

Defence Committee

Oral evidence: Departmental Priorities, HC 814

Wednesday 21 February 2018

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Members present: Dr Julian Lewis (Chair); Leo Docherty; Martin Docherty-Hughes; Mr Mark Francois; Graham P. Jones; Johnny Mercer; Gavin Robinson; Ruth Smeeth; John Spellar; Phil Wilson.

Questions 1-134

Witnesses

I: Rt. Hon. Gavin Williamson CBE MP, Secretary of State for Defence; Lieutenant-General Mark Poffley OBE, Deputy Chief of the Defence Staff for Military Capability; and Peter Watkins CBE, Director General Strategy and International, Ministry of Defence.

Examination of witnesses

Witnesses: Rt. Hon. Gavin Williamson CBE MP, Lieutenant-General Mark Poffley OBE and Peter Watkins CBE.

Q1 Chair: Good afternoon, everybody, and a particularly warm welcome to the Secretary of State for Defence and his team. Secretary of State, we know that you would like to make a brief opening statement, and we are very happy with that. If you could show a bit of flexibility with your time at the end of our scheduled two hours, we would be grateful for that as well.

Gavin Williamson: Of course; that is the very least I can do, Mr Chairman. As this is my first session before the Committee, I want to take the opportunity to touch briefly on defence's part in contributing to our national security and on our Modernising Defence programme.

My framework for looking at defence has three pillars: our role in NATO and at home; our role as a capable and reliable contributor to missions led by our close allies and partners, particularly the United States; and our ability and willingness to act independently or lead multinational missions. This framework is informing the Modernising Defence programme, which I announced in my statement to the House on 25 January.

The Government plan to announce the conclusions of the national security capability review before the Easter recess. Its analysis showed that the risks and threats that we face are intensifying and diversifying faster than was expected in 2015. It also showed that more work is needed to adapt defence's capabilities and processes to meet the challenges ahead. Close allies of ours share that analysis. The United States' national defence strategy, published just a few weeks ago, highlights the re-emergence of strategic competition between states. It identifies the need for a more lethal and modernised US force, strengthened alliances and a more agile Department of Defence.

As a leading global actor, the UK has a responsibility to respond decisively to the challenging strategic context that we find ourselves in. This means examining how we can adapt our plans for Joint Force 2025 to make our world-leading armed forces even more effective. I envisage that we will need to combine the conventional with the innovative and balance high sophistication to meet the most advanced threats, but also have utilitarian effectiveness for more day-to-day tasks. Supporting that force will require a Department better at harnessing our whole force of regulars and reservists, civil servants and contractors, exploiting modern business practices and optimising our relationships with the private sector.

On the subject of our relationship with the UK industrial base, I am pleased to announce that the MOD has decided to develop a combat air strategy. Delivery of battle-winning capability to the UK's armed forces is dependent on a number of world-leading national technologies and skills.

Air power, and more specifically combat air, will remain at the heart of our operational advantage and freedom of action, and an important component of our national prosperity.

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

The Modernising Defence programme is about enabling Defence to deter and respond to an evolving array of risks and threats, so that we can make a full and enduring sustainable contribution to our national security and prosperity.

Q2 Chair: Thank you very much, Secretary of State. I will start off by saying that your first outing at Defence questions encouraged a lot of us when, in response to a question, you stated that the NATO minimum of 2% of GDP to be spent on defence by the United Kingdom was, as you put it, a floor and not a ceiling. Do you agree that if we are going to respond to what you describe as intensifying and diversifying threats while continuing to meet those threats that were identified in the last strategic defence and security review only a couple of years ago, we are going to need a significant uplift in the defence budget?

Gavin Williamson: If we go back to 2010 and the review that was conducted then—you will probably remember this—I think it was stated that there were seen to be no state-based threats. The world has changed so rapidly since then and we have to adapt to that change. I very much see the 2% commitment clearly as a floor, but equally we should not get obsessed about percentages; it is about looking at what the threats are and then how we have the capabilities in our armoury in order to deal with them, making sure they are properly financed and properly supported. So yes, I see 2% as a basic commitment that we make towards NATO—it is a floor—but I think it can sometimes be a bit confusing to start looking too much at what the right percentage is. What we need to be looking at is what we need to do to deal with those threats and how that capability is properly and fully supported.

Q3 Chair: I don't think anyone would argue with the proposition that you could actually spend a great deal of money on defence, and that if you spent it on the wrong things—in other words, wasted it—you would still be in a perilous situation. However, expenditure on defence is surely a necessary, if not a sufficient condition. When you compare what we spent as recently as the 1980s, which was 4.5% to 5.1% of GDP on defence, with what we spent in the mid-1990s, several years after the end of the Cold War and after we had taken the peace dividend cuts, which was fully 3% of GDP, would it not be sensible now to accept the fact that if we were barely managing to spend 2% when we were facing the threats identified in the 2015 SDSR and if there are new threats now, it surely follows from that that we need to spend more than 2.5%, albeit we need



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to spend it wisely?

Gavin Williamson: I think spending it wisely is an absolute given that everyone would very much take. I had the fortune to read a very interesting report that the Committee did, and it did a very thoughtful analysis of the fluctuating percentage of GDP that has been spent on our armed forces. You will probably remember better, Mr Chairman, but I think it was as recently as 2011 that a 2.5% figure was spent.

The thing I am most concerned about is not getting into an argument about what the right percentage is, but using the opportunity of the Modernising Defence programme to work out what capabilities we need to keep this country safe and ensuring that we have the right support and the right finance to deliver on that. What percentage of GDP that works out at is not as important as ensuring that we have the resources to have the right deterrent and the right capabilities for our armed forces. With threats increasing, we have to accept that we will have to invest more to keep Britain safe. The Government have been committed to investing more in defence, and that is something we are all rightly proud of.

Q4 Chair: Do you accept that, until you recently had success extracting the defence strand from the security and capability review, the fact we were limited to doing this exercise in a fiscally neutral way led to the absurd situation that in order to meet the new and diversified threats we were being told that we might have to delete our amphibious capability? That, surely, is a sign that the 2% we are spending is not enough.

If I may put it to you gently this way, Secretary of State, before asking colleagues to come in after your response, we are getting a little bit fed up with Secretaries of State who spend their time in office talking up how much is being spent on defence and then, like your predecessor, within a week or two or a month or two of leaving write very good articles saying how we really need to be spending 2.5% of GDP by the end of this Parliament. So would you like to break that cycle and say it now?

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

Q5 Graham P. Jones: Thank you, Secretary of State, for coming in. You used the phrase a "more agile" Defence Department, and it worries me that "more agile" is actually code for cuts. In your announcement about an air industrial strategy, you did not mention retaining our sovereign capability in the military aircraft sector, and that worries me. Can you give some reassurance that our sovereign capability will be part of, and at the heart of, this air industrial strategy as that is built and developed?



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Gavin Williamson: It will be a very important part of it. The Minister for Defence Procurement is meeting BAE Systems, which is an important contributor to our national defence and our defence industry, today to discuss this scheme. We want to use this as an opportunity for some of the absolute world-beaters that are based in this country, whether that be BAE Systems, Rolls-Royce or so many other businesses that contribute to it, to have a real say in how we develop the strategy going forward. We want to build a real, close collaboration with those world-beating companies to ensure that we have the technology and can use the science in order to lead this field. We need to look very far forward into the future. These are not things that will necessarily take fruition in the next two or three years. This is about the next generation after Typhoon and how we work with them, but it is right to work really closely with British industry to develop that capability and to be that world leader.

Q6 **Graham P. Jones:** On the production of Typhoon—as you probably know—the orders go through to about 2026, so it is paramount and urgent that we develop this strategy. Are you aware that we have no orders beyond 2026 at the minute, and that there is a real problem with some of the current orders? The Saudi 48 batch two have not been signed off yet. Does that concern you, and what are you doing to deal with that issue?

Gavin Williamson: BAE Systems and all the other partners involved in Typhoon are such a vital part of the manufacturing and science industry in this country. We would like to think that, as a Department, we work very closely with them, in terms of their development and sales. We have been heavily involved—we are working hand in glove—on the development and delivery of their order to Qatar, which is worth, including missile systems, a total of £6 billion.

We are also working very closely with BAE Systems and other countries to make sure we can continue to ensure that the production line keeps running. It is very important, and increasingly so, that our Government are seen to be working with our defence industry, because so many of these orders are ultimately going to be Government-to-Government. I see one of the key parts of my role to be supporting the defence industry and helping them sell Britain right around the globe.

It is also very important in terms of the influence we are able to exert right around the globe as part of our defence industry. One of the key conversations that takes place with so many foreign countries is about the fact that we are world leaders and they want to work with us. They know we are a world leader in fighter aircraft and so many other fields. It is a great advantage in defence diplomacy and the influence we are able to exert.

Q7 **Graham P. Jones:** Moving on from that, you made some comments in the press recently about Russia and terrorism. What do you see to be the current threats to the United Kingdom, to our partners and allies, and to NATO?



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Gavin Williamson: As has been touched on, I think the threat picture is intensifying. We have to deal with the threat of terrorism and of failed states—areas such as Syria. We have had to deal with problems in Iraq and support the Iraqi Government.

As we touched on earlier, I think the world got caught napping, in terms of the rise of those state-based threats. We emerged from the Cold War with the belief that things were going to get better and better. You had one superpower that strode across the world, and you didn't really have any challenge to that. We are seeing that change quite dramatically. You are seeing the increasing assertiveness of Russia. You are seeing the fact that there has been a tenfold increase in the amount of submarine activity in the North Atlantic on behalf of the Russians. You are seeing the Russians being more interested in the Mediterranean region, and of course their involvement in the conflict in Syria. Then you are seeing new nations starting to play a greater role in the world, such as China. You are seeing the challenges we face in terms of North Korea. The world is becoming a much less safe place. As the Chairman pointed out, you have to respond to those threats, because if you do not you are leaving our country a lot less safe than it should be.

Q8 **Graham P. Jones:** Would you like to explain in a bit of detail what you see to be the threat from Russia?

Gavin Williamson: I see Russia as a fascinating country that has invested heavily in a number of areas of technology where they see that they can potentially exploit weaknesses. They are not fighting wars in the conventional way. NATO had always planned to deal with conflict when they were dealing with the Soviet Union and the Warsaw Pact. Syria is a very good example of how they have used so many different routes to exert their influence in that country.

We have also seen the same in Ukraine, where war has been a combination of activity on the ground and cyber-activity. It is about how they have been able to destabilise and make an incursion on a sovereign country. They are acting in a very different way than we would have expected the old Soviet Union to have acted in the '70s and '80s. We will have to adapt in the way that we deal with that.

Q9 **Chair:** Okay, but do you accept that one of the reasons they have to use some of these new methods is that they feel stalemated by our preparedness to counter them using the old methods? If that is the case, that does not mean that you do away with the dam that you built up against the old methods; it means that you have to have supplementary defences as well. That is why we keep coming back to the fact that it would surely be a terrible mistake to delete something like the amphibious warfare capability just because at the moment cyber-warfare—very serious though the threat may be—is nearer the top of our agenda.

