an aspiration. Those of us who have been in politics for a while know what that means. Can you at least guarantee that we will spend 2.5% by 2026?

Mr Wallace: Tomorrow in my meeting with the Chancellor, and over the next few weeks until the Budget, I will be fighting for as much money as I can get. I recognise that the whole of Government is facing the challenges of inflation and of the black hole, as it is written up in most newspapers, and we need to get through the next two years for the growth. I will fight every bit of the way to see what I can get, and I will be happy to return to the Committee after the Budget to discuss where we have landed.

My aspiration is more than an aspiration. As I have said, I have believed that we need to spend more on defence. I have believed that the direction of travel of the world means that we need to do it. We should not take the United States for granted. There is no such thing as a free lunch. We need to invest in our British industry. We need to secure a supply chain. There is not much that I disagree with this Committee on in all that. The 3%, if you remember, came from the Chancellor; I think that 3% by '28 was his pledge in the leadership campaign. He believes, clearly, that its profile should be raised, but let's see where we are in the next few weeks.

Q258 **Mr Francois:** If you want any help tomorrow, we will come with you. On budgetary points, the equipment plan—which is for 10 years, because sometimes it takes that long to procure military equipment—is now just under a quarter of a trillion pounds, and we are on to our third procurement Minister in just over a month. If we buy more American kit off the shelf for some of the reasons that you have just given, the pound-dollar exchange rate will become more and more important in being able to balance the plan. You hedge for about 18 months to two years. What is your long-term pound-dollar exchange rate assumption over the 10 years of the plan? Now that the pound has fallen, if you were at, say, \$1.30, you would be billions out, would you not? What is the assumption?

Mr Wallace: I am going to have to write to you on that. What I can tell you is that the forex policy of the Department is that about half is forward bought, and the other half is on the spot.

Q259 **Mr Francois:** We understand that you hedge for about 18 months to two years—

Mr Wallace: Yes, but not all of it; we hedge a proportion of it.

Q260 **Mr Francois:** You understand the question. Could you write to us?

Mr Wallace: Yes, let me write to you. In the next two years, given that our budget already goes up to '24-25, I need to seek money to protect me from inflation and forex. Those are the main two challenges to the defence budget that I have between now and the next spending review. As a very capital-dependent Department, as you rightly pointed out, we are much more vulnerable than others to inflationary costs in our programmes and our equipment, as well as our supply chain challenges.

Q261 **Mr Francois:** On supply chains, we have rightly given thousands of NLAWs to the Ukrainians, which, if press reports are accurate, have been



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material in their defence. We can be proud of that, Secretary of State, and we know that you played a personal role before the conflict in making sure those weapons were delivered, for which I humbly think you should be commended. When will we finally sign the contract to buy the replacement NLAWs to replenish our own stocks? We hear that we have been about to do that for months. Can you update us?

Mr Wallace: We have signed the first contract for next year, so we will have replacements next year. In terms of the follow-on from next year, hopefully in the next few months we will have signed a contract for a much larger and more enduring contract for NLAWs after that. Going back to the supply chain, we gave letters of comfort saying, "There definitely will be orders," but one of the challenges was getting a price from the supplier, because the supplier was unable to quote prices as they had not themselves sourced a supply chain. We were also waiting to try to get an international buy, to have a really big order, to again give them that assurance, so that it is not feast or famine. One of the countries in that had originally thought of a high number of NLAWs and then dropped that down, so it is just a straightforward negotiation. First and foremost, in the immediate future, we have an order placed that will be fulfilled by the end of next year. I think that is right.

Major General David Eastman: Yes, it is—middle of next year.

Q262 **Mr Francois:** Can you put some numbers on that?

Mr Wallace: That one will be 500, and the other one will be in the thousands.⁴ In the here and now, we will get that, and we are already on contract with the LVM—the low-velocity missiles for the anti-air.

Major General David Eastman: LMM.

Mr Wallace: LMM. What is the M in the middle, then?

Mr Francois: It is usually "missile".

Major General David Eastman: Multi-modular.⁵

Mr Wallace: One of those missiles is on, and we are also placing orders for 155 that will be made in Britain with BAE to replace our artillery shells.

Q263 **Mr Francois:** Good. You mentioned F35s, as have several colleagues. How are we getting on with integrating the Meteor air-to-air missile with the F35? One of the problems historically has been that it is difficult to integrate a non-American system into an American airframe, usually because of all the sorts of bureaucracy we have just been talking about. Can you update us on where we are on that?

⁴ Note from the MOD: A tranche of several hundred NLAW missiles will be delivered to UK stockpiles from 2023. The MOD remains on schedule to sign a contract for a larger subsequent order imminently.

⁵ Note from the MOD: LMM stands for Lightweight Multi-role Missile.



Mr Wallace: I think it was due in 2027 originally, and I have brought it forward. I think I managed to get it brought forward by the programme committee to 2025.⁶ I was pretty determined—a bit like the Member for North Durham mentioned, I remember that source code battle, and at one stage I said, “Look, I’m just not going to buy any more F35s unless you start opening up that framework. We can always go and buy some Typhoons—different aircraft.” But we have some fantastic, world-leading missiles we would like to put on it. We have moved it forward. Obviously, I would like it quicker, but we have managed to get some time dropping on that.

Q264 **Mr Francois:** Well done. I have two more questions. The Type 26 is a world-beating anti-submarine warfare frigate. The Committee would like to see it in service as soon as possible, for obvious reasons, with increased Russian submarine activity. You have released a written ministerial statement today, confirming that the IOC has slipped from October 2027 to October 2028, and that this will cost the MoD, and thus the taxpayer, £233 million over the life of the programme. Why has that happened, and when will we finally get a grip on this programme?

Mr Wallace: I love officials releasing that report when I’m about to do my Select Committee appearance. I will send you the details. Some of it is supply chain delay, which I got involved with last year, on the gearbox: there was a failure in the test bed, which delayed it. It did not come to my attention for two years: it was 20 months late by the time the Navy brought it to my attention. Some of it is covid and some of it is supply chain challenges, but I am pretty upset with it. I am happy to set out in full detail, in a letter, all the different factors that contributed to it.

