

Defence Committee

Oral evidence: Work of DE&S, HC 1561

Wednesday 24 October 2018

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Members present: John Spellar (Chair); Leo Docherty; Martin Docherty-Hughes; Mr Mark Francois; Graham P. Jones; Mrs Madeleine Moon; Ruth Smeeth; Phil Wilson.

In the absence of the Chair, John Spellar was called to the Chair.

Questions 1-172

Witnesses

I: Sir Simon Bollom, KBE, CB, Chief Executive, Defence Equipment and Support

Examination of witness

Witness: Sir Simon Bollom.

Q1 **Chair:** Welcome, Sir Simon Bollom. Will you briefly introduce yourself, although you are no stranger to the Committee?

Sir Simon Bollom: Good afternoon, ladies and gentlemen. I am Simon Bollom, chief executive of Defence Equipment and Support.

Chair: The first question comes from Phil Wilson.

Q2 **Phil Wilson:** You have been in post for five months now. What do you see as your priorities and challenges?

Sir Simon Bollom: That is a good question. No. 1 is getting better value out of the defence acquisition budget, without a doubt. Alongside that, we do not just do acquisition; we are a support delivery agency as well. I want us to build on the good work that has already been done, doing even better to deliver support to the frontline and to improve military productivity. We let contracts on behalf of our customers, and another area that we need to focus on is the development of more effective relationships with the key suppliers. That is one of the themes of the acquisition review going forward.

The bottom line is vital as far as my organisation is concerned, and continuing the efficiency drive that we have been on since the start of the 2014 Transformation programme, which has delivered £3.9 billion in benefits back into the Defence budget. At the heart of everything we do, we have to be delivery focused but safety driven, not letting go of the lessons that we have learnt in the past, and ensuring that the men and women who operate the equipment on the frontline are as safe as they can be.

My enabler here is my people. It is a privilege to lead Defence Equipment and Support. It is a privilege to lead such a professional and capable group of men and women who are really committed to delivering for Defence. I shall stop there.

Q3 **Phil Wilson:** You said £3.9 billion in savings—

Sir Simon Bollom: In efficiencies, yes. Correct.

Phil Wilson: But the corporate plan says £3.7 billion.

Sir Simon Bollom: It is £3.9 billion now; it was £3.7 billion at the end of the last period.

Q4 **Phil Wilson:** Can you give us specific examples of those efficiencies?

Sir Simon Bollom: There are probably two generic pots, one in negotiating contracts without suppliers—that is the acquisitions side—and



HOUSE OF COMMONS

the other is the support side, where we look at support solutions, rationalise contracts and deliver efficiencies in that manner. On the acquisitions side, Type 26 negotiation was one of the key areas of efficiency. On the support side, the Tytan programme, which was reconfiguring Typhoon support, drove very significant benefits in terms of availability and cost saving. There are many examples where we have done similar.

Q5 Phil Wilson: Where do you think that the future opportunities for efficiencies are?

Sir Simon Bollom: I have mentioned support as one of the key areas that we focus on already, but I really want to reinforce that. We have done some great work on individual projects in individual domains. I think that we can deliver better value to the taxpayer and indeed good business for the supplier—let us not forget that two can make the partnership. Looking across the portfolio at how we deal with our five major suppliers, set up our rates and manage our indirect costs, it is quite simply about best practice in support and acquisition delivery. That is one of the areas to go at.

Q6 Phil Wilson: Have the reforms to the MoD operating model improved your relationship with the MoD headquarters and the three Services?

Sir Simon Bollom: We have been tracking the Modernising Defence programme, which we are part of. Setting up strong functions in the MoD is a positive move that is very much at the core of what we have been doing in the DE&S Transformation programme. For example, the first two functions established by the MoD were the financial and commercial functions, and it has been really good to marry them up with the functions that we have set up in DE&S. We look at our people and their capability as a defence resource, rather than as being locked down in individual organisations.

Q7 Phil Wilson: What further reforms do you envisage for DE&S?

Sir Simon Bollom: The Transformation plan that was launched in 2014 is not finished yet—there is still more to do. As I said, we are a people organisation, and our capability is in the knowledge and skills of our people.

One of the areas that we have concentrated on is project and programme management. We have set up a programme of training and brought in new tools and IT with a view to being able to manage and execute programmes better. A lot of training has gone on and the systems are in place, but in terms of implementation, we are frankly at base camp. We now need to deepen those skills and push the boundaries of our capability.