Gavin Williamson: You are absolutely right in your analysis, in that we cannot retreat from the forces that we have traditionally built up to act as



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a deterrent. There has sometimes been a feeling, and I have heard people discussing it, that we could get to a position where our armed forces could comprise of two elements: a continuous, at-sea nuclear deterrent and, effectively, special forces. That is not something that you can do. You have to have a whole range of deterrents. You have to have the ability to show your enemies, and those who are challenging your values and the international order, that there are a whole range of things that you can deploy.

We have to have a continuous, at-sea nuclear deterrent and the world's finest special forces, but we have to have a whole range of other conventional capabilities that signal to those who wish to destabilise our country, our interests and our allies that we have the capability to respond to those threats, while having the ability to evolve and change some of those capabilities. What we were doing in the '70s or '80s will invariably look different to what we will be doing in another 10, 15 or 20 years' time. It is about trying to make sure that we continuously remain relevant, but we should not open up another flank that the Russians or other nations could potentially exploit.

- Q10 Johnny Mercer:** Secretary of State, thank you for coming in today. Whose idea was it to separate the defence part of the NSCR, take that away and have a go at it on its own?

Gavin Williamson: It was a collective decision that was arrived at by the National Security Council.

- Q11 Johnny Mercer:** To explore that a little more, could you explain how we doctrinally split security and defence? If defence is not there for national security, what is it there for, and what is the ambition for it? What does it actually mean to the defence community in this country to split that out of the review?

Gavin Williamson: Going back to the Chairman's earlier points, an element of a straitjacket had been created through the NSCR. Because the defence threats have been escalating so rapidly since 2015, we needed to have the opportunity to look at that separately. Not wishing to hold up the very important work that the NCSR had been doing across another 11 different areas, we felt that it was important to create that separation.

It has been made quite clear, and I made it clear in the statement to the House, that the Modernising Defence programme is not a fiscally neutral programme. If it had remained within the national security capability review, it had to be fiscally neutral. Collectively, we felt that this was the right decision to make.

- Q12 Johnny Mercer:** Why didn't they just take the brakes off making it fiscally neutral? We are encouraged to look at national security in the round, so we now talk about spending on CT and spending on cyber in the same breath that we are talking about deterrents in regular forces and so on. It is just quite hard to understand how you separate defence and national security doctrinally. If defence is not there as part of national security, what is it there for?

Gavin Williamson: Much of the work has already progressed very well in terms of the national security capability review. That is very much—

Q13 Johnny Mercer: You thought you needed more time?

Gavin Williamson: We just needed more time. In terms of the challenges that we are facing in defence going forward, they are pretty big challenges and the field of warfare is shifting quite rapidly in terms of what other competitor nations are doing. It is moving very rapidly. The NSCR is very much informing what we do in terms of the Modernising Defence programme. A lot of very important work was done by my predecessor and the Ministry of Defence, as well as the National Security Adviser and the National Security Council. We are very much taking that, and taking the opportunity and the time to do some more work ourselves. This is quite an important point, which is easy to ignore: since 2010, we have not had a defence review or a programme like this that has actually been led by the Ministry of Defence. It has been something that has been led by the Cabinet Office. When we are talking about defence, it is very important for that to be led by Defence. That is something that was really important for me when we were discussing doing this—that this is a Defence-led programme. We have the opportunity to bring in a lot of stakeholders—Members of this House and the other House and also working very closely with our allies. I will be sending a team out to the United States to work with them and to learn some of the lessons from what they have been doing.

Q14 Johnny Mercer: Great. That is what I was hoping to tease out from you. Is there a cross-pollination between what you are doing in that NSCR into Modernising Defence, and will we then be presented with a vision of what national security and defence looks like for perhaps the next 10 or 15 years, which we can get behind and sell? Are you confident that that will be the outcome of the process?

Gavin Williamson: Yes. One of the constraints that we have found ourselves within is that sometimes if you rush a decision, it is very easy to make the wrong decision. I have also come to learn that it is very easy to delete a capability, but it takes an awful long time to rebuild that capability, that learning, that knowledge and often that equipment back into your armoury. I would rather be accused of taking too long to reach the right decision, than reach the wrong decision.

Q15 Johnny Mercer: Finally on this point—or second to last—you have talked about consulting externally and you have talked about America. Who else are you going to speak with as we try to work within alliances and fit our jigsaw piece into the global NATO forces or whatever that may be? Which other countries is it? Is it France, building on Lancaster House and things like that?

Gavin Williamson: We have already listened to all of our closest partners and the Defence Ministers. We very much welcome them making contributions about how best we go forward on this. I will be looking at doing roundtables for think-tanks. We will be wanting to make sure that we have a very clear, open process to colleagues, for them to be able to



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contribute. We want to get this right. We are not arrogant; we do not believe that we have all the best ideas. We want to hear other people's ideas and make sure that they are part of the process.

- Q16 **Johnny Mercer:** Finally, this process is becoming quite elongated for the families, and for those who have read that capabilities are going and all the sorts of stories in the newspapers and so on. When will we start having something at least that can be announced, with a direction of travel? Are you looking to announce anything around the NATO summit?

Gavin Williamson: Before the summer recess.

- Q17 **Johnny Mercer:** So the NATO summit on the 11th and 12th?

Gavin Williamson: I think that would be a very good guiding point.

Johnny Mercer: Excellent; thank you.

- Q18 **Mr Francois:** This is a very quick question on what you said about combat air strategies. When Typhoon goes out of service, essentially we will have a choice in principle for its replacement. Unless we fund it unilaterally, which seems unrealistic, we will have to have a European sixth generation fighter, probably with the French and the Germans, or we will have to do something with the United States. Have you begun to give thought to which of those two options the UK would prefer, and when do you see us being in a position to take a decision in principle on which path we will go down?

Gavin Williamson: That is very much about why we are doing a combat air strategy—to start exploring some of these ideas. The worst thing would be for a Government Minister to announce the route and partnership that we are going down, without taking an awfully long time to work with those businesses that have so much invested in this country, to get a really good feel about how best to take this forward. When we do a partnership, we have some truly exquisite technology and skills that we bring to the table. We should be very proud of what we are able to bring. We should do everything we can to make sure that we get the very best deal, not just for British industry, but for British workers and for the British science and technology base.

- Q19 **Mr Francois:** What sort of timeframe do you have for taking that decision? Is it by 2020, or afterwards?

Gavin Williamson: Peter?

Peter Watkins: I will defer also to the General. I do not think there is a particularly specific timescale at this point. You mentioned Franco-German considerations—they are still at a relatively early stage. As the Secretary of State says, we have time to do the work properly, to think through very thoroughly and to settle what our contribution might be, who would be the best people to partner with and all the considerations that he mentioned.

Gavin Williamson: When we have done the combat air strategy it might be an easier moment at that point to give more in terms of timelines. I

would not want to say a random year and then find that others were tied in with that year that is perhaps not that realistic.

Lieutenant-General Poffley: We need to bear in mind that we are not starting from a standing start. An awful lot of work has been going on across the aerospace sector to work out what the technologies are that you might apply to such a new series of platforms. We are pretty attuned to where both complementary and competitive industrial lobbies might be. As we did with the national shipbuilding strategy, we need to think very carefully about how we engage and over what timeframes. We know that if you are going to introduce a brand-new fast jet, the lead times on that are in the tens of years rather than in singleton years. Quite clearly, that is conditioning quite a lot of our thinking.

Q20 **Ruth Smeeth:** Many of us were calling for a combat air strategy in the run-up to Christmas—we had a debate in the House asking for it. The timetabling of that will obviously be key in terms of resourcing. On that basis, how many staff do you have working on it at the Department?

Gavin Williamson: We listened to your debate and we have come forward with it.

Q21 **Ruth Smeeth:** Can I take that as a win, then?

Gavin Williamson: Yes, totally. You had your debate and we have tried to deliver on it.

Chair: It is a very good precedent to follow, if I may say so.

Gavin Williamson: We do try to please.

Mr Francois: We've had some cracking debates on 3%, too.

Gavin Williamson: Not everything is within my gift.

Lieutenant-General Poffley: To answer your question, in terms of manpower assigned to this, there is a dedicated team in my branch that looks after industrial capability interests. It has been working on shipbuilding strategy, is continuing to do so and bringing that to delivery. The other half of that team will now start to work on aerospace. The total size of the team is about 30 but it would be wrong to say that 30 people will be dedicated to this. It will vary as the workload shifts through the programme.

Q22 **Ruth Smeeth:** But there is complete commitment to making this something that is genuinely tangible?

Lieutenant-General Poffley: There is complete commitment.

Gavin Williamson: The real strength of this is going to be working with industry and how we best take that forward. I am going to look with trepidation towards your next debate and I will have to instruct everyone to act on that policy swiftly.

Ruth Smeeth: I think you just gave me a level of power, Secretary of

State, and I look forward to abusing it.

Chair: Very good; thank you.

- Q23 Leo Docherty:** Secretary of State, thank you for coming. You have declared that the Modernising Defence programme will not be fiscally neutral. Have you had formal discussions with the Treasury about paying for the outcome of this review?

Gavin Williamson: I am obviously not in a position to pre-empt what a Modernising Defence programme will conclude. We have not started to have discussions. When the Prime Minister, the Chancellor and I met before Christmas to discuss the way forward with the national security capability review and the idea of the Modernising Defence programme, what was clear, and agreed by all three of us, was that we cannot make changes to our capability until we have had the opportunity to conclude the Modernising Defence programme. That was something that all three of us were absolutely clear and insistent on.

- Q24 Leo Docherty:** It will clearly be important, when discussions are had with the Treasury, that you can offer reassurance to the Treasury that the Ministry of Defence has got its house in order in terms of its own savings. What measures are you taking to give us and, broadly, the Government that reassurance?

Gavin Williamson: We tried to make the Modernising Defence programme a little bit broader than just looking at what capabilities we needed. We are getting someone from outside in order to double-check our work, as well as colleagues from the Treasury and the Cabinet Office to look at what we are doing, to ensure that it is clear that we have driven and will continue to drive efficiency going forward.

The MOD has been very successful in taking quite a significant amount of savings out between 2010 and 2015. I think it was in the region of £5.5 billion of savings. We are looking at more than £7 billion of savings that we are going to have to achieve over the next few years. We are not going to be complacent in thinking that we cannot do things better. That is part of it.

The other element, which I think is really important, is what defence does in terms of contributing to this country's prosperity. We often talk about defence as an insurance policy—an insurance against the worst that can happen—but we should also see it as an investment.

In the defence industry—what supports the UK armed forces and generates exports—more than a quarter of a million people are employed. As a Department, we are one of the biggest spenders on science and technology, really driving those fields forward. We do need to latch on to the fact that defence is one of the great drivers of prosperity for this country.