Some of it is investment in the yards. I have always said that I expect primes, and not just the customer, to invest in their yards. It is important that, if we place billions of pounds of contracts with the primes, it is not just for the taxpayer to invest in their yard; I want those primes to do so. If you go to Babcock at Rosyth, you will see the amazing shed that has been built where they are building the Type 31s. That contrasts with the lack of shed at Govan. That is incredibly important.

Chair: We visited that. We were astonished to see this amazing ship, surrounded by scaffolding, being built outside.

Mr Wallace: I think the taxpayer is spending some £3.6 billion, or whatever it is, on the Type 26s.

Q265 **Chair:** Well, they ran into the heritage—which organisation is it? The building is protected. I think we are looking into that; maybe you can take a look.

Mr Wallace: Well, there is the planning permission application for a shed.

⁶ Note from the MOD: SofS took action to restore the IOC for Meteor to the original schedule of 2025, following a potential delay to the end of the decade. However, subsequent options have since delayed IOC until 2028 to align with Block 4 modifications.

Chair: Which is being slowed down, because it is a listed building.

Mr Wallace: The shed is being funded partly by the British taxpayer, and I have written to the chief executive of the council to try to expedite the planning permission.

Q266 **Mr Jones:** The reason for that delay is that one of your predecessors cancelled it, didn't they?

Mr Wallace: What, the shed?

Mr Jones: Yes.

Mr Wallace: Would the Committee agree that the taxpayer should always pay for—

Mr Jones: Oh, yes. But one of your predecessors—I think it was Michael Fallon—cancelled it.

Q267 **Mr Francois:** Secretary of State, in all seriousness, that is why we want to get DE&S officials here, so we can question them in detail, hence our frustration.

Mr Wallace: I will make sure they come.

Mr Francois: Maybe the fact that this WMS appears to have been released this morning without your knowledge can add to your—

Mr Wallace: I didn't know it was going to be today, but I signed off on it. I should have done it tomorrow at 5.

Q268 **Mr Francois:** Lastly, on the same theme—sorry—is Ajax. That is a major Anglo-US industrial programme. Some £4 billion has been spent to date, with no in-service vehicle to show for it. We have a KC's inquiry into who knew what and when. The trials have now restarted. We haven't got the officials here, but we have got you, Secretary of State. Where are we on Ajax?

Mr Wallace: I have some good news.

Mr Francois: You've cancelled it?

Mr Wallace: It has completed its user validation trials.

Q269 **Chair:** Has it passed its trials?

Mr Wallace: Well, I get a daily report. I have asked for a daily report on its trials. It has completed its user validation trials. They will now analyse the data, but every day had to lead to another day; if it failed a day, it couldn't then proceed. It has gone through the whole user validation trials.

It will commence its reliability and growth trials, hopefully, in December or January. Those are the main trials where you can drive it around and see how long it takes for the turret to fall off and all that sort of stuff, which is really important for the last main phase.



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As soon as I know whether it has passed its user validation trials, which should be as they analyse all the data, I will let you know, but for the first time, it has got through that. Those are the type of trials where, previously, people couldn't use it because it was too noisy and there were vibrations and so on. It has got through that.

I will be happy to give the Committee knowledge when it starts the other trials as well. I would like to go and visit, and I would be delighted if you would like to go and visit the trials. I would like to see what they do.

Q270 Mr Francois: Lastly, on the KC's inquiry, you said in a parliamentary answer to me that his findings would be made public and they would be published before Christmas. Can you still commit to both those points?

Mr Wallace: Which inquiry is that?

Mr Francois: The King's Counsel inquiry into the information flows relating to Ajax.

Mr Wallace: It hasn't finished yet. I haven't seen the report.

Q271 Mr Francois: No, but I am just asking you to commit. You promised in writing that it would be out by Christmas and you would publish it. I am just asking you to keep to that.

Mr Wallace: I will chase Mr Sheldon to find out exactly the date. When it is complete, I am happy to publish that.

Mr Francois: Thank you.

Chair: Thank you, Mark; that was very thorough.

Q272 Derek Twigg: Secretary of State, I want to ask a question on the commitment to NATO and what we are contributing, to clarify the issue of defence spending. At our last session, we had quite an exchange, and you made it clear that the original plans and so on were pre-Ukraine and obviously that has changed things, so we need to look at increasing expenditure.

You have made quite a powerful point, which I think we all understand and agree with, about inflationary pressures and the impact that will have on any negotiations about what you have to spend and the future problems that that could cause for the programmes and so on. We are talking about 2.5%. Given the inflationary pressures, would that be enough?

Mr Wallace: I would have to ask an economist how—I look at the budget and ask myself, "For this budget to deliver what it was supposed to deliver, with inflation as it is, what do I need to insulate against inflation and the exchange rate?" We are on track to deliver modernisation for the Army and so on. I am not sure how that relates to a percentage of GDP. In other words, let's say I get my ask of how much I need—

Q273 Derek Twigg: If you get 2.5% but inflation is hitting 10% over the next year or two, how does that work?



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Mr Wallace: It is 2.5% of GDP, as opposed to inflation.

Derek Twigg: Yes.

Mr Wallace: I am keen that we get a budget insulated from inflationary effects. What I don't know is whether when they calculate GDP that includes inflation.

Q274 **Derek Twigg:** So the bottom-line deal that you want to walk away with from the Treasury, when we come to the statement, is that you have cast-iron protection against inflationary pressures.

Mr Wallace: I would like my budget to be protected against both inflation and forex, so that I can come to this Committee and say I have either a real-terms rise or a real-terms flat, for the next two years—not for the longer period—because that way I will protect my Defence Command Paper and get through that process. That is what I would like.

Q275 **Derek Twigg:** This is not inflationary as we have known it; this is a much more serious situation, and this is a lot more money than we would have been talking about two years ago.

Mr Wallace: Yes, the inflationary pressure on my budget for the next two years is about £8 billion, at forex.