The second area is contracts, which are the product of a lot of our work. We are not just upskilling our commercial force; the whole programme management set-up is important. It is a programme of experience and of education, so it is about having a more flexible and agile labour force who



HOUSE OF COMMONS

can move from one thing to another, rather than having our people locked down in one place.

The third thing is also a people thing. DE&S needs the same sorts of skills as industry, but particularly engineering, commercial and financial skills. We are in the market for people. We must continue to compete in the open market to encourage retention and to get other people in. Underlying all that is the culture of DE&S, which is about making DE&S a great place and continuing to encourage our dedicated men and women to stay with us.

Q8 Phil Wilson: What role do you see for artificial intelligence in drawing up your contracts?

Sir Simon Bollom: Before we get on to artificial intelligence, I do not mind saying that we still have some way to go in getting into the digital age. So much of our work is still on paper. We have complicated projects, and we spend a lot of time joining them up with the huge range of data tools and analytics out there. Professionalising our information systems is a high priority. Artificial intelligence is something that we can and will exploit in the future, in complex areas including data mining, inventories and cost base.

Q9 Phil Wilson: What specific action has DE&S taken to contribute to the SDSR's strategic goal of promoting prosperity? What are you doing to respond to the Philip Dunne report?

Sir Simon Bollom: Yes, I have obviously seen the Philip Dunne report. I was part of his consultation exercise going around. In terms of prosperity, I think that there is an awful lot that we can do in advancing the prosperity agenda. The first point is to shine a light on exactly what prosperity means. Ensuring that there is a wider benefit to the UK in the deals we do to bring new equipment in is not a new thing, and metricating that is a good start. When you measure something, you can manage it. Then you can target it on programmes going forward. I think there is great opportunity now, and Philip Dunne's report rightly shines a light on that.

Q10 Phil Wilson: What weighting would you give to a contribution to UK prosperity when you are looking at bids for contracts?

Sir Simon Bollom: It is a good question and there genuinely is not a generic answer to it. You have got to look at each project on its—

Q11 Phil Wilson: You haven't got a formula.

Sir Simon Bollom: We haven't got a formula. A live example would be the Type 31 frigate. Prosperity is an element of that assessment. As we go forward with the procurement, that is very much one of the factors in play. I would definitely caution against having a formula that you apply to all projects. You have got to look at the context.

Q12 Phil Wilson: Finally, around 11,400 people work for DE&S. Are there any areas—there are all kinds of specialist skills—where there are skills



HOUSE OF COMMONS

shortages? Are there any areas where you have difficulty recruiting people to do specific tasks?

Sir Simon Bollom: That is a great question. Engineering and commercial is where we find it most difficult. I face off at the Defence Suppliers Forum against the 13 major contractors that I deal with, and everybody is in this market. With engineering, there is an age demographic. A lot of the experienced engineers in this country are over the age of 50. We are not alone in that, so we are in a real scrap for getting young people into the organisation and retaining them. It is not just about reward here, either. Yes, we have got to be able to offer a reward that is competitive with the market, but again it is about the challenge and the environment they are in. That is what drives young people: the challenge of the job and being in a good working environment with a good culture. They are the sorts of things we have got to work on.

Q13 **Ruth Smeeth:** Good afternoon. What has been your role and that of DE&S in the Modernising Defence programme?

Sir Simon Bollom: First, there was a DE&S review, happily as I just came into post. It was a very exact review of DE&S, its outputs and the inputs, looking at where our delivery strengths and weaknesses were. Participating in that review process was quite a good baptism of fire for me as chief executive. I was quite pleased with the review because it recognised the work that we had done to date in delivering a completely transformed organisation as well as the outputs that we had delivered, but it pointed to a few areas where we can improve. I absolutely acknowledge that we can and will get better.

Q14 **Ruth Smeeth:** Given how delayed the MDP is, what impact is that having on DE&S and your decision-making ability?

Sir Simon Bollom: In many ways, we are market followers. For me, there are two aspects to the MDP. One was the overhaul of the head office model and looking at how DE&S plugged into that. We have co-operated with that at every level going forward. It certainly hasn't infringed on us as an organisation in that sense. The second part of the MDP is in looking to balance the programme to meet future threats. If there is any delay, I am not sure I have seen it. What I have seen—

Q15 **Ruth Smeeth:** Hold on one second. We have been waiting months and months for the conclusion of an urgent review.

Sir Simon Bollom: I will just give you my perspective. I always knew that between August and December we were going to be working really hard to look at the cost base and at new options going through, and that prediction is exactly what has turned out. It was always going to be by the end of the year that we had to do that re-costing or re-baselining exercise.