- Q25 Leo Docherty:** Going back to the efficiencies, could you or the General perhaps offer some specific examples of efficiencies that have been



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made, and can you offer reassurance that they have not had any detrimental effect on operational capability?

Lieutenant-General Poffley: It goes in part to the point that Mr Jones made earlier about agility inside the Department. One of those efficiencies is to look at the way we are doing our procurement. Is our procurement process overly bureaucratic? Is it tuned to the level of technological refresh in some sectors? What level of assurance and scrutiny is required to genuinely get after delivering capability in an efficient way? There are some genuine things there about where you can make processes better. We have also looked at things like stockholdings, and spares and availability, ratings across the Department. There are some compromises that could be made there. They need to be tuned very carefully against the operational priorities that we have set ourselves to ensure that they are intelligently led, and that you are paring back on stockholding where you are not using it. Quite clearly, cutting back on the inventory is an important dynamic in that. Those two give you a bit of a feel for where we might look.

Q26 **Leo Docherty:** What about training? Should we be concerned that we have cut back too significantly on that?

Lieutenant-General Poffley: We have, as we do in any one year, got to make some prioritised calls about how to stay within budget. It is right to say that this year we have had to cut some training exercises. That has been done with the operational schedule in mind. We have made sure that we prioritised those units and capabilities that are deploying on operations or are in our reaction force. That varies through time and it builds up some issues in the later years, so it does require us to correct that adjustment in later years to refresh those who we have perhaps compromised on their training input.

Q27 **Leo Docherty:** That does not really sound like a sustainable saving, though. Do you envisage that that will be readjusted, moving forward?

Lieutenant-General Poffley: Those are definitely short-term adjustments. As we look into the defence modernisation programme, we are going to have to look very carefully at the level of training we are affording at various readiness levels of the force. That clearly is a judgment that will need to be taken at the back end of that process.

Q28 **Leo Docherty:** Are you able to summarise the total savings that were made through those sorts of efficiencies for the past financial year, for example?

Lieutenant-General Poffley: I am not, off the top of my head, but I am sure we can come back to you with that detail if you wish.

Q29 **Leo Docherty:** If I can move on, Secretary of State, can I ask whether you are still committed to maintaining the overall size of the armed forces?

Gavin Williamson: Yes.



Leo Docherty: Good. That will do.

- Q30 **Gavin Robinson:** Good afternoon, Secretary of State. I was very pleased to hear your reflections on the prosperity impact of defence. I look forward to the day that the MOD smiles brightly upon Northern Ireland. I will say that and you can reflect on it. When do we envisage that the next strategic defence and security review will be?

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

- Q31 **Gavin Robinson:** When we complete this Modernising Defence programme, I presume that work will have to commence on another SDR within 12 months. Is that the sort of timescale that you envisage?

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

- Q32 **Gavin Robinson:** You are in the midst of this process at the moment and probably getting an appreciation of the amount of flexibility that you have. Are we constrained in the SDR process or the current Modernising Defence programme process by the number, nature and duration of significant defence procurement contracts? Do they limit our scope to augment what we can do in the face of varying threat?

Gavin Williamson: I think inevitably that is very true. If, for example, your predecessors have committed down a certain course and you are halfway through that investment programme, immediately it starts to limit your options unless you are willing to write off that commitment and investment. That is why I think there has to be a reasonably regular pattern to that review, instead of leaving it for 10 or 12 years and then having to make very substantial and major changes. There can be more course corrections, as opposed to significant total change.

It also raises the issue of how to do defence procurement better and quicker and make programmes more condensed. For a major programme of defence, such as procuring a new aircraft carrier, you could be looking at 15 or 20-plus years. I don't know how many innovations and new models of iPhone there would have been in that time. How do we get the process to be that much shorter? How do we use technology to our



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advantage? How are we in a situation where we have as much flexibility in our procurement process as possible?

Gavin Robinson: A lot of questions there. We want answers.

Gavin Williamson: If you have the answer, please write to me. I look forward to incorporating it.

Q33 **Gavin Robinson:** I will send it along with my successor for Typhoon, to be built in Belfast.

Secretary of State, in your answers to Mr Mercer about the Modernising Defence programme I think you fairly summarised some of the engagement that we have had with allies. Is that process a one-way street? Do we listen to what they have to say? Do we lean on them to share different capabilities, and do we shape the outcome as a consequence? Or is it simply, "This is what we are doing, this is what we envisage and this is how we shall proceed"?

Gavin Williamson: I think it is a very arrogant individual or organisation who is not willing to listen to some of their closest friends. While the US was going through its review, there was a lot of dialogue between us and them. That is important, and we will be doing exactly that. At the end of the day, if there are things that other nations are doing—look at some of the technologies being developed in the United States, France or Australia, and the way they do things—we would be fools not to look at those examples and at how we can adopt them and change our forces to take that on.

Peter Watkins: If I may, Secretary of State, I would add that we have a particularly close dialogue with NATO, which gives us a sense of where other countries are investing and where we can invest most effectively to have a complementary effect. We envisage that in the majority of cases, if we had to undertake operations we would do so as part of an alliance.

Q34 **Gavin Robinson:** So rather than just formally writing from MOD in the United Kingdom to DOD in the US or to Ministries across the European Union, what you are suggesting is that the continual and engaged relationship we have through structures like NATO means that to a large degree you know exactly where one another is going and can augment and tailor accordingly.

Gavin Williamson: And we offer some capabilities that are pretty unique to us and are a real strength to our nation. There are other countries that are able to offer us a lot of support and have often done so.

Lieutenant-General Poffley: Two points, if I may. First, on the contracts, we are inevitably constrained, as the Secretary of State has pointed out, but in our dialogue with industry we are increasingly seeing flexibility on their part and ours to make sure that we manage those contracts on an intelligent basis into the future. That may see some adjustments to some of the work that we have laid on them.



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On the broader dialogue internationally, industry is part of that dialogue. Indeed, it is about interoperability—our ability to have an agile force structure that can map into a series of formal alliances such as NATO and potentially of informal alliances elsewhere, depending on where we see the threat picture emerging.

- Q35 **Gavin Robinson:** Not to flog the issue, but that relationship with industry should mean that as a country we do not find ourselves in the situation we were in with the aircraft carriers, where there was a political willingness to cancel the contracts but we found that it would actually be more costly to do that than to proceed with production. That sort of outcome, which was advanced back in 2010-11, should not happen again.

Lieutenant-General Poffley: It depends on your view about whether there is utility in an aircraft carrier. I personally think that there is.

- Q36 **Gavin Robinson:** In fairness, that is a separate argument. I am saying that there was a political willingness to cancel the orders back in 2010-11, but to do so would have been cost-preclusive.

Lieutenant-General Poffley: Almost certainly.

- Q37 **Gavin Robinson:** So you do not envisage situations like that arising again?

Lieutenant-General Poffley: You wouldn't rule it out, but in our laying of contracts we are acutely aware of the lessons of the past. If I may, it is about making sure that we preserve our choice into the future to the maximum extent.

- Q38 **Martin Docherty-Hughes:** Secretary of State, during the Munich security conference, at which I believe you were not in attendance, the Government of the United States and the Government of the Russian Federation publicly disagreed about each other's nuclear policy proposals, which is gravely worrying considering that the START treaty is due to expire in 2021. Could you tell the Committee what the Department and the Government specifically are doing to reinforce arms control treaties in Europe?

Gavin Williamson: We are working with all our allies right across NATO and many other countries alike. We have always benefited, as a nation, from the rules-based system. You have seen, increasingly, Russia test the limits. Some would say, and the United States and we would say, that they are in breach of some of those agreements.

- Q39 **Martin Docherty-Hughes:** How does the Department and the Government seek to reinforce that within arms treaty proposals for the future?

Gavin Williamson: At the moment, the only ability that we really have is to work with our allies to put pressure on other nations to abide and agree on that rules-based system. It goes to show the increasing threat and the increasing disregard that certain nations, such as Russia, have to

agreements that they have signed in the past. They are challenging and disregarding past agreements because they either do not see them as within their interests, or they are trying to build up the threat that they pose to other nations. We have to respond to that threat.

Peter Watkins: In particular, the arms control framework is a key part of European security, and has been for many years. One of the most important elements of it is the intermediate nuclear forces treaty, for example. We are not directly party to that treaty, but we have a very strong interest in seeing that it continues to be complied with. We have been working very closely with our NATO partners over the last year or so. You will have seen that, straight after the meeting of the NATO Defence Ministers in November, NATO issued a statement expressing its concerns about compliance with that treaty, which we fully support.

Elsewhere, other treaties are not being complied with in quite the way that they should. I think I pointed out at a previous session the way that Russia does not fully comply with the Vienna Document in terms of declarations. In that case, we can lead a little bit by example by ensuring that we always do. Similarly, with things like Open Skies, and so on, we exercise our rights in order to try to maintain the validity of those treaties.

- Q40 **Martin Docherty-Hughes:** Earlier this month, the United States via airstrikes seemingly killed, I believe, 200 Russian mercenaries who attacked US-backed forces in Syria. Is there a danger that a miscalculation, or a misunderstanding of such a nature, could have a broader impact on any conflict in Europe?

Gavin Williamson: This is why it is so incredibly important. NATO and the whole alliance has always ensured that there are routes and channels to have discussion and that, wherever possible, we work towards de-confliction. That is something that has consistently happened in Syria, but equally we have to do what we think is right. Russia is not a benign state, and we should not become an apologist for Russia. Through its actions, Russia is looking at how it can have a negative effect on many countries that are part of the NATO alliance.

- Q41 **Martin Docherty-Hughes:** I don't think you will find disagreement from me, Secretary of State. There are concerns in my part of the world about the Icelandic gap capability and how we fill it. You did mention a 10% increase in Russian Federation submarine activity and that our most northerly warship port is on our southern—

Gavin Williamson: Tenfold—

- Q42 **Martin Docherty-Hughes:** So we are not going to disagree on that. There is also concern about misunderstandings—that, while we are leaving the European Union, there has been a principal position, some would say, that we would like to see a divided Europe. I am sure you would like to make it publicly clear that, no matter that we are leaving the European Union, we want to see a strong and united Europe in terms of our defence position.



Gavin Williamson: Britain has always been absolutely instrumental in the defence and security of Europe, long before the creation of the European Union. Actually, the greatest guarantor of security on continental Europe and across the North Atlantic has been the North Atlantic Treaty Organisation. We can be exceptionally proud of our role over many, many generations in ensuring that Europe is a continent that is free from tyranny and a continent where democracy has been able to flourish over the past few decades. Britain has been instrumental in that. The security of continental Europe is as important to us today as it was 100 years ago and 200 years ago. We constantly have dialogue with our allies, but we also have routes to and discussions with Russians—you know, the ability to talk with them. We have a defence attaché in Moscow and we always have a dialogue there, because we always hope to have a sensible relationship, but we should not be blind to the challenges and threats that are growing from Russia.