Q276 **Derek Twigg:** Does that include being able to replenish any stockpiles of weapons or support we are giving to Ukraine?

Mr Wallace: That doesn't include weapons system stockpile replenishment.

Q277 **Derek Twigg:** It doesn't include that. How do you propose to deal with that, then?

Mr Wallace: Well, let's see what the Treasury give me.

Q278 **Derek Twigg:** So we are not just talking about inflation protection; we are talking about how we replenish our stockpiles of weapons and equipment.

Mr Wallace: We have a commitment for that to be done. That was agreed by the previous Government when we committed—

Q279 **Derek Twigg:** From within your budget?

Mr Wallace: No, from reserve.

Mr Francois: The contingency reserve.

Mr Wallace: That was what was agreed at the time.

Q280 **Derek Twigg:** Is that still the agreement?

Mr Jones: Have you got that in writing?

Mr Wallace: You can tell the ex-Ministers on the Committee. That is the commitment, but the Treasury will no doubt balance what it has as an obligation and inflation.



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Q281 **Derek Twigg:** That is interesting. We know, from what you have said, that you expect a settlement that gives you complete cast-iron protection—

Mr Wallace: I am going to fight for that. Let's see where we get to.

Q282 **Derek Twigg:** That's what you said—and, again, a guarantee about replenishment of stockpiles from the contingency reserves, not from within the MoD budget.

Mr Wallace: That is what was agreed.

Q283 **Derek Twigg:** The final point that I want to be clear on is the 2.5%. You will have seen—I am sure it was pure speculation and there was no briefing from your Department—stories about 3% of national income by 2030, and that you would resign if that was not met. Are those stories totally untrue?

Mr Wallace: I have not said that I would resign on 2.5%, 3.5%, 4% or 3%.

Q284 **Derek Twigg:** So it's just the press just making things up.

Chair: That's all hearsay?

Mr Wallace: Obviously, the media might like that, but for me—

Q285 **Derek Twigg:** So it's just purely made up by the media. No briefings from the MoD or anything.

Mr Wallace: I don't run my Department in that way.

Mr Francois: It's only an aspiration.

Mr Wallace: No, I would like it to be 3%.

Mr Jones: An aspiration to resign, do you mean?

Mr Francois: We're teasing you, Ben.

Derek Twigg: Okay, thanks for that. You have been very clear, Secretary of State.

Mr Wallace: The initial battle—the next two years—is insulation from inflation and forex so we can complete where we are on our investment programme.

Q286 **Derek Twigg:** Okay. Let's come to the final question. Decisions were taken at the Madrid summit concerning readiness and availability of 300,000 troops—I recall from the answer you gave about spending at the hearing in July that any increases in budget may not necessarily mean increases in infantry, for instance, but let's stick to the figure of 300,000 troops—and pre-positioning of equipment in the east of the NATO area. What additional resources is the UK contributing to that?

Mr Wallace: The 300,000 troops are effectively all the troops under the NATO planning process; it is the whole lot. It was the NATO Secretary-



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General's estimate of all the troops. It doesn't actually affect Britain's obligation into the pot. It wasn't a new—

Q287 **Derek Twigg:** Just remind us again of the obligation, so we have it on record.

Mr Wallace: You will have to check his exact statement, but NATO is changing the way it generates its defence planning process—you will have to bear with me with NATO gobbledygook, because there is an awful lot about to come out. You have the NATO defence planning process, which is where we effectively set out the capability target over the next years. That happens every four years.

That fits into two of the SACEUR's plans. One is the strategic directive, which is planning or operations during peacetime, and the other is the SASP, which is his wider strategic plan for wartime. From that is triggered the regional plan, which we are starting to write now. Regional plans are detailed. We have not really had them for years. Those are where they say, "This is what goes to Estonia, this is what goes to Lithuania," and all those forces that are corralled under the defence planning process are allocated.

Within that, there is then the other debate around readiness: how many of your forces are set to be ready to go in 24 hours or 36 hours or whatever it is, and the rest are follow-on forces.

Ultimately, at Madrid there was very little change about our obligation—how many more troops Britain had to put in.

Q288 **Derek Twigg:** So the 300,000 is a nonsense figure.

Mr Wallace: No, as I said, 300,000 is the NATO Secretary-General's estimate of the NATO defence planning process—all the forces of NATO.

Q289 **Derek Twigg:** And we, the UK, agree with that, do we?

Mr Wallace: What, that it is 300,000?

Derek Twigg: The 300,000.

Mr Wallace: I can get you the exact figure.

Chair: What is our commitment, then, to making up—

Q290 **Derek Twigg:** Sorry—so you are going to come back with some figures on whether we agree with the 300,000 figure?

Mr Wallace: I think it was the Secretary-General of NATO—of every force in NATO.

Q291 **Derek Twigg:** Yes, but do we as the UK agree with that figure?

Mr Wallace: I can get—

Q292 **Derek Twigg:** Okay, you will come back to us on that. On the second point, going back to what the Chair just said when I interrupted, in terms



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of our contribution, can you just put that on the record?

Mr Wallace: That is secret, but I can have a brief for the Committee on that.

Chair: Thank you. We would be grateful.

Mr Wallace: We do not talk about how much we allocate. I am very happy to arrange a briefing in secret for you on that.

Q293 **Chair:** It is important because—this goes back to Richard's point, which he said just in passing but which is critical—if you have reduced your Army by 10,000, where are the troops that will be able to participate in those numbers? We visited Estonia not long ago; we have had two battle groups there, but we have now reduced it to one. This is the sort of commitment that I think the Secretary-General of NATO would like us to meet, as a senior member of the alliance.

Mr Wallace: First, the Estonia commitment was always one battle group. We surged it after the invasion to two, but we were always very clear that the second one would come—

Q294 **Chair:** The situation there has not gotten any better.