Q16 **Ruth Smeeth:** That is fascinating, given that we were expecting the numbers in July. I am pleased that you were ready for it, but we have been waiting months and months for this information.

That brings me on to your part in this. For the 2017 equipment plan, the



HOUSE OF COMMONS

NAO said that it estimated an affordability gap of somewhere between £4.9 billion and £20.8 billion—that was last year—in the next 10-year cycle. Where is that gap now?

Sir Simon Bollom: You are probably not going to like the way I answer this question, but I will give it a go anyway. Essentially, I am given a budget envelope to operate in. My job is to make sure that the programme that I put forward matches the budget. I absolutely recognise that Defence has some issues out there, but my part in this is to make sure that we stick within the budget allocated.

Q17 **Ruth Smeeth:** What specific measures are you taking to ensure that you stick within the budget allocated?

Sir Simon Bollom: I obviously cannot go into the equipment planning measures that are being considered at the moment.

Q18 **Ruth Smeeth:** It is just that we are waiting for the outcome of the MDP—we are still waiting for that, and you are ready for it.

Sir Simon Bollom: I acknowledge your point. It is exactly that. The MoD will come to me and say, "Here's a whole bunch of areas that we want you to do some costings on, both up arrows and down arrows." My job is to make sure that that is diligently done, and that is not easy in some ways.

Q19 **Chair:** If the NAO is telling you that there is a gap, you must be making contingency plans to deal with that envelope, absent a necessary and welcome increase in your budget.

Sir Simon Bollom: I have to come back to it again. I look after the equipment plan that is flowed down to me—bear in mind that submarines and ISS are not part of my operation. I can genuinely only cost what I am asked to cost and put in place a programme that meets those affordability targets.

Q20 **Martin Docherty-Hughes:** On that point, at previous Committee meetings we were told, for instance, that there was a contingency, not through the Treasury but within the MoD budget, for the new deterrent replacement programme. It is clearly not just for the deterrent. It clearly is to assist you once you get your envelope. So you expect to use some of that contingency.

Sir Simon Bollom: I honestly do not get involved in discussions about contingency. You might come to me and ask me to cost a particular programme—

Q21 **Martin Docherty-Hughes:** All I am asking is, do you expect to use that contingency?

Sir Simon Bollom: I genuinely do not get involved in discussions about the contingency. I don't know how much it is.

Q22 **Martin Docherty-Hughes:** I think it was £6 billion. Do you have permission to use that £6 billion contingency?



HOUSE OF COMMONS

Sir Simon Bollom: No, I don't, because what I do is put in a programme costing and then the centre will decide how to use its contingency, if at all.

- Q23 **Ruth Smeeth:** On the budget and your confidence in the measures that you are taking, how confident are you that the plan will not omit any forecasted costings, as happened with the £1.3 billion of planned costs for the buying of Type 31s last year?

Sir Simon Bollom: As far as I know, and I have seen the programme lines, the Type 31 is costed in the programme.

- Q24 **Ruth Smeeth:** It is costed this year. Parts of the expenditure were uncoded last year—that was my point. Are you confident that everything is appropriately budgeted for this year?

Sir Simon Bollom: Everything in Type 31?

Ruth Smeeth: No, everything in the plan.

Sir Simon Bollom: There is a certain element of risk in there. I have 600 projects in my order book. Not all of them will stay exactly as the plan.

- Q25 **Ruth Smeeth:** What level of risk are you building in, then?

Sir Simon Bollom: I don't actually build in a level of risk.

- Q26 **Ruth Smeeth:** But you just said there was risk involved because—

Sir Simon Bollom: I was making a slightly different point. If you plan to hit a number there will always be a risk that you go under it or over it. In a large portfolio, some will go up and some will go down. The other point you might be making is about what level of risk we bake into projects. Was that the other question?

- Q27 **Ruth Smeeth:** I think my issue was that you omitted certain forecasts last year from the budget. Not you, obviously, five months in, but certain forecasts were omitted from the budget, and £1.3 billion for the Type 31e was not there. How confident are you that everything is included in your 600 different project lines?

Sir Simon Bollom: We have a fairly transactional way of doing things, and I think it is quite a disciplined thing. You come and ask me to cost a programme. I give you the costs back, and once the money is allocated we execute the programme. It is a handshake.

- Q28 **Ruth Smeeth:** Sorry, you are not answering my question. There was £1.3 billion missed last year on one project. How confident are you that that will not be replicated this year?