- Q43 **Martin Docherty-Hughes:** I am therefore sure you would agree that in meeting the challenge from the Government of the Russian Federation we need to plug the Icelandic gap and our role in delivering that capability—in terms of the sea lanes and communications between not only the United States, but Canada and the rest of continental Europe.

Gavin Williamson: What we are seeing, in terms of the investment, we continue to remain absolutely committed to that. The North Atlantic is our ocean and we have got to be absolutely involved in the security of it. There has sometimes been a tendency in Europe to see that the security of continental Europe and the North Atlantic is something that we could possibly outsource to the United States. The United States will not always be as generous in guaranteeing that if it does not see its allies, whether that is Great Britain, France, Germany or many other nations, stepping up to the mark. That is why, going to the Chairman's point at the start, 2% is the floor; that is what the United States expects as an absolute bare minimum. They cannot be expected to be the ones to pick up the tab for our security in the North Atlantic and on continental Europe. We have to be able to step up to the plate.

- Q44 **Martin Docherty-Hughes:** Having said that, does that mean you will increase expenditure on the high north?

Gavin Williamson: One of the aims of a Modernising Defence programme is to be able to look at all this. I will not prejudge what a programme will do.

- Q45 **Martin Docherty-Hughes:** There are those who say that kingdoms like Norway are picking up the slack, and Canada is picking up the slack.

Gavin Williamson: This is part of the reason we have a Modernising Defence programme to look at all these arguments. I very much encourage you to take the opportunity to feed your thoughts and ideas into that. But at HMS Clyde we have a very active submarine force, and we are investing heavily in the Type 26 anti-submarine frigate—we are absolutely committed to that. Just the other weekend I was meeting with Australian Ministers trying to convince them of the merits of what the Type

26 is able to offer, so my hope is that one day we will very much have a Five Eyes anti-submarine frigate that will have a high level of interoperability. We are very committed to that investment.

Martin Docherty-Hughes: I will certainly take the Secretary of State up on his offer.

Peter Watkins: May I just add something on the point you raised? In the SDSR 2015 we decided to reinvest in maritime patrol aircraft and to do so on an accelerated timescale to bring them into service as quickly as possible.

Q46 **Chair:** Wasn't that a prime example of having deleted a capability for financial reasons and then having to reinstate it at the first possible opportunity afterwards?

Gavin Williamson: Mr Chairman, that goes to show the wisdom of the Committee.

Chair: As do many other things.

Gavin Williamson: As was touched upon, Norway is very much a co-investor in Poseidon P-8. We take our responsibility very seriously, and we are making a very substantial investment in that programme. It goes to show that it is sometimes worth taking the time to carefully consider the consequences of any actions of deleting capability, because it takes some time to build that capability back into the Armed Forces.

Q47 **Chair:** One thing that would be really helpful when you do the new Modernising Defence programme or the new SDSR is to say, "Here is an à la carte menu of choices. This is what our strategic advisers have concluded we need. This is what each of these items will cost. If we are constrained to be within a certain financial limit, these are the choices of the things we will have to sacrifice." In other words, let's not make a pretence that we are sacrificing things because they are no longer needed when the reality is that we are sacrificing things because we have an unrealistic cap on what we need to be spending on defence. Could you not present your future views with a menu of priced options in that way?

Gavin Williamson: I have asked officials to look at the threats and at the capabilities we need to deal with those threats. We need to have a discussion about how that is afforded going forward, but that is a valid point.

Chair: Thank you.

Q48 **Phil Wilson:** Secretary of State, since Christmas the Americans have said that their main priority is the potential for state-on-state conflicts. The top priority for the French is terrorism, and we understand why. On that scale, where does the UK stand?

Gavin Williamson: We would probably seek to compromise. We would highlight state-based threats and the speed at which they were escalating as the top priority, but, within a hair, that is followed by the terrorism



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threat, which comes straight after that. The thing you are seeing is a convergence of how state-based threats are using terrorist threats to bring instability to other countries. The days of where things were more black and white are sadly gone. Is Iran a threat? As a state, it certainly is. In its ability to use terrorism and other means of causing instability, danger and threats to people's national security, it is very much engaged in those different avenues.

Peter Watkins: To add to that, I don't think for any country it is an either/or. The latest US national defence strategy shifts the emphasis towards state-based threats.

Q49 **Phil Wilson:** But it doesn't exclude the other one?

Peter Watkins: It doesn't exclude the other one. Similarly, if you read the French strategic review published in October, it puts more weight on terrorism, which is very understandable, but it also shows a greater recognition of state-based threats.

Gavin Williamson: What the United States' review really pulls out is the speed at which these state-based threats have increased. It really points out the complacency that may have been there that the state-based threats were not such a threat, and have not been such a threat for almost a generation. That means that we probably all have to look at how we invest more to deal with this threat, which we have not been used to dealing with for the last 25 years.

Q50 **Chair:** I have often said that when a Defence Secretary passes away and they open him or her up, three things ought to be found engraved on his or her heart: deterrence, containment and the unpredictability of future conflicts. If you bear those three things in mind, Secretary of State, you will not go far wrong.

Gavin Williamson: I hope that it is a long time until you get the chance to open me up!

Q51 **Chair:** It's a long time before we get to find out. You took a long view, in historical terms, about our attitude towards the defence of Europe. One of the lessons during the cold war period was that it was possible to combine deterrence and containment of the Soviet Union with an ongoing dialogue that did, in the end, play a significant part in the unravelling of the cold war. Do you agree, with the state of the relationship between Russia and the west as it is at the moment, that although it is quite right that we need to build up our deterrence capability, we also need to do more to open dialogue with Russia, in particular where there might be interests that we have in common, such as fighting extremist, fundamentalist Islamist terrorism?

Gavin Williamson: I think that is right. We do have a dialogue with Russia, and it is very important to continue that. It becomes more complex to work with Russia on a military-to-military basis when so much of what they do is to undermine our interests. Although it is absolutely vital to have that dialogue, I think there are probably not that many



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examples of where we operated together during the cold war—I am probably going to be proved wrong here. Where Russia continues to act in a way that is so much against our national interest, and our allies' interest, it is very difficult to create a platform to be able to work together.

Do I want to get to a place where we have much better relations with Russia? Of course. Actually, Russia is a country that we would always hope to have, and we have in the past had, good relationships with. If you have had good relationships in the past, you would hope that you could get to that point in the future. I do not think that Russia's interests are necessarily best served by undermining the west's interests.

- Q52 **Chair:** Would you at least agree that, just because some middle eastern factions are perceived to be closer to Russia than to the west, that should not drive us into a position where we back the opposing factions, on the basis that the enemy of our opponent is our friend?

Gavin Williamson: You have to be pragmatic, but I do not think that we should underestimate how destabilising Russia has been over the last few years, and I imagine will continue to be going forward. We should not make dogmatic decisions in relation to different theatres. We have to make a judgment in relation to those theatres that we are involved in.

- Q53 **Mr Francois:** Secretary of State, you have said a number of things that are really quite important this afternoon. You said that going forward, looking through the MDP, you now see state-based threats as perhaps at the top end of your priorities. That is a massive change from where we were, as you said earlier, in 2010 with the SDSR, and the idea that there was no existential threat to the United Kingdom. If that is the conclusion that you have come to, which to some extent echoes the conclusion that they have recently reached in the United States, do you accept that it has quite important knock-on effects and consequences, both in terms of your force structure and readiness?

Gavin Williamson: Yes, it does.

- Q54 **Mr Francois:** Can we take it that that is a theme that is going to run through the MDP, including in your discussions with the Treasury? Because, to some extent, you have to persuade the Treasury that you are right in that a state-based threat is now potentially the No. 1 priority.

Gavin Williamson: I very much agree that the state-based threat has grown immeasurably over the past few years. We want to get the right conclusions for the Modernising Defence programme and not start to have the conversations that might follow from that. We cannot judge what the MDP will say about what we need when we are right at the start of it.

We need to have conversations right across Government and we have to work through the National Security Council. Dealing with threats is not just for one Department, as Mr Mercer pointed out earlier. It is about how you bring all the arms and levers of Government together, in order to deal with that threat.

- Q55 **Mr Francois:** Okay. Let's look at your Department and the equipment



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plan. All serious commentators appear to agree that there is a shortfall in the equipment plan. You recently published your plan, going forward over 10 years. What do you estimate that shortfall to be?

Gavin Williamson: We wouldn't agree with everyone. We recognise there are challenges. Wouldn't that be right, Mark?

Lieutenant-General Poffley: Indeed.

Q56 **Mr Francois:** Roughly how big is the challenge?

Gavin Williamson: Would you like to take that? Send for a General.

Lieutenant-General Poffley: Thank you, Secretary of State.

Q57 **Mr Francois:** Seriously, how big is the challenge?

Lieutenant-General Poffley: The NAO recently reported on the past financial year's equipment programme. I think we are due before the PAC in a week or so on that subject. They quote a figure of a delta, including risk, of around £20 billion across 10 years. Again, we have got to place this in context. This is a £178 billion programme. They acknowledge that inside that funding delta—that risk—there are some significant amounts of contingency laid on by the Department to attend to that delta. There is a discussion between us and them on how likely it is, or not, that any of those risks would materialise.

Of course, this is about risk management as much as the application of that contingency to any one particular programme. But we have something in the order of 9% of our programme assigned as contingency to attend to that problem. If you do the maths, that sits you not far short of £20 billion. The reality of that is that some of those risks are going to materialise.

So, the underlying theme of the NAO report that there is more risk in the programme now than there was last year, we accept. That is something that we are going to have to manage into the Modernising Defence programme, to ensure that we attend to that risk and bring it back down to something that we believe is manageable. I cannot give you a precise figure on that at the moment because it is something that we are working on.

Q58 **Mr Francois:** Right. One of the things that those of us who are very pro what you do find frustrating is when, on the one hand, we argue for more resources for defence, but we see—year in, year out—examples of major procurement programmes that still run late or go badly over budget, despite being perennially told that lessons have been learned and people have picked up what went wrong last time round, and so on and so forth. Can you give us any confidence that, as part of this MDP process, you are going to design a system that will actually remove a lot of that risk?

Lieutenant-General Poffley: Certainly, a major theme of the programme—indeed, one of the work strands that we are conducting—gets precisely after that issue. So it is about, can we more accurately do



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the forecasting, can we make sure that we derive more stability from the programme, can we shorten the processes to make sure that we are not institutionally imparting delay, which in itself drives cost growth? There are a number of issues there associated with how we are running that procurement process and what it looks like, but I don't want to go into too much detail at the moment because that work strand is still forming.

Gavin Williamson: Also, we have to accept responsibility ourselves as politicians, because it has been a regular tool of numerous Secretaries of State for Defence to delay, delay and delay to be able to put off cost and save money. Invariably, by delaying things you never save money; you usually build up cost in terms of programmes. Invariably, you are also in the situation of then being in need of the equipment or for the programme to be able to deliver. It isn't just a failure in terms of—it is easy to say—bureaucratic failure; sometimes there is also that political failure.