Mr Wallace: No, but we also now have a company in Bulgaria, a squadron of tanks in Poland and a squadron of Light Dragoons in Poland, none of which were part—apart from the squadron of Light Dragoons—of an enhanced forward presence. We have increased the number of our troops as a result, but I will get you the briefing, classified, because what we do not all make public is how much the overall requirement is. I am happy for that to be done—

Q295 **Chair:** But the Kremlin will see that two battle groups have gone down to one just as things are getting spicy in Ukraine. That is how they are going to determine it. Is there a commitment there from the UK? Clearly, we would like to think there is, but you have reduced it by a battle group. That is what we are saying. That could be because of pressure on numbers, or the rotation of troops—

Mr Wallace: We have enhanced the battle group we have left behind. It now has GMLRS attached and it has air defence, so it has been enhanced from what it was when I visited a year or two ago. It is more poky, with deeper fires, which it had not had. At the same time, I think that what the Kremlin will see is that when the plans were triggered, overall the NATO forces increased on its borders. The process we have to get to by April is the regional plans written by SACEUR, because what is really important is that all of our deployments fit into an overall plan of the defence of Europe. What happened with the enhanced forward presence in 2014-15 was that it was quite donor-led. It was, "We can do that," "We can do this." It did not fit into an overall plan and it may be that actually—

Chair: We will explore this a bit later. I will step back and ask Robert to take us wider afield and not just to Ukraine, because there are other things happening across the world.



Q296 Robert Courts: Good afternoon, Secretary of State. There are a couple of things I would like to pick up on, please. First, building on the point you have just made about everything arising out of Madrid, clearly the IR was intended to position us as a global power and to make sure that NATO commitments balanced off against those in the Middle East and the Indo-Pacific region. There has obviously been a criticism that the UK is a bit light on the land side. Given the increased commitments you have arising out of Madrid, how will you balance off those wider global commitments against the increased NATO requirements, given everything we are seeing in the east?

Mr Wallace: I am not sure what increased commitments from Madrid you are referring to.

Robert Courts: Well, it is everything arising out of Ukraine—that wider commitment to the enhanced forward presence.

Mr Wallace: We did not have an increased commitment in our force commitments to NATO from Madrid. That may or not come later when the regional plans and the NATO defence planning process goes through its cycle again, where they ask for more or less—

Q297 Robert Courts: None the less, the essential underlying point remains, which is about the balance required for the Indo-Pacific and the Middle East, so that you have that global positioning, notwithstanding the rest. It is about that balance.

Mr Wallace: If you are asking whether we have the funding to match the commitments made in the Defence Command Paper and the integrated review about the Pacific tilt and being more global, that is why my point about insulation from inflation and so on is important. It is also why, as we said in the last Committee session, we have to be honest that our land is 15 years—I will put my finger in the air for that 15 years, but I would say that it is 15 years—behind its peer group in all sorts of areas. That is why we are investing £23 billion over the next 10 years into land modernisation, whether that is electronic warfare, deep fires, Boxer, Ajax or Challenger 3, because we have to. It is deeply worrying for me—I will put it the other way, actually: it is disturbing—that our land is so far behind. There is lots of history for that, but it is something we should worry about and that is why we are doing the investment. Could I do it quicker? In some areas we probably could, but in others we just simply couldn't, because we have to establish the production lines, the skills and the workforce in Telford, for example, to build the Boxers and others. We need to get Ajax delivered; it is really important.

Q298 Robert Courts: Going back to the wider defence industrial capacity challenge, we have clearly seen an impact on that anyway through the effect of covid and of component shortages, and so forth. Now we have the rate of ammunitions being supplied to Ukraine. Clearly, that is something that we all support, but I want to address the industrial capacity—not so much the funding, which others have covered, but the ability of industry to ramp up at speed. I think you have accepted that we



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have the ammunition to defend ourselves, but were it to be a longer conflict that is a different question. In particular, what is being done with the US and wider NATO powers to address this? This is not a unique problem to us. Others are in the same position, but you have a wide, quick outflow of ammunition and other matériel. How are we going to get the defence industrial capacity to replace that?

Mr Wallace: There are two areas strategically—one that the Ministry of Defence should worry about and the other that the whole of Government should worry about. The whole of Government should worry about skill bases and skill shortages. That is not unique. That is across the developed world, but during covid one thing that did not stop was people retiring. People have retired. Also, the requirement in the medium and high skill base around everything from tech to engineering is a real challenge. If we are going to suppress inflation and begin to secure our supply chains, we have to invest. That is FE colleges, apprenticeships and really important things.

Q299 **Robert Courts:** Can I pause slightly on that point, Secretary of State? Although I agree with you on all that, and clearly that is correct, what can be done in the shorter term, particularly with NATO and US partners? This is not unique to us. It is not just our problem.

Mr Wallace: First of all—I think we all felt this—placing the order is part of it. I need a stick. If I place an order, I need to be able to say to the manufacturers, “Why don’t you employ more people? Why don’t you double your production line? It’s no good telling me that it’s going to take five years. Why don’t you spend a little more and have a little less profit, or whatever, but actually invest in your supply chain and production lines, so we can have it sooner.” The only way we are going to do that is to cumulatively, in replacing our ammunition stocks across Europe, have big orders. Big orders will make them invest and lead to an increase in production rates, and that is important. If I turn up and just ask for 35, my leverage is not very big. If I turn up and ask for 3,500 NLAWs, that changes things. The reality is that they will respond to orders, like any business.

Q300 **Robert Courts:** Finally, while the arsenals of the west and of Russia are being deployed in Ukraine, that is not the case for other adversaries, or potential adversaries or challengers. China, of course, is the most obvious one of those. Is there a danger that we are going to see the US start to take its attention away from Ukraine and the eastern Russia threat, mindful that China’s arsenals remained unemptied, for example?

Mr Wallace: There is always the overall point that the world is more anxious and unstable. It does not just come from Russia; it comes from the growth of violent extremism across Africa—al-Shabaab and so on—and the rivalry of China that is growing in the Pacific. That is why this Committee and I know that you do not get away with that without investing money in it. Whoever is the Government of the day, this is not going to go away. We need to invest. We need to grow our defence budget. I think I have spoken previously about being in a Department,



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which many of us in this room have been in, where culturally it was about holding on to what it had—every year, under every Government. Culturally, that is a bizarre place for a Department to be in, compared with other Departments in Government. That is so deep in the DNA of the Department—you probably agree with that, Chair—that it affects behaviour all over the place, and we have to change it in the centre, in No. 10.