Sir Simon Bollom: I was not trying to be indirect. For the £1.3 billion, or the £1.25 billion plus £250 million—£1.5 billion—which is for Type 31, that money is in the lines.

- Q29 **Ruth Smeeth:** It is now. It was not in the published documents for last year. You had a significant omission in last year's plan. That is what I am saying. How confident are you that you do not have a similar omission



HOUSE OF COMMONS

this year?

Sir Simon Bollom: As I say, I am confident that where we have programmes that we are executing, the money is there.

Q30 **Mr Francois:** Sir Simon, good afternoon. My congratulations—you've only been in post for a very brief period of time and already you are starting to answer questions like an experienced civil servant.

Let's have a crack at this. The published total for the equipment plan for 10 years was £179 billion. That is the number that the NAO audited, and then said that it was over-programmed by between about £5 billion and £20 billion. You are saying, "I don't have all the £179 billion, because you have to take out the submarines and you have to take out ISS." What is the remaining amount that is down to you of that £179 billion?

Sir Simon Bollom: I can only repeat what I said earlier. My programme is a collection of projects with an associated funding line, and I have to live within those funding lines for each one of those programmes. In terms of the risk carried at MoD level, I genuinely do not get involved in that conversation.

Q31 **Mr Francois:** But when you add up your 600 lines, what number do you come to?

Sir Simon Bollom: I do not have the number off the top of my head, but it is roughly £10 billion a year going forward.

Q32 **Mr Francois:** So approximately £100 billion?

Sir Simon Bollom: Over 10 years.

Q33 **Mr Francois:** Okay. Of that £179 billion, approximately—I appreciate we are dealing with large numbers here—£100 billion of that is within your bailiwick, yes?

Sir Simon Bollom: In fact I think it is a bit more than that, but in that ballpark.

Q34 **Mr Francois:** How much more than that?

Sir Simon Bollom: I do not have the actual number for my 10-year programme.

Q35 **Chair:** Did you say you don't have it?

Sir Simon Bollom: Well, I do not have it in my head right now.

Q36 **Chair:** I fully understand that. Could you send us a note on that, please? That would be helpful.

Sir Simon Bollom: Yes, sure.

Q37 **Mr Francois:** Within that £100 billion—maybe a little more—are you telling us that at the end of the MDP there will be no more over-programming within your bit of the budget?



HOUSE OF COMMONS

Sir Simon Bollom: I do not want to sound as if I am playing you a record, but at the end of the MDP I will have re-costed a number of programmes. We will execute those programmes only where the funding matches the delivery intent. We no longer carry wedges of risk.

- Q38 **Mr Francois:** The reason I ask is that the Department has historically had the serious problem that its eyes have been bigger than its tummy. For years, it has carried more programmes that it can afford, which is why the budget grinds to a halt every year and it has to make in-year savings measures that mean that nobody can buy a rail ticket. That is not how you would run a proper business, yet it has become part and parcel of how the MoD conducts itself.

The reason we are pushing you on this is that we want some reassurance. The MDP process has been elongated for longer than we were told it would be—Ruth is spot-on about that. We want to be reassured that after you have done all that tremendous brainwork and analysis and put a wet towel around your head, you will have eliminated the overspend or the over-programming. That will mean cutting stuff out. Can you reassure us that you will take those difficult decisions and that the budget will be back in balance by the end of the MDP?

Sir Simon Bollom: No, because it is not my business to do so.

- Q39 **Mr Francois:** Forgive me, but doesn't your business card say that you are the head of procurement?

Sir Simon Bollom: Exactly. I am not the head of budgeting.

- Q40 **Ruth Smeeth:** Which of your 600 project lines is giving you most cause for concern?

Sir Simon Bollom: My eyes are on the ones that are large, complex and cost a lot of money; I am sure you have done your own analysis of what they are. I am not particularly worried about the programmes, but I am eyes on.

In the maritime sector, we have the carrier, which is not finished yet but will be fantastic. We have the first ship through vessel acceptance, but there is still a way to go. Type 26 is another large programme that we are executing.

On the air side, there is the F-35; the P-8, which is coming into service fairly soon; and a number of critical deliverables on the Typhoon programme.

On the land domain, there is a really comprehensive re-equipment of the army, with critical programmes that we need to ensure we deliver to time and cost—Warrior CSP and Ajax, to name two.

- Q41 **Ruth Smeeth:** Of all those, I would be most worried about the F-35, but that is my personal view. The MoD expects the MDP to return the equipment plan to affordability—that is your role. What cuts are you having to make?