Peter Watkins: May I just add to what Mark said? Part of the third work strand will include some work specifically looking at our commercial capability as a whole across the Department.

Q59 **Mr Francois:** All right. One of the major additional pressures you have got is the cost of the deterrent being included in the Defence budget.

Gavin Williamson: Yes.

Q60 **Mr Francois:** So, first, how are you going to stop the cost of the Dreadnought submarines—which you are estimating at about £8 billion a go, as opposed to about £1.5 billion for an Astute—affecting the rest of your budget too adversely? Secondly, are you prepared if necessary to argue that that should be taken back out of the Defence budget and centrally funded, as before?

Gavin Williamson: That is a very astute question. Given the sheer size of this national endeavour and national industry that is our continuous at-sea nuclear deterrent, it is important not to think of it as just four submarines, because it is so much more than that and involves so many more people, and not just those working in Barrow but those supporting it at HMS Clyde—industry right across the country will be supporting it. That does present a big challenge, but a programme does not run x million pounds every single year. There was a decision in the past—how it had always been funded was that it had been flexed up and down depending on the need and the profile of the programme at the time, but I think that was changed. Well, it had always sat in the Ministry of Defence, but I think the way it was funded was changed back in 2010 or 2011—

Peter Watkins: I can give the history, if you want—

Gavin Williamson: Peter, you were probably there, weren't you?

Q61 **Mr Francois:** Peter, I have no doubt that you can give the history, but what is the future? I am only looking for an answer because there is a whisper that we will have a Division in a minute.



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Gavin Williamson: This is one of the things that realistically we will have to look at—how we flex the funding so that we don't put any risk into our continuous at-sea nuclear deterrent. We have a very tight timeline to deliver this. It is a major national investment and that is a conversation that we must have. There can be few things that are more important than our at-sea nuclear deterrent and we cannot put any risk into that. We have to make sure that the funding matches the demands that the programme places on it, so that we are making the right decisions to deliver that nuclear deterrent and that there will never be a gap in our continuous at-sea nuclear deterrent.

Q62 **Mr Francois:** So you would be prepared to argue for a return to the previous system?

Gavin Williamson: I would be very happy to argue for any system that ensures that we have the proper financing in order to deliver this major national project.

Peter Watkins: To illustrate what the Secretary of State was saying about flexing, we have actually flexed £300 million into this year, in order to sustain the programme.

Q63 **Chair:** Define "flexing". Do you mean there has been an uplift in the budget, or what?

Peter Watkins: Basically, we have brought money forward.

Q64 **Chair:** You have brought money forward from a future budget to count in this year—is that the idea?

Peter Watkins: To ensure that the programme continues at the speed it needs to continue without causing distortion elsewhere, we have flexed the budget in the way the Secretary of State—

Q65 **Mr Francois:** But you have flexed the MOD budget, not the Treasury reserve?

Peter Watkins: The MOD budget, yes. As the Secretary of State said, it has always been part of the MOD budget, but—I will not bore you with the history—back in 2006-07 there was a time-limited uplift, which was not continued with beyond 2010.

Q66 **Chair:** Sorry, just to get this absolutely clear, my understanding was that it has always been in the Defence budget, but that in the early years of a new submarine-building programme, for example, there would be an uplift in the Defence budget, and some extra money would come into the budget. Is that right?

Peter Watkins: Some extra money was put in all those years ago, yes.

Q67 **Chair:** So when you talk about flexing now, are you talking about extra money coming into the budget from the Treasury, or are you simply saying that we are spending in advance some of the money that was going to come to Defence in a future year?



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Peter Watkins: It has always been funded from the Defence budget. This is flexing money within the Defence budget.

Q68 **Chair:** But my understanding was that in the past the Defence budget had actually been increased, with some extra resources.

Gavin Williamson: In the past there would have been flexibility shown for extra money to be put into the nuclear endeavour in order to be able to ensure that is properly and fully funded, and actually that the programme runs at the pace at which it needs to in order to meet its target. So we have had to find flexibility within the existing MOD budget in order to be able to find the extra money, in order to keep the project on track.

Chair: We will have to suspend the sitting for 15 minutes, for the next vote. Colleagues will get back as soon as they can.

Sitting suspended for a Division in the House.

On resuming—

Q69 **Chair:** Ladies and gentlemen, let us resume our hearing. We are grateful, Secretary of State. I gather that you have agreed to give us a little extra time at the end.

Gavin Williamson: Of course, yes.

Chair: We are nicely past the halfway mark of our planning, so we hope to get everything in on schedule.

Gavin Williamson: I was hoping we were slightly further along than halfway, but perhaps that was optimism.

Chair: We save all the hard ones for later. On this, we would like to press you further for clarity on the question of flexing and whether it is new money or just advanced, existing money. Mark, would you like to probe a bit further?

Q70 **Mr Francois:** Thank you, Chairman. Having made some additional inquiries, I understand that what happened last time was that, between 2007 and 2010, a deal was done between the MOD and the Treasury whereby some additional money was provided, in the order of several hundred million pounds, to help pay for the initial costs of the successor programme. You now say that you have used flex within the MoD's budget in order to bring money forward.

Gavin Williamson: That is correct, yes.

Q71 **Mr Francois:** So is it correct that there is no similar arrangement this time of additional money being added into the MOD budget? At the moment, you don't have that.

Gavin Williamson: That is correct. We have to look within. People are sometimes quite critical of the MoD, but we are all conscious of how important the development of the at-sea nuclear deterrent and the



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Dreadnought programme is. We have had to make sacrifices elsewhere in order to ensure that the programme keeps going and has resources to be able to do that. Yes, that is correct.

- Q72 **Mr Francois:** One of the risks you will obviously run then is that, as the successor programme develops, unless you can come to some new agreement with the Treasury to do something similar to what happened before, unfortunately those successor submarines will start to eat up other bits of your budget, won't they?

Gavin Williamson: That would be a fair analysis of it. It is important to have a very sensible conversation, to see how to create flexibility within the budget. At the start of the programme, at the start of Dreadnought, you will have much higher costs that have to be invested into the programme than you will have at the tail end of the programme. You also have to face the challenge that, as you have an ageing submarine fleet, they will actually cost more to keep going. You have a double challenge there. You are right to identify it as a problem that needs to be discussed.

- Q73 **Mr Francois:** We look forward to seeing the outcome of your discussions with the Treasury. You mentioned a figure of £300 million that you flexed forward from the equipment plan. Where did that £300 million come from, or what did you have to find in order to free up £300 million?

Lieutenant-General Poffley: Again, it will not be one thing. There is a series of compromises that you will make, and it will be about pushing some things back sometimes or descopeing some parts of the programme, but also about having the inherent flexibility in cash flow terms—not just in an end-of-year conversation with the Treasury, although that is clearly part of it—and suppressing cash flow inside the frontline commands, in particular. As we were describing earlier, there will be some impacts from that, because it pushes problems to the right infrequently, and that is detrimental, but we know that and you would have to do that under any circumstances. That is where sensible military judgment needs to be applied.

- Q74 **Mr Francois:** Could you give us some examples? You have mentioned restrictions within the commands. Can you give us some examples of the compromises you have had to make to stay within the control total for this year?

Lieutenant-General Poffley: We have operated a very rigorous control mechanism for authorising spend inside the frontline commands. That has meant that gaining authority for particular spending thresholds has been put in place. As a consequence, you have slowed up that spend. If we take the Army's budget of around £8 billion per year, at that level small changes can sometimes really suppress funding. That can go right the way down to the most trivial expenditure, such as car hire or the authorisation for telephones. Those sorts of things make tiny little changes, but at an aggregate level they start to generate reasonable sums of money. It is in those sorts of measures that you generate the headroom to apply this sort of flexibility.



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Q75 **Mr Francois:** Right. Unless the Treasury give you more headroom on Dreadnought, there will have to be more of that?

Lieutenant-General Poffley: There is a contingency assigned to the Dreadnought programme, which extends across the life of the programme. One needs to bear that in mind. It is not necessarily in the right years at the moment, but as part of our annual budgeting cycle we will be looking to re-profile, not just in the Dreadnought programme but right across the programme, to smooth that sort of thing out. That is the responsibility of the Director General of Finance's team.

Q76 **Mr Francois:** Secretary of State, you have given us a pretty clear steer that this will all be part of your discussion with the Treasury.

Gavin Williamson: We are all working together to try to find a solution.

Mr Francois: Fair enough; we will leave it there.

Q77 **Chair:** I just want to be absolutely crystal clear on this point. Whereas in the past there would be extra money coming from outside, from the Treasury, into the Defence budget at particularly expensive phases of submarine deterrent or submarine renewal, that has not happened yet in the case of Dreadnought. You are therefore having to uplift the budget for this part of the programme by dint of bringing existing Defence money forward, in a sense of robbing Peter to pay Paul.

Gavin Williamson: I probably would not have described it in that way, but that is what we have to do, finding efficiencies elsewhere to keep the programme going.

Q78 **Chair:** Unless, of course, you can win a battle with the Treasury to get more funds?

Gavin Williamson: What is important to emphasise is that we are not talking about the whole cost of Dreadnought changing. What we are talking about is that it is important to get the profile correct for when the money flows into the system and when it is needed. At the moment it is not as we would wish it to be.

Q79 **Johnny Mercer:** To pick up briefly on a couple of things you said, first, General Poffley, do you understand the contrast it presents to your average serviceman or woman that their quality of life will be so impeded by these little issues? I accept that they are little issues about authorisation of telephones and hire cars and so on, but if we are looking at being very careful about our budget, do you see how it plays to your average serviceman or woman that that quality of life can be affected by increased costs in the submarine programme?

Lieutenant-General Poffley: It is inevitable that people inside the structure will take different views about the merits of investing in one part of the programme versus another. It is absolutely the case that we need to be vigilant to the detrimental effect, particularly to the morale of servicemen and women, when they are taking small, incremental hits to what they perceive as their quality of life, or to the mechanism and



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covenant that they signed into when they joined the forces. On the other side of that calculation, there is a little bit of expectation management for us to do with our people, to make sure they are not doing things that don't pass—

- Q80 **Johnny Mercer:** Absolutely, but some of these costs will be outside your control—world markets and minerals and so on, and stuff that is used in submarines. Is it really fair for those markets to dictate the quality of life of our service personnel—we are that close to the bone—when we are already struggling to retain these individuals within the service?

Lieutenant-General Poffley: Yes, and at the risk of sounding too corporate, the reality of life is that fairness is not the issue; it is about where is the best spread of our resources to deliver an output. We are conscious that when you have a detrimental effect on people's morale, that will potentially manifest itself in retention rates and so on.

- Q81 **Johnny Mercer:** Absolutely, and that gets to the crux of my point, which is that we are talking about people being our finest asset, but that is clearly not the case.

Lieutenant-General Poffley: I think it is, without question, the view of everybody inside the military and indeed the MoD.