Chair: Yes.

Q301 **John Spellar:** You made some very welcome comments about the role of the Department as the customer—in other words, to drive capacity. Does the Department put any requirement on its suppliers to have apprenticeship and technical trainee ratios as part of the conditions of contract?

Mr Wallace: I would hope that it does, but can I write to you in answer?

Chair: It is the ratios, not just doing it. It is actually saying that this is a commitment. It would be great to see that.

John Spellar: You can put it in the invitation to tender. You can say there will be a requirement to have one in 10, or whatever the ratio is—

Mr Wallace: Well, I would be open to that—

John Spellar: And say what happens in the construction—parts of the construction.

Chair: The United States does this but with veterans—with the number of veterans who are employed. You have to have a certain percentage of employees who are veterans in order for you to get a contract, which is quite interesting.

Mr Wallace: I didn't know that; I will definitely look at it.

Chair: Thank you, Robert, and thank you, John. Let's move to Kevan.

Q302 **Mr Jones:** Secretary of State, last week you met your Turkish counterpart. Could you tell us, in terms of the importance of Sweden and Finland being ratified within NATO, what those discussions involved and where the Turks are?

Mr Wallace: I have a close relationship with the Turkish. They are very important, obviously, for the Black sea and that grain deal. I also had taken my counterpart to see Typhoon in Lancashire and he had been to see them in Qatar. We had obviously handed over some planes to Qatar, so they were interested in looking at Typhoon. And of course I was interested in looking at their industry. They have the TB2s, the Bayraktars—particularly innovative capabilities that are economically viable for lots of people whose wherewithal would exclude it and who cannot afford many.



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They are particularly strong, actually, in challenging Russia, despite what you might read; their actions are, particularly, and have been historically. I also speak to them about Finland and Sweden. I went out there in June to talk to them about it. At the moment, it is regrettable that the Parliament of Turkey and, I think, of Hungary are the two countries that have yet to ratify Sweden and Finland. I am optimistic—certainly on Turkey, I am optimistic that they will do that. I don't think it is what they want, and I understand their concern. We proscribe the PKK in this country as a terrorist organisation. They want it recognised by NATO and NATO members as also a threat, and I do not think that is an unreasonable demand of them. The Turkish sometimes, I think, feel that that is out of sight, out of mind, and no one takes their fears seriously. The strategic importance of Turkey is to communicate that—so I am optimistic. I think Turkey recognises the importance of and contribution that Sweden and Finland can make to making NATO even more secure.

Chair: On our visit to Finland, what was very much appreciated—this was three Prime Ministers ago, I think—was the joint memorandum of understanding between the United Kingdom—

Mr Wallace: Is that our Prime Ministers or—

Chair: Yes, not their Prime Ministers. Finland was very appreciative of that support in this interim period, because we are still waiting for Hungary and Turkey to sign. I understand Hungary will put it to the Parliament in December, but of course Sweden and Finland are vulnerable during this period when they are not fully fledged members. Something silly could equally take place up there as a distraction, for example. The support from the United Kingdom and, indeed, the United States in signing those memoranda of understanding was very much appreciated; I just pass that on.

Q303 **Dave Doogan:** Secretary of State, the visit that the Committee made to Finland was a genuinely extraordinary whistlestop tour of their defence capability. It is a nation of 5.5 million people that was part of Sweden for, I think, 700 years and part of a duchy of Russia for 100 years as well. It is quite clear, isn't it, that a nation like Finland contributes much more, in terms of additionality, as an independent northern European state of 5.5 million than it does as part of a larger union?

Mr Wallace: Finland is deeply bound culturally, even though it is not Scandinavian but Nordic, to that part of the world. But also, Finland is seeking to join a treaty organisation called NATO, which pools its sovereignty. Article 5 is an act of pooling sovereignty. The SNP would therefore understand the benefits of a treaty that pools sovereignty that is called the Act of Union, which did the same thing. But not only did you get defence—mutual defence—when Scotland did that; you got mutual economic benefit, which I always thought was a great thing.

Q304 **Dave Doogan:** Sorry, did you say "benefit"?

Mr Wallace: Absolutely. This now allows you to buy ships in Turkey, I have discovered. Is that right? You have just placed an order for ferries in



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Turkey for the Scottish National party? That is brilliant—supporting Scottish shipbuilding, in Turkey.

Chair: Thank you, Dave, for that digression. Let's turn to another alliance relationship. Mark, do you want to wander down this road?

Q305 **Mr Francois:** Secretary of State, NATO-EU relations are always a subject close to my heart. Permanent structured co-operation—PESCO. As the Committee understands it, that is a voluntary programme and we have opted into at least one, which I think was to look at working with European partners to be able to move reinforcements more quickly across internal EU borders—for instance, if you had to reinforce Estonia. That makes perfect sense. Could you explain if we are in any other PESCO programmes and, if so, what they are? Could you also explain in layman's English exactly what PESCO is and what it is not?

Mr Wallace: The one we are in is the mobility capability concept led by the Dutch, which is about a capability review of what we need. I said we could join that because it did not involve the transfer of intellectual property into other programmes that PESCO often has in its procurement programmes.

On the cost to the UK, you pool intellectual property. We have been talking about challenges around ITAR in the United States, and that is not something we want necessarily to go into. We want to reserve our right to do that. Studying capability need—fine. My understanding is that that is the only programme. I will ask Clare Cameron to give you the exact details of PESCO. For me what is important about all these works is where the intellectual property lies, who gets to exploit it, and whether you are missing out for your industries in doing it, or is there another way? The reason we often prefer OCCAR is that it is a loose affiliation of like-minded countries who need things at a similar time of the cycles.

Q306 **Mr Francois:** Before Ms Cameron answers, some people have sought to argue that if you opt into PESCO you are in effect "joining a European army"—

Mr Wallace: Yes, I saw that.