HOUSE OF COMMONS

Sir Simon Bollom: We are sort of going around the same buoy here. I am genuinely not trying to obfuscate, but I can only do what I am asked to do.

- Q42 **Ruth Smeeth:** Okay—let's talk about what you are asked to do. Have you been involved in making contingency plans for the MDP? Were you at the 9 October meeting that the Permanent Secretary referred to?

Sir Simon Bollom: I don't know which meeting the Permanent Secretary referred to.

Ruth Smeeth: It was a meeting with the Treasury to talk about the future of your work.

Sir Simon Bollom: No.

- Q43 **Ruth Smeeth:** So you are not involved in the contingency planning?

Sir Simon Bollom: Cat Little, who is DG Finance, the Permanent Secretary and their staff set and manage the budget. My job is to ensure that I execute my plan within the parameters.

- Q44 **Ruth Smeeth:** But your plan may change dramatically within that budget. Do you not have any involvement in the contingency conversations?

Sir Simon Bollom: Not in contingency, but I am involved in looking at particular programmes that they might want to speed up, slow down, bring new capabilities to, or do something different with. I am absolutely involved in that, but on a tasking basis.

- Q45 **Mr Francois:** We now have a significant part of what was the total equipment plan budget under the Submarine Delivery Agency. What is your relationship with them?

Sir Simon Bollom: Ian Booth is the chief executive there; he and I work really closely together. Essentially, most of his workforce is down at Abbey Wood. We share the manpower, training and people management—I run it and he taps into it. He and I work together on the prioritising of people and whatever other facilities at Abbey Wood. That is at the enabling level. Clearly, we have some projects that overlap in the dockyards—there is an overlap of ships and submarines. In particular, BAE Systems, Babcock and Rolls-Royce are major suppliers with which both parties have contracts. I am very closely linked with the SDA in that respect.

Mr Francois: Very closely linked.

Sir Simon Bollom: Yes.

- Q46 **Mr Francois:** Good. Unfortunately, Ian Booth cannot be with us this afternoon, but fortunately you can, so let's ask you: why is the Astute programme such a shambles?

Sir Simon Bollom: I can't answer that question.

- Q47 **Mr Francois:** He is not here, but you are. You were warned that we would



HOUSE OF COMMONS

raise this; you were also warned not to say what you have just said, so I will try again. Why is the Astute programme so late and so over budget?

Sir Simon Bollom: I don't really think I can answer that question when it is not a programme that I have any responsibility for in terms of delivery. I'm sorry—I know you're not going to like that answer.

Mr Francois: You're dead right. I will give you one more go.

Sir Simon Bollom: I'm going to give you the same answer, I'm afraid.

Q48 **Mr Francois:** I will tell you why I am asking. Because of the delays on Astute, we have had to run the Trafalgar boats on longer, which has cost more money in an already overstretched defence budget. Without going into a classified level, when our friends have come visiting from the north, we have been embarrassed because we did not have the availability that we should have had.

Sir Simon Bollom: Be careful that you don't step into classified territory.

Q49 **Mr Francois:** Forgive me, but don't tell me how to do my job. One last time: you are here on behalf of the Department—why has it gone so badly?

Sir Simon Bollom: I am here on behalf of Defence Equipment and Support, as far as I knew.

Mr Francois: Wrong answer.

Sir Simon Bollom: I'm sorry to disappoint you.

Q50 **Mrs Moon:** You are aware that we are pretty excited about the single-source contract on the Wedgetail. What part do you play in deciding on single-source contracts? On what basis are they decided? Do you have any input at all?

Sir Simon Bollom: Yes, we do. We will do the evaluation of a particular requirement and look at all the options. Then, we will make recommendations to the MoD—there is an investment approvals committee. Ultimately, that committee—and the Treasury if it is large enough—will make the decision.

Q51 **Mrs Moon:** In that process, is there any consultation normally with industry?

Sir Simon Bollom: Absolutely constant consultation.

Q52 **Mrs Moon:** Are you happy that there was constant consultation with industry in relation to the Wedgetail?

Sir Simon Bollom: I am satisfied that sufficient consultation took place at a lot of levels—technical, commercial and financial—for the Department to make the decision on that basis.

Q53 **Mrs Moon:** Are you confident that offers to have confidential briefings on equipment that could have influenced the decision were taken up and



HOUSE OF COMMONS

followed up on?