- Q82 **Johnny Mercer:** Yes, but outside the Government?

Lieutenant-General Poffley: I cannot comment on outside Government.

- Q83 **Johnny Mercer:** Okay. Secretary of State, you made an interesting point about the Prime Minister and Chancellor committing to you that until we get to the Modernising Defence review, there will be no reduction in our capabilities. We are going to press pause, and we are going to be all right until then. Will that mean money?

Gavin Williamson: In our discussions it was absolutely clear that they didn't want any changes in capability. We will have to have discussions to ensure that we have the right resources to preserve and keep that capability mix as it is.

- Q84 **Johnny Mercer:** That will have to be paid for, won't it?

Gavin Williamson: It will be part of our discussions. I am sure you would appreciate that we do not want to jeopardise any discussions that we have. Everyone was absolutely clear that we want to make the right decisions and ensure that we have the right armed forces going forward. We do not want to go down a route of making changes to our capability that would end up being retrograde steps or mistakes, and cost us more to put back into the system. We will have to hold discussions across Government to ensure that over the coming year we have the ability to deliver and keep all those capabilities as they are until the Modernising Defence programme has looked at it all, and we have a clear idea as to how we can invest money going forward.

- Q85 **Johnny Mercer:** To be absolutely clear, that requires more money in-year now to meet those capabilities until the Modernising Defence review



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has reported. Correct?

Gavin Williamson: Yes, we will need more support.

Johnny Mercer: Thank you.

Q86 **Ruth Smeeth:** Briefly, we have been talking about flexing the budget. Before I move on to the question I am meant to be asking, has any activity been stopped because you have met the control totals for this financial year?

Lieutenant-General Poffley: We have had to make some compromises on activity. That has involved a number of exercises and a general suppression of some force generation across all frontline commands. As I have said, the level of that has not compromised our ability to conduct operations. Indeed, we have prioritised those units and capabilities that are being committed to operations or major training activities in association with allies.

Q87 **Ruth Smeeth:** But targeted or long-term training, reserve activity—are those the areas that are being restricted?

Lieutenant-General Poffley: We are attacking what is commonly described as seed corn capability—things that we can recover, but it will require us to reinvest later in order to do that.

Q88 **Ruth Smeeth:** My concern, which I think will be consistent, is that we are making short-term cuts in order to meet this financial year, but that will end up costing us more money going forward. Is that where we will end up?

Lieutenant-General Poffley: If you wish to recover back to the training thresholds to which we currently aspire, that will require us to do more training in subsequent years.

Q89 **Ruth Smeeth:** So this will cost us more money?

Lieutenant-General Poffley: Potentially.

Q90 **Ruth Smeeth:** Okay. On the concept of more money, can we move on to Annington Homes? How did the house price forecast go so badly wrong on this deal?

Gavin Williamson: I don't honestly know. I think I was 21 at the time, so I am not going to claim all responsibility for it. The MOD made a very serious miscalculation on it. The National Audit Office, which I think commended it and said it had made the right decision, also made a miscalculation on it, so it was not purely the MoD. Frankly, I am not going to sit here and defend something that I believe was a bad decision.

Q91 **Ruth Smeeth:** I am glad you think it was a bad decision. My concern going forward is that there is going to be between £84 million and £250 million of ongoing yearly costs from 2021 for the rent review. How can you be confident that we won't be paying more post 2021, given that that is the current line, when we lack site-by-site information?



Lieutenant-General Poffley: Our information on site by site is improving incrementally as we take forward the Defence estate's optimisation programme. Our database and our understanding of the estate is getting much better. The work that was done under the future accommodation model similarly underpins a better analysis of what our housing needs will be going forward. However, I think that providing an assurance to you now about whether it will cost more or less than where we are today would prejudice some of the negotiations that are under way at the moment, which are inevitably at a rather commercially sensitive stage.

Q92 **Ruth Smeeth:** Can we seek assurances that you are doing contingency planning in case this goes horribly wrong?

Lieutenant-General Poffley: We are certainly looking at a range of options in that commercial conversation, but I wouldn't want to expose that in this forum at this stage.

Q93 **Ruth Smeeth:** Okay. I understand that, and I think these negotiations are incredibly important for the long-term Defence budget. However, that will challenge the implementation of the family accommodation model and what happens going forward, given the respective timescales. We tried to get more detail on this yesterday. How are you managing that process?

Lieutenant-General Poffley: Again, without sounding as though we are deferring everything into the modernisation programme, this is quite clearly a big lever that will influence a lot of our thinking as we go into reconciling first, the budget, and secondly how we will deliver manpower into the future. It is a significant part of that thinking that we will need to bring forward as part of the modernisation programme.

Q94 **Ruth Smeeth:** My concern, Secretary of State, is that this is such an appalling deal, and that we are ending up, in terms of the equipment plan, in the hole, so how on earth can we go to the Treasury and ask for more money? How can we justify that, given the big holes and the mistakes we have made?

Gavin Williamson: This is a decision that was taken 20-plus years ago.

Mr Francois: Under Treasury pressure.

Gavin Williamson: I don't know whose pressure it was. The key thing is that, if I was sitting here saying the deal was a good deal, I think you would have a lot more worries. We know that mistakes were made, which is why we have been negotiating incredibly hard to make sure that those mistakes are not repeated. I think there was a certain naivety in the approach last time. That will not be repeated going forward.

We have been working right across, not just in Defence procurement but in everything we do, about how we can actually drive out more and more cost. We have been very successful in driving an awful lot of efficiencies. As I say, we did £5.4 billion-worth of efficiencies in 2010 to 2015, and we are driving more efficiencies going forward.



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Q95 Ruth Smeeth: Thank you very much, Secretary of State. I think this may be a question for General Poffley. I had the pleasure of being in the Falklands last week. We have just committed to another 35 years there. I am very grateful for the opportunity to have visited and thank you for it. The quality of that accommodation is appalling—the barracks and everything else are not appalling, but they are 35 years old. We will be there for another 35 years, so they will need to be replaced. What contingency is available for housing and buildings, going forward, in terms of the budget for the long-term commitments that we are making?

Lieutenant-General Poffley: The Falklands, specifically?

Ruth Smeeth: More broadly, as well as the Falklands, because I was there last week.

Lieutenant-General Poffley: Firstly, I acknowledge where we are on the Falklands. I think, quite clearly, it is a matter of some concern to us too, and we are putting in place a bit of work just to get to the bottom of quite why we are where we are with the Falklands. I would make the point that the Falklands, as an example, is not replicated universally. There are pockets, inevitably, where accommodation is worse than others. That is just a reflection of any estate; but from my point of view there is an active dialogue now, as I say, within the context of the defence estates optimisation programme. That work is looking to target those estates in a sensible way, and we have managed down the pricing of rents and so forth to make it conditions-based, in a way that we had not done previously. I am sufficiently—acutely—aware that they must have a minimum standard that is a basic living standard for that accommodation.

Q96 Ruth Smeeth: Especially when we are upping the rents?

Lieutenant-General Poffley: Absolutely. There is an expectation that needs to be managed from our people, and that is a very strong consideration when we make each judgment about the condition of housing stock.

Q97 Martin Docherty-Hughes: Secretary of State, how will you fund increases in armed forces pay above 1%?

Gavin Williamson: We have a budget to have a 1% increase in terms of salaries across the armed forces, but we do not have a budget beyond that, so it is obviously down to an independent pay review body to come forward with recommendations. If it comes above 1% we are going to be faced with a difficult decision in terms of the finances that we have to deal with.

Q98 Martin Docherty-Hughes: Thank you. Does anyone else want to answer? General, do you have any ideas?

Lieutenant-General Poffley: That is the position. It is quite clearly an important factor for our servicemen and women, but that is not unique to defence. Public sector pay across the board is an issue.

Q99 Martin Docherty-Hughes: Okay. So why does focusing on ensuring we



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deliver a pay award which is in the best interests of our servicemen and women stop the Department paying service personnel a basic increase of 1% from 1 April?

Gavin Williamson: I was very appreciative of the thoughts of the Committee and the Chairman in writing to me on this. I thought there was some considerable appeal to the idea, and I asked for it to be looked at very closely. We also spoke with the independent pay review body on this matter, to see whether, if we moved forward with the suggestion, it would be something they supported. They were very clear in their representation that they would not support us moving ahead with that, because they felt that it, to some extent, undermined their independence. We also have been working exceptionally closely with them to ensure that the first thing that we do is get all the evidence that needs to be got to them, on time and as and when they request it, with the hope that there will be no delay in terms of any pay award or, if there is a delay, that it is kept to an absolute minimum. We took the idea, we looked at it closely, but, most importantly, we consulted with the independent pay review body, and they were quite clear that this was not a route that they would encourage us to go down.

Q100 **Martin Docherty-Hughes:** Therefore, has the Department made any assessment of the savings it will make by keeping the freeze at 1%? In terms of where you are, have you made any calculations of how much you are actually saving by not making that increase?

Gavin Williamson: We are not saving any money, in terms of, because people would get—I am not sure if I quite got the question: we obviously have to wait for an independent pay review body to report as to what their recommendation is, but we will not have any savings as a result. We want to listen to what the independent pay review body—

Q101 **Martin Docherty-Hughes:** If they came back and said 2%, you would be happy to give an increase of 2%?

Gavin Williamson: The whole purpose of the independent pay review body is to let them come to their conclusions. We have to make a decision when we get their conclusions and look at the reasoning for that. We are working with them to make sure that they have all the information so that they can reach a decision at the earliest possible opportunity. I understand it's one of the first pay review bodies that is expected to report. All we can do at the moment is facilitate things, to make sure that they can come back to us, as swiftly as we can do. That is what we are waiting to do. We hope that means that, if there is a pay award, it can be done within the usual timescales, and if there is a slight delay, that is kept to the absolute minimum.

Q102 **Martin Docherty-Hughes:** Maybe I'll rephrase that final question. Does the Department therefore not calculate the impact of pay on the budget, year in, year out, for instance—

Gavin Williamson: Yes, of course it does.

Q103 **Martin Docherty-Hughes:** It does?



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Gavin Williamson: Yes. We have made an assumption, which was an assumption when we started looking at our budgets. It was clear, and the Treasury had made it absolutely clear across the board, that there was a 1% freeze. That is what we have in our budget going forward.

Q104 **Chair:** But the whole point of this is that there is a danger of the pay award being delayed, isn't there? Therefore, people would get the pay award in arrears. Is that right?

Gavin Williamson: That would be correct; they would get it in arrears.

Q105 **Chair:** At the moment, they know they are going to get 1%, and the question is: are they going to get any more than 1%?

Gavin Williamson: We went forward with your idea to the independent pay review body.

Q106 **Chair:** Which for the record was that they should pay the 1% on time and then just do the arrears for any increment.

Gavin Williamson: And they came out with a view that, actually, any award, whatever the award, should come after the independent pay review body had reported and a decision had been made. That is why we have been working to ensure that, hopefully, there isn't a delay and, if there is any form of delay, it is kept to an absolute minimum.