Q307 **Mr Francois:** I think that is nonsense. I would just like clarification on exactly what this thing is and is not. Are there any other PESCO programmes that we are considering joining?

Clare Cameron: I will write with further details on PESCO, but it is certainly not joining a European army. When there is a UK interest, we are open to looking at joining further projects. This one about military mobility made perfect sense for us, and we are really pleased that all the other members that are a part of it have voted unanimously for us to join.

Mr Francois: Can you confirm in simple terms that NATO is a military alliance and the European Union is not?

Mr Jones: It is cutting red tape, basically.



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Q308 **Mr Francois:** If you could provide a note to the Committee on any other PESCO programmes—

Mr Wallace: I am unaware that we are a member of any of them. If we were, they would come to me. I thought long and hard about the one we did join. It made sense, and I thought that we should join on a pragmatic basis.

Mr Francois: Okay, we will get a note. Thanks very much.

Q309 **Mr Jones:** This one makes perfect sense because it makes sure we get customs rules and anything else. Where does this fit into the other side? It was discussed at the NATO PA this year, and it is being talked about in the EU in terms of bridges, railway gauges and things like that. How do they fit together?

Mr Wallace: In some areas NATO does that quite well. Britain and Germany do a bridging requirement. We entirely share a really good project where both of us do that. The M3 programme is a NATO-based one. The challenge for all of us is to try and encourage the EU not to compete but complement. That is the reality. We can all do much more if we complement each other rather than compete with each other, or duplicate. In some areas it makes perfect sense.

Also, there are other routes—OCCAR and bilateral. Let us be honest: how many real customers are there in Europe who buy big amounts of defence kit every year? There are not that many countries. If we can find a country in sync, we can help each other if we are buying more of the same. On the Tempest—the next generation of fighter—Italy and Britain are in a similar cycle, and hopefully Japan will be part of that as well. That not only saves the taxpayer money and development costs, but it produces the good customer base for that ever-important volume that you need to keep it going once you have done it.

Q310 **Chair:** It is curious. We won't go down this route today, but FCAS and Tempest—you've got two programmes there. Politics aside, it is a shame that we are not able to—if we look at the F-35, we are struggling to get the 138. We are up to 48. You have the money for that.

There is just a concern that we build these very high-tech, capable aircraft, but then there is not the budget to afford them, and therefore sharing the capability of the project would make sense. I can't help thinking—personal views—that we will see the projects merge in due course.

Mr Wallace: Which? You mean the French SCAF project and our FCAS?

Chair: Well, ours doesn't land on a carrier. It seems bizarre to have a sixth-generation aircraft that is not able to land on an aircraft carrier.

Mr Wallace: I think it is to replace the Typhoon. For what it's worth, we have three countries who have a significant requirement of their own in 2030 or whatever it is, which will coincide with the end of, let's say Typhoon—and the United States and the Italians. F-35s will be longer in



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service, and then we need to replace. The Tempest is a great example. The more we can get in that consortium, the more we can save on development costs, because we are sharing that.

Chair: You are making my argument for me. Let's move on to another alliance that is arguably most critical now in Europe. Richard, take it away.

Q311 **Richard Drax:** Yes. Just before I ask my questions, perhaps I could help the viewer. We have another acronym. We had PESCO, not Tesco, in case anyone makes that mistake. This one is JEF, which is not an individual. It is the coalition of 10 like-minded northern European nations. I hope that is helpful.

Much of the UK support to Ukraine has been carried out under the JEF banner. What are the added benefits and potential negatives of having all the JEF members as part of NATO?

Mr Wallace: First and foremost, there are 10 nations—the Nordics, the Scandinavians, Iceland and ourselves. When we say like-minded, they are definitely the nations of doers. A number of them are training Ukrainians together with us in Cumbria and Yorkshire. We have worked with some of them, such as Norway, for decades. Some of them are our closest friends, but newish—we have strong relationships with the Baltic states. We all get on. It was predominantly grown out of a military-MoD Defence lane. It has not broadened out to Foreign much. While we have had some meetings of the national security advisers of the JEF, it is predominantly Defence-focused.

At the time, it allowed Sweden and Finland to join that grouping, exercise together, and interoperate and plan together with professional armed forces of a similar capability to us, with some pretty amazing equipment that allows us to multiply into that alliance of 10.

Those two countries joining NATO is incredibly welcome, because it will just make it even easier to deal with that whole theatre of the High North all the way down the Baltic sea as a one, and potentially offer up to NATO a proven record of interoperating and training together, and in a part that has a very long Russian border. Let us not forget the Russian border. Most of the Russian nuclear submarines come out of the northern fleet. They have in the past often posed a risk to us and our security, and we are all able to deal with it, plus, now, protect our crucial national infrastructure. It is really welcome, but, as the Chair said, we had already laid some foundations anyhow with mutual defence packs.

Without doubt, I meet them quite a lot. I am seeing the Defence Ministers next week again. We train and exercise a lot. It is not that everyone has to train and exercise together. We do it sometimes with three nations or four nations, or even bilaterally. Since Nord Stream 2, we responded with some more deployments of some Type 23s and HMS Enterprise, and worked with the Norwegians around their oil rigs and ours to protect that infrastructure. Since February, we marshalled a number of exercises in that region, including sending a squadron of tanks to Finland—the first time I think we have ever had a squadron of tanks there.



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It is a very good grouping. I would definitely recommend to this Committee that you touch base with your counterparts. You have already been to Finland. Someone described them as the beer-drinking nations. I describe them as the nations where we all have pretty bad weather, rainy weather, but they are all very much a good gang of people. Our armies get on incredibly well, and our armed forces, and that is a plus. They are the doers, and they get on with it.

Q312 **Richard Drax:** All pluses and no negatives.

Mr Wallace: I haven't seen any negatives.