Q107 **Chair:** So you're saying that if they get their act together, they could get the final result in time for it not to have to be made retrospectively.

Gavin Williamson: It is going to be exceptionally tight, but we are all working to try to see whether that is something that we can do.

Q108 **Chair:** Well, if you achieve that, there's no problem, is there?

Gavin Williamson: That is our aim.

Chair: Mark, you have a quick question on recruitment.

Q109 **Mr Francois:** Secretary of State, there is a particular challenge with recruitment in the Army at present. Last year, you were 3,000 short of the 10,000 that you needed. The year before that, it was about 2,500. The recruitment contract is an outsourced contract with Capita—or, as they're universally known within your armed forces, Crapita—and the contract has been massively under-performing. Thus far this year, in the first two quarters of 2017-18—bear it in mind that the target is 10,000—they recruited a little over 3,000. So if we project forward for the other two quarters, you are still coming in somewhere between 6,000 and 7,000 and you are yet again 3,000 short. They keep saying that applications are up, which is true, but that enlistments are down, so more people are applying, but they are not actually signing up. At what point are you going to admit that this contract is broken and do something about it?

Gavin Williamson: First, may I formally thank you for the work that you have done for the Department on recruitment? I think every single one of

your recommendations we have taken up and are acting on. It is every single one, isn't it?

Peter Watkins: I think so.

Mr Francois: That's what they told me!

Gavin Williamson: Well, it is now.

Mr Francois: To be serious for a moment: thank you.

Gavin Williamson: But you are absolutely right to point out the fact that the recruitment level has gone up. This was something that we discussed just at our last Defence Board meeting. There seems to be this disconnect. We have this increasing level of people expressing an interest, and it is not feeding through in terms of the people that are joining the Army. That is disappointing, to say the least. If we go back to, I think, 2012, when the contract was awarded, there was a heavy emphasis on centralising everything, and everything got centralised. I think that, as part of that centralisation, we actually baked in some of the flaws to what the system had then. We needed a new computer system, which has been rolled out as part of the contract.

Q110 **Mr Francois:** It isn't working very well.

Gavin Williamson: It is improving. I see a simple issue when I look at the figures. If you express an interest in joining the Army and then it takes a year to go from expressing an interest to actually joining the Army, I don't think you have to be a genius to work out that a lot of people will lose interest in the space of a year. It is not just the Army; it is across all three services. I have asked how we put a focus on driving down those times from expressing an interest to having a yes or a no—yes, you can come in; no, you can't.

We also need to look at how we improve the primary healthcare record process and whether we have the right systems in place. It is very easy to blame some other third-party organisation. Without a shadow of a doubt there have been great challenges in terms of the Capita contract, but we are working closely with Capita to make the contract work better. We want to see the number of days in terms of first interest to either joining or being declined reducing dramatically.

Q111 **Mr Francois:** Thank you, Secretary of State, for your kind words, but one of the recommendations in that 20 was that you should prepare a plan B within 12 months in case the situation continued to deteriorate. I submitted the report in July last year, so we are not far off the 12 months now. Unfortunately, the numbers that actually enlist and sign up are still going down. The problem, if I may say so, is that this is a Micawberite approach. You are hoping it will get better, but patently the numbers show you it is broken. The RAF got about 90% of its requirement last year. The Navy got 88%. It recruits in-house. The Army got barely 70%. Would you be prepared to set a limit on this and say that if it has not improved by x date, you will want to do something different?



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Gavin Williamson: We are very clear that if things do not improve over the next year, it is not adequate. We have contractual challenges. Mark can probably touch on some of those. The key thing is to get the number of days down from showing an interest to being able to join. There is a host of different things that we can do. We are also looking at how we do more localised recruitment as well and at how we are more effective in doing that. On any contract, do you have to give them a red card at some point if they do not deliver? Yes, you do. It is one of the key things that I have identified since coming into the role at the end of last year. We are driving both the Army and Capita to make sure that we deliver on it, because we know we need to deliver our numbers.

Chair: We have a few topics left. Because time is pressing, we will try to condense multiple ones into a single slightly longer delivery, the first exemplar of which will be Ruth.

Q112 **Ruth Smeeth:** No pressure, then. I want to move us on to the wider defence family, sovereign capability post-Brexit and the skilled workforce that we have, which is why I welcome the new combat air strategy. How are you planning on balancing value for money in defence procurement, and are you prepared to accept that there are wider issues? As we saw with the Astute class programme, if we do not have a steady drumbeat of orders in certain areas, it ends up costing us a lot more money and we lose the sovereign skills that we need and will continue to need.

Gavin Williamson: You're right to say that, but we will probably never have the defence budget that is able to give that continuous flow. That is why I think the Type 31e is a good example of how we have to change our approach and start thinking more about how we can produce, design and manufacture products that are not just relevant to the United Kingdom, but relevant the world over.

Q113 **Ruth Smeeth:** In fairness, Secretary of State, our defence aerospace industry is a huge exporter and a massive contributor to the Exchequer, so we do that. It is just about having a steady drumbeat, so that they can get guarantees for R&D.

Gavin Williamson: As you rightly say, aerospace is a very good example of how we have done it, but there are plenty of examples, such as submarines, shipbuilding and land vehicles, for which that hasn't been the case. So, yes, let's take aerospace as a good example. It is something the Department is intimately involved in. I would say that the MOD has been the best sales department British aerospace has, in terms of what we do in investing time and effort in trying to make sure that we promote jet fighters, as well as shipbuilding capacity, right around the globe.

Sovereign capability is exceptionally important, and when we have discussions with any business about equipment going forward, trying to ensure that as much of it is built and procured in Britain as possible and that the supply chain benefits is integral to everything we do.

Going back to what we discussed right at the start, defence isn't just an insurance; it is an investment. It is an investment in our prosperity, and



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trying to make sure that not only people who work in our armed forces, but the wider community actually realise that they are sharing in that investment is very important to us.

Peter Watkins: We set out our approach in broad terms in the document we published just before Christmas on refreshing defence industrial policy.

Ruth Smeeth: It wasn't exactly a detailed document.

Peter Watkins: No, but detailed decisions are made in individual cases. We constantly have to balance what we call the twin objectives, which are the need for the right equipment for the armed forces and value for money. We do that in a number of ways. Traditionally, we have used competition as far as we can. We also have been looking at ways in which we can make it easier for small and medium-sized enterprises to deal with the MOD. We are encouraging innovation. All of those things. There is a lot happening.

In terms of individual decisions, we apply—this is a rather old term, but it is none the less what we do—a thing called a balanced scorecard, which looks at all of these factors in the round, including skills and skills retention, which the Secretary of State mentioned just now. That is how we do it.

Q114 **Ruth Smeeth:** Okay. I think there is a long way to go, but one thing I suggest is, when you are looking at things in the round—with the P8, for example—there are skill sets we might necessarily lose, but the capability and the fact that we can't do mid-air refuelling without being dependent on US platforms actually means that, in the longer term, we lose the skills and it ends up costing more money. In the round, there are challenges here that I don't think we are yet addressing.

Gavin Williamson: Without a doubt, there are many challenges. Equally, we have to work out how best we move beyond a small number of companies ultimately having a total stranglehold over defence spending. A lot of progress has been made. It is about getting the right capabilities and equipment for the armed forces, but also encouraging new businesses to be able to move into that marketplace.

As we see the development of technology and new technology platforms, which is going to be so important to our armed forces, some of those businesses will be companies that have never dealt with defence at all. How do we tap into them? How do we give them the encouragement to grow, so that they become very successful businesses, often using commercial technology that has a very real military adaptation?

Chair: We have to move on as quickly as we can. We are approaching the end, but we still have a few topics, if you will bear with us Secretary of State.

Gavin Williamson: Of course.

Q115 **Chair:** GKN is a long-established, major defence company, particularly in



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relation to aerospace. It is facing a hostile takeover bid from a company called Melrose, whose strategy is to break up businesses and sell off the component parts, often to different locations in different countries. Melrose apparently has no background in defence whatsoever. There is a question about whether or not a Secretary of State could and should intervene in this matter. According to the Enterprise Act 2002, a Secretary of State can intervene in mergers where they give rise to a certain specified public interest concern. Top of that list are issues of national security. Although everybody is looking primarily to Greg Clark as the BEIS Secretary of State, according to advice that we have taken from impartial sources, there is a possibility that you yourself could issue a notice and intervene in this matter. Do you think it is at all desirable for a long-established defence company of this sort to face a hostile takeover, and be broken up in this way by a firm that has no background experience in defence? If it is not desirable, are you prepared to examine it, possibly with a view to intervening, either yourself or in conjunction with Greg Clark?

Gavin Williamson: I have already written to Greg Clark on this matter, because I have very serious concerns about the proposed takeover. It is not that I am against changes in the industry, but what I and the Department want is reassurance about the future of the military side of the business.

Q116 **Chair:** How could there be assurance about the military side? Presumably all the intellectual property for all the military projects resides in the company, and if that company is broken up and sold off, we could end up with potentially hostile countries owning the intellectual property rights to our defence products.

Gavin Williamson: This is why I have taken action and got in touch with Greg Clark. I wrote to say that we have a whole series of questions about the potential takeover and future ownership, because as you mentioned, some businesses' business model is to buy, improve, own for a long period, and develop and build on that sector. Other businesses will take a much more short-term approach. There is no clarity as to what the true approach will be, in terms of the GKN military side of the business. While there is no clarity and no assurance, do I have concerns? Yes, I do. That is why I specifically asked the Business Secretary to look at this. I want to see those concerns addressed.

Q117 **Chair:** And if it turns out that you have the power to intervene, as may well be the case, according to the Scrutiny Unit advice that we have had, might you consider doing that?

Gavin Williamson: The advice I received was that I did not have that power, and that it resided with the Secretary of State for Business, Energy and Industrial Strategy. I would be very happy to look at the advice that you have received, but the advice I got was that I had to make those representations. My understanding was that Greg Clark would have to act in a quasi-judicial manner on this; that is why I have taken the action that I have.



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I am—like you, Mr Chairman—one of the greatest champions of free markets and the ability of markets to thrive and succeed. We sometimes have to ask tough questions on whether we should raise concerns about the break-up of large, successful, important businesses that have a real impact on our national security. It would be remiss of me not to do that on this occasion.

Chair: I will be happy to hand over the advice that we got at the end of this meeting.

Gavin Williamson: Thank you ever so much.

Chair: We will move on. I simply observe that the idea of free enterprise and competition in connection with the defence of the realm and the armed forces is perhaps carrying a good thing a step too far.

Q118 **Mr Francois:** Are you going to make a decision on the acquisition strategy for the MIV before the Modernising Defence programme is finished?

Gavin Williamson: We were looking at making that decision before the conclusion of the Modernising Defence programme, yes.

Q119 **Mr Francois:** Why have you gone down the particular route that you have gone down? Peter said earlier that you have often attempted to retain best value for money via competition, but bluntly it looks as if this is being slewed for Boxer. General Dynamics has a tank plant in South Wales with capacity, but it would appear that it is not being allowed to compete for the contract. Why haven't you gone for a traditional competition to allow the best possible product to win?

Lieutenant-General Poffley: First, we haven't finally decided on the acquisition strategy for the MIV. That is the first point. Secondly, we are coming close to the point where we think we are in a position to make that judgment, and we have not ruled out any options at this stage. The capability requirement will be the driver.

Q120 **Mr Francois:** But excuse me, if you are going to make a decision on the competition before the MDP is finished, are you talking about who the final winner will be or a decision on your procurement strategy?

Lieutenant-General Poffley: On our procurement strategy.

Q121 **Mr Francois:** Right. So literally within the next few months?

Lieutenant-General Poffley: Within a short period of time.

Q122 **Mr Francois:** Why would you not want to have clear competition between two UK-based businesses?

Lieutenant-General Poffley: Again, that is a conversation that is under way at the moment. Wherever possible we encourage competition.

Mr Francois: All right. Thank you very much.

Chair: Thank you. The finishing line is in sight.



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Q123 Johnny Mercer: Secretary of State, I am privileged to represent the city of Plymouth. In 2013 the Ministry of Defence named Plymouth as a centre of excellence for amphibious warfare in the United Kingdom. You are obviously not going to comment on stuff that has been leaked out of the Department about the review; however, could you briefly outline to the Committee your vision for amphibious warfare for this island nation going forward, post the national security review?

Gavin Williamson: The Department and all the armed forces have always been clear that we need to have amphibiousity as part of what we do. You have seen our ability to use amphibious ships repeatedly play an important role in our Navy. We have HMS Albion, which has currently been deployed, and we put a great value on that.

Will the nature of, and how we have, amphibious vessels change in the future? Without a shadow of a doubt. It is interesting to look at other nations and how they have developed their amphibious vessels. Do we need to have the ability to have amphibious vessels? Yes we do. Will they be different in future to what we currently have? Almost certainly, they probably will be different. Yes, we do need to have the ability to—

Q124 Johnny Mercer: Forgive me, but time is short. Can you confirm that when every other nation is expanding its amphibious capability, our capability may change but it has a bright future in this country, and that will be centred on Plymouth?

Gavin Williamson: Well, I am not going to prejudge the Modernising Defence programme, but it is absolutely clear that we need to have amphibious capability—and Plymouth is a wonderful city.

Q125 Chair: May I gently remind you of the letter dated 25 January 2017—just a year ago—from Harriett Baldwin, when she was Minister for Defence Procurement, assuring me that the out-of-service date for HMS Albion and HMS Bulwark remained 2034 and 2035 respectively? Is there any reason to believe that anything conceptual has changed in the last 12 months?

Gavin Williamson: We have a Modernising Defence programme. We are looking at the whole range of what we do. Amphibiousity is absolutely critical to what we do, especially what the Royal Marines do, but I am not going to get into a discussion about individual ships and their future. We do need to have the ability to have amphibious crafts. How we take that forward, improve on it and use the vessels that we have are what we are doing this whole review for.

Q126 Martin Docherty-Hughes: I want to come back to two points that Mark raised. First, briefly, I am sure that companies in Scotland like Raytheon and Thales will be delighted that the MIV programme might be upped to allow them to participate in it. Secondly, I want to go back to state actors and the level of threat that we see them as posing, which is going up. I was concerned, Secretary of State, that in terms of non-state actors, you said in an interview with John Pienaar on BBC Radio 5 Live in December, I believe, of UK nationals fighting for Daesh, "I'm afraid we have to be



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serious about the fact these people are a serious danger to us"—I agree—"and unfortunately the only way of dealing with them will be, in almost every case, to kill them." In response to my colleague Stewart McDonald in a letter, Mark Lancaster said that there was "no such policy" of using "lethal force outside armed conflict" and that there had been "erroneous drafting" of a joint doctrine publication. How does that fit with the statement that you made to John Pienaar in December?

Gavin Williamson: I do not think that I have ever made a statement to John Pienaar, so I am not quite sure what you are referring to.

Q127 **Martin Docherty-Hughes:** You were interviewed by him in December.

Gavin Williamson: I have never done an interview with Mr Pienaar. For clarity, are you referring to an interview I did with the *Daily Mail*?

Q128 **Martin Docherty-Hughes:** I believe it was on BBC Radio 5 Live that you made the statement.

Gavin Williamson: No.

Q129 **Martin Docherty-Hughes:** So you would say that you did not say that in almost every case, we would kill them?

Gavin Williamson: Let's face it: we have massive threats in this country—an enormous terrorist threat that has focused on Iraq and Syria. These are people who have left this country and turned their back on it. They have turned their back on our values and everything that this country stands for, and they want to do this country harm. Have our armed forces done an amazing job of degrading that threat, destroying that threat and reducing that threat, not just to the people of Iraq and Syria but right around the globe? Yes, they have done an amazing job, and I am very proud of that. Do I want these people returning to this country? I do not. I worry, and I think a lot of people worry, about jihadists returning to this country and the threat that they will pose to this nation. So is it right to eliminate that threat? Is it right to try to stop that threat coming back to this country? Yes, I think it is.

Q130 **Martin Docherty-Hughes:** First, I agree with a lot of what you are saying. My brother served in both Iraq and Afghanistan twice, so I am very much aware of the threat that fundamentalism and fanaticism pose to us all. Given what you are saying—I would be interested to know whether you have had discussions about that type of approach with lawyers in the Ministry of Defence—if they are technically UK citizens, do you believe that we would be right to strip them of their citizenship?

Gavin Williamson: Everything we do, we do by UK and international law. That is absolutely pivotal to everything that our armed forces do. But we face a great threat to this country. We have been very successful in depriving Daesh of territory, but that threat is dispersing, not just across Iraq but across Syria, and it is right that we continue to remain engaged and eliminate that threat at every opportunity that we have to do so. That is what our armed forces are engaged in doing. We need to remain committed to these countries. I think we have made mistakes in the past



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where we have felt that we have dealt with the threat, and we have retreated too quickly from it.

Q131 Martin Docherty-Hughes: I apologise if you were not the one who made that comment, Secretary of State; I think it might actually have been Rory Stewart, who is no longer a Minister in the appropriate Department. He has made some comments before that have got him into trouble. But I perceive that you are not necessarily disagreeing with him. Finally—if you want to comment—do you believe that people should be stripped of their citizenship if they pose that type of threat?

Gavin Williamson: I think, legally, if someone can have their citizenship removed from them as a result of them turning their back on our nation, yes, that should be looked at.

Chair: I shall just make a historical analogy. You may be interested to know, Secretary of State, that towards the end of the war, Winston Churchill took the view that the people responsible for the Nazi atrocities and death camps should just be executed on the spot. However, he was prevailed upon to put them on trial at Nuremberg instead. One of the effects of that was to put on the historical record the depravity of the Nazi regime in a fully documented form. In that connection, you might find it helpful to look at a recent article by Ed Husain, who says that one of the most effective ways of deradicalising potential young recruits is to have these people on trial, confessing and recanting their previous activities.

Gavin Williamson: I will certainly look at the article with interest.

Chair: We will move to the final point from Johnny. Thank you for the extra time you allowed in view of the vote.

Q132 Johnny Mercer: Secretary of State, a final question from me today. I know you; I knew you as an individual before you got this job. I know that you have a deep commitment to our armed forces personnel. Successive Prime Ministers have had a deep commitment to our armed forces personnel, but as we have seen today, the gap between that and what it feels like to serve is sometimes far too wide. What would you say to an individual who joined the Army as a young man, fought in 2003 in Iraq, went into an extremely chaotic operation—poorly resourced, poorly funded, poorly planned—and did his best, although involved in incidents that were way beyond his control, and has now, some 15 years later, just been asked to start his eighth investigation into an incident in Iraq and is sitting in this room today? What would you say to him about your commitment as Secretary of State for Defence?

Gavin Williamson: Anyone who is in a situation where they seem to have been through a process eight times—I am not sure why that should have occurred; it is certainly not the way to treat anyone. You would not want anyone to go through that continuous stress—so if it is possible to have the individual's details, I will happily look at why that has occurred. IFI, for example, was set up to ensure that complaints and issues are dealt with, but we do not want to put any of our armed forces on that constant



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treadmill, whereby they are having investigation after investigation. I will be very happy to look at the particular instance.

Q133 Johnny Mercer: Okay. None of us wants to see that, but you know as well as I do that that process has taken place since 2003, through the Iraq process, through the Afghanistan process, and into Northern Ireland. What will you do differently, that your predecessors have not done? Do you think that that is a fair way to treat those who have signed up to the military and served their country? What will you do differently to stop this current cancer of historical allegations?

Gavin Williamson: First, if people do something that is fundamentally very wrong, there must be an accountability process.

Johnny Mercer: Everyone accepts that.

Gavin Williamson: Everyone absolutely accepts that, but we have seen a lot of vexatious and frankly malicious claims that have smeared innocent people who have been out in Iraq or Afghanistan, serving their country, doing a job that most people would never want to do. Am I content that that has happened? No, I am not. How do we avoid it? I am very happy to look at different ways of ensuring that we have a process whereby, if there are complaints, they are looked at swiftly and clearly, and we give people an answer, but we make sure that there is not a situation where people are on this constant treadmill and getting investigated again and again. I am happy to look at ideas and how we can have processes within the MOD to ensure that people do not do that, obviously within the rule of law. I think the IFI process was forced on us.

Q134 Johnny Mercer: I am happy with the detail, and we are short on time. The IFI process is the one that we are talking about. But you as an individual, as an elected politician, Secretary of State Gavin Williamson, do you think it is fair that after 14 years, someone should be investigated for the eighth time for the same offence?

Gavin Williamson: I think I have already said to you that it is not right that someone has to go through an investigation eight times. It does not seem logical or the right thing to do. That is why I would be very happy, if there is anything within my gift that I can do to help, to do it. But on the wider issue that you touched on about how we can change things going forward and whether we have the right processes to ensure that that does not occur in future conflicts, I am keen and happy to look at that. If we need to change the way we do things, I am very happy to do so, because the impact on morale and on people's lives is absolutely devastating. That is not something that I, as Secretary of State, want to see happen or will tolerate. If there are things that I can do to improve that, I am very happy to look at every single option.

Johnny Mercer: Thank you very much.

Chair: Secretary of State, you have been very generous with your time—two and a half hours, not counting the vote—and we are very grateful to you for being willing to take questions across the entire range of your



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responsibilities. We have not concentrated on strategic issues as such of a military nature; we have concentrated much more on the wherewithal and the resources today. We hope to be able to renew our discussions in the not-too-distant future, and we wish you luck in what I have described, though I am sure you never would, as your bare-knuckle fight with the Treasury to get the resources that Defence needs.