Q313 **Chair:** It is really interesting that you say that, because that is certainly the feedback that we got in visiting members of the JEF. There was a sense of faith, if you like, in this alliance compared with that of NATO for the very reason that we went back to—that it is a consensus-driven organisation. We picked that up when we visited NATO headquarters as well. Do you see this as an alliance particularly involving Ukraine, as the war perhaps gets more concerning in terms of the direction of travel in which Putin may take it? Are you utilising the JEF as opposed to, let's say, a NATO response?

Mr Wallace: If you think of them, a large part of the Russian border is with those countries. Right from the very High North, especially when Sweden and Finland join, and even before they joined, they have the largest part of the Russian border that faces NATO. The only other party really is Poland, which has that. Poland is not in the JEF, but the others do. We also have the Netherlands in JEF as well, which really reflects our maritime and marine tradition in the Arctic. You often find Dutch marines exercising in Norway as well, alongside Brits. There is a mutual benefit. We learn from each other. Norway's knowledge of the High North and the sea passages that the Russians take is incredibly important. We are quite vulnerable, both of us, in our oil fields to that type of threat from Russia. People like Iceland are very strategic, in the Greenland-Iceland-UK gap when it comes to maritime awareness. It is under the wing of NATO now. In a sense, with the other two joining, it is definitely under the wing of NATO. Again, it is about complementing and working within it. It is not about competing.

Q314 **Chair:** You were not able to make the original timing for this discussion—the inquiry that we are having today—because you had to go to the United States rather urgently. It is understandable given the rhetoric that we are seeing from President Putin at the moment. It is clear that Russia is losing, but how it loses this war is undetermined. Putin is increasingly leaning to the unconventional, including the threat of low-yield tactical nuclear weapons. If Putin uses a nuclear explosion by means of a false flag, or indeed otherwise, after 75 years since the last use it would fundamentally change the shape of war. Can you say without hesitation that there would be a kinetic response if Putin goes there, and would this include UK participation?

Mr Wallace: Chair, the position of the Government is that should President Putin follow that foolish route there would be severe



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consequences for that action. I cannot speculate on what those consequences would be, but as you rightly point out we are one of the P3s. France, Britain and the United States are part of the NATO nuclear alliance. France has a slightly different relationship, but nevertheless we are also the three permanent members of the Security Council in NATO and we absolutely feel the obligation to uphold the nuclear taboo that was set in 1945. There would be severe consequences for Russia, but if you will forgive me I do not want to speculate on what they would be.

Q315 **Chair:** That is understood. You will understand why we have to ask these questions. There is a report in *The New York Times* today that suggests that the Pentagon believes that Russia has a stockpile of over 2,000 tactical nuclear weapons. Are you able to share at all what you think Russia's arsenal actually is, and its utility? It is not being used. Is it kept up to date? Are the stockpiles in service? Are you able to share at all exactly what sort of threat we may be facing?

Mr Wallace: Rather than speculate in public, I would be happy to get you a closed briefing from defence intelligence of the state of what we think is the Russian nuclear arsenal. I think that would be fair enough. I do not think I want to indicate to the Russians whether I am right or wrong in a public setting, so I will be happy to arrange that for you.

The reality that is not a secret is that Russia has in its doctrine the concept of tactical nuclear weapons, which I find a rather perverse concept in the first place. The United States call it non-strategic. To all of us normal people in a room like this, dropping a nuclear weapon the size of Hiroshima is, in my book, not tactical, but somehow the Russians think that it is. These are weapons of mass destruction by their description.

Q316 **Chair:** I chose my words carefully. I used "nuclear explosion", because of course you could then deliberately be targeting a civil nuclear reactor in Ukraine, or indeed claiming to respond to Ukraine's use of a dirty bomb, which already they are trying to put into the—

Mr Wallace: Forgive me, Chair. I would like to say that the claims by Russia of the preparation of a tactical nuclear weapon by Ukraine, or indeed facilitated by the United Kingdom or any other power, is not correct and is not true. No one is preparing or facilitating a dirty nuclear weapon—a nuclear bomb. For the United Kingdom, first of all it would be abhorrent. Secondly, it would be, in our view, against international law. Thirdly, it would be totally unjustifiable, so we have no intention of doing anything other than rebutting and stating the truth about that.

Q317 **Chair:** Okay. That is very helpful. We touched on the 3%. I think Ukraine has illustrated better than most the important symbiotic relationship between our economy—our prosperity—and our security. Indeed, you could argue that Britain is more exposed than other countries to inflation because of our embracing globalisation. What is going on, for example, in Ukraine, is that we have done an incredible job, thanks to much of your efforts as well, leading into supporting on the battlefield. The question now—I pose it as a question—is whether there is more that we could be



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doing to help strategically to advance and close down this war.

I particularly point to Odesa, where—I have said this in the House—through the UN General Assembly, bypassing the Security Council, we could get legislation through to create a safe haven, which would then allow the legal top cover for us to protect the grain ships that are coming in and out. Not only would that help to support the Ukrainians, but it would impact European security and the European economy. Is that something that you would consider?

Mr Wallace: I understand. I remember you talking about a no-fly zone concept, whether it was with the UN or without it.

Q318 **Chair:** This is specifically to do with Odesa and the food supplies that come out of there, bearing in mind that it is not just Ukraine; it is much of Africa and indeed elsewhere. Food prices—

Mr Wallace: I think the route that went down, with the Turkish brokering—the Russian-Ukrainian deal—started to work. Over 9 million tonnes of grain had been moved until it was paused. I noticed today that the Russian Federation has restarted that process, I think. That was the right way to go about it, because ultimately providing a security zone would mean that we would have to make the decision about whether we would be prepared to engage Russian aircraft or Russian ships directly. We have taken the decision that we do not wish to do that.

Let's fast forward to when all these regional discussions originally started. You now have a coastline with the Ukrainians in possession of harpoon anti-ship missiles. It is a very prickly coastline for any Russian ship to get too close to. I noticed the attack over the weekend, or the alleged attack, in Sevastopol. The question is obvious: why are those ships sitting in harbour? What we can observe is that the Russian navy is not going out to sea very much these days because of, effectively, the weapons systems that the Ukrainians are in possession of. Their ability to hamper and control the Black sea is much reduced from when I went to Mariupol two or three years ago, and I think the solution that was found was the right solution. I am grateful to Turkey for its efforts, but fundamentally attacking food supplies and critical national infrastructure is a crime. It is a war crime. It is against the Geneva conventions, and the Russian state should be held to account for that.

Mr Francois: We should commend the Department for the work that defence intelligence has done in producing these really excellent briefings for Members of Parliament, and indeed producing other information in the public domain to combat Russian disinformation and maskirovka. Perhaps you could pass on our compliments? They have been really good at that; when the Department do something well we should acknowledge it. Secondly, and perhaps slightly cheekily, when you meet with the Chancellor, if he will not take it from you about the need to maintain strong defence spending, perhaps he might ring Volodymyr Zelensky and ask him his view?

Q319 **Chair:** There have been some changes in your team. It would be helpful



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for the Committee to understand where the veterans Minister now sits in your ORBAT.

Mr Wallace: The Office for Veterans' Affairs sits in the Cabinet Office, and its overall job is to hold all of the Government Departments to account for their application of the covenant and veterans policy. Included in that is holding me and the veterans Minister to account for the services that we deliver—whether that is veterans services, the roll-out of the veterans card or other things. That is its job; it holds us to account. I would expect it to hold to account the Department for Education for the service pupil premium and whether returning forces get places in schools. That is the job of the Office for Veterans Affairs, oversighted by Minister Mercer. The office of our veterans Minister is to run the other parts of delivery that the MOD is a part of—defence business services, the resettlement work and the other stuff around the pathways of mental health etc that are required.

Chair: That is helpful.

Q320 **Mr Jones:** It will be interesting going forward; that is all I will say. That is rather messy, is it not? You have got the Cabinet Office, which has no direct leverage over you in terms of the veterans Minister etc, so who will referee the turf wars? There will be big turf wars, because the individual who has been appointed—the individual in the Cabinet Office—has strong views, some of which are completely bonkers, in my opinion, on veterans policy. That will certainly clash with some of your views and the views of your veterans Minister.

Mr Wallace: I do not think there is any harm in someone overseeing and asking questions. To be fair, Johnny Mercer has raised a number of issues with me about the Armed Forces compensation scheme and how veterans have felt aggrieved by it, and the slow roll-out of the veterans cards. Sometimes it takes people outside of the Department to point that out; I do not think there is any harm in that and in holding me to account. I hope that other Departments that do not always take veterans services as seriously as they should do will also be exposed to their failures, and it will be raised up the agenda. I do not think it is about a turf war. Minister Mercer has the ability to go to the Prime Minister and raise the issue or to raise it in Cabinet.

Q321 **Chair:** That has reminded me. He has agreed to go to this memorial event at the Arboretum to mark the 70th anniversary of the nuclear weapons testing that took place in south Australia—Operation Hurricane, I think it was. Do you intend to attend that?

Mr Wallace: I do not think I intend to attend it, no. I am trying to look at where we currently are on recognition of the test veterans, because we have had some changes in Prime Ministers.

Q322 **Chair:** That was my next question. Is it now time for a medal to recognise what those veterans and civilians endured?

Mr Wallace: The Committee on the Grant of Honours, Decorations and Medals in the Cabinet Office deals with the issue of medals.



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Q323 **Chair:** Would you recommend and support the campaign for a medal for them?

Mr Wallace: I have fed into their process, but I do not know where we are with that at the moment. What they did was significant and needs recognition, but in terms of how it is recognised I will press the case and see what comes through the Committee. I do not want to undermine the deliberations of the Committee by revealing my position until that has been done.

Q324 **Chair:** Okay. There has been a long campaign for compensation for people with health issues. I will raise a matter of interest here as it just happens that we are going down this avenue. When I was veterans Minister, I replied to parliamentary questions saying that there was no evidence that any blood sample data collected would show damage to health during those tests. If it were to emerge that such data was collected during those tests and was available today, what would your advice to me be?

Mr Wallace: All of us proceeded on the basis of the evidence before us—we always did. If evidence came in to suggest that, of course.

Chair: But it would be a criminal offence if the MoD was found to have held back evidence that was there and could have affected the outcome of a medical—

Mr Wallace: I do not know whether it would be a criminal offence, but I am sure that something would be amiss or wrong if that happened. None of us has ever treated—I had a constituent of mine who I dealt with. None of us has wanted to prevent recognition or support for our nuclear test veterans. There is no conspiracy among Ministers of whatever party—

Q325 **Chair:** I am not saying Ministers. I am saying that if medical information that could have an impact on treatment, diagnosis or compensation was withheld—

Mr Wallace: That would be deeply wrong.

Chair: And the MoD had access to it, or even today could have had access to it, that would be a criminal offence.

Mr Wallace: I am not a lawyer, but it would be deeply wrong to withhold evidence from Ministers and everyone else. If anyone has any evidence, they should put it before us.

Mr Jones: On compensation, if you need my signature on a document, I am quite happy for you or any of your Ministers to look at all my papers—the documentation, the proposal that I put forward, and the reasons why it did not go any further. All I will say is that it was something that I worked very hard to try to solve, and it is not the MoD's fault that it was not solved.

Q326 **Chair:** May I invite you, Secretary of State, to understand the concerns here, and perhaps to investigate yourself whether there is information



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out there that could otherwise have affected those veterans? If they were not allowed access to the complete picture of their own medical records, that is irresponsible.

Mr Wallace: I will happily respond to the Committee on that.

Chair: Thanks very much indeed—that is very kind. On that note, I am very grateful for your time, Secretary of State, and I thank Clare Cameron and General Eastman, who I think got off lightly today.

Mr Wallace: Mr Chairman, during the cross-examination, I thought that I will push to see if you can visit Hereford. I want to make clear the difference between oversight of the Armed Forces and oversight of the operations of the special forces, which is a different thing. I will see what I can do.

Chair: Thank you for making that distinction and for drawing that conclusion. Thank you very much indeed to my Committee and its staff, and indeed to our guests.