Sir Simon Bollom: I believe that we went far enough to be able to get sufficient confidence in the decision going forward. In terms of the confidential briefings that you referred to, we already had a pretty clear picture of what the relative capabilities of the solutions were. Actually, any further detailed briefing at that level probably would not have advanced our understanding much further in relation to the investment decision.

Q54 **Mrs Moon:** How do you know that without hearing the briefing?

Sir Simon Bollom: The other factors were overriding.

Q55 **Mrs Moon:** What sort of other factors?

Sir Simon Bollom: You are referring to the Wedgetail solution versus the Airbus-Saab solution. I know you heard all this this yesterday, but on the one hand we have a fully found capability in Wedgetail, which is in service, and on the other hand we have a concept to integrate a radar on to the A330. Yes, we could have done even more investigation over a longer period of time, but the decision that was taken was on the basis that there was a clear gap between the two solutions on the table, which is why we elected to go down the single-source route in the end.

Q56 **Mrs Moon:** What do you see as the clear gap?

Sir Simon Bollom: The clear gap would be in terms of time and cost. We have a lot of experience of integrating complex systems on to aircraft over the years; some have gone well and some have gone not so well—that has been much publicised in the past. We always have to look very carefully at technical risk. If you were to look at defence programmes across the piece, we are pretty good on costs now, but technical risk is where, in the past, we just have not laid down enough contingency. In this particular case, when you have one capability, which is fully found in service, versus a concept that has not been integrated yet, there has to be a lot of technical risk inside that programme.

Q57 **Chair:** But the Saab radar is operating, isn't it?

Sir Simon Bollom: The Saab radar is operating on a different platform. Time after time, on military and civil aircraft, platform integration is the difficult bit, particularly when it is radar. There is as much art as there is science in that.

Q58 **Mrs Moon:** Perhaps I have it wrong, so you can help me on this, but my understanding is that the Boeing option is that you build a plane—okay, but no one in the last five years has cut open one of those planes to put in a complex radar system and then put the plane back together again. That is what we are going for, as opposed to what is ultimately a plug-and-play system with a plane that we already have and a radar system that operates highly effectively elsewhere, and would not involve any alteration to the plane, no cutting up the plane and welding it together—it is plug-and-play. But you thought that the option that had not been used for five years was better.



HOUSE OF COMMONS

Sir Simon Bollom: Can I absolutely assure you that it is not plug-and-play?

Q59 **Mrs Moon:** How do you know that if you did not take on the technical briefings that you were offered?

Sir Simon Bollom: You cannot just put a radar system on an aircraft and switch it on. I can absolutely assure you that you cannot do that. If you look at the structural side of it, you have to put two very large radars on the aircraft. That will mean cutting the aircraft fuselage and changing its weight, balance and flight characteristics. There is a whole flight-testing programme. You have to design and integrate a whole mission system into the aircraft. It is absolutely not plug-and-play, I can assure you.

Q60 **Mrs Moon:** Did you discuss those concerns with the companies involved?

Sir Simon Bollom: There were a number of discussions with Saab, by my people, and the Defence scientific and technical people. But it is reasonably well understood that integrating a radar system on to a new aircraft is a really complex undertaking, I can assure you. Moving on to the Boeing piece, maybe that operation had not been performed for—how many years did you say?

Mrs Moon: Five.

Sir Simon Bollom: But the important thing is the design piece—that you have actually designed, built and tested it and can ascertain the performance. The putting it together is not really that big a challenge.

Q61 **Mrs Moon:** So nobody has wanted this for five years, but we now want it—a piece of out-of-date equipment that is over five years old and that nobody else has wanted, or they would have been building them for the last five years. You felt that it was not worth listening to confidential briefings that would have explained how a different system, a modern system, could have been utilised on planes that we already fly and have experience of.

Sir Simon Bollom: It is not out of date, I can assure you of that. It is absolutely not out of date. Any aircraft that has a complex radar system—we have Airseeker/Rivet Joint—is in a constant obsolescence and upgrade cycle, so you pick a configuration in year one, and by year three it will be different. One of the things for me—I have come into this reasonably late on, but I'm quite happy to discuss it—is that what we are buying into is an upgrade path with the Australians. It means that we are not the only taker of the capability and can share the fixed costs in terms of upgrade. If you don't do that, your platform, in terms of a capability, will just become obsolete.

Q62 **Mrs Moon:** All this is documented?

Sir Simon Bollom: Yes, it is. Obviously there is an investment approvals business case. The investment approvals business case will be supported by a number of technical artefacts. So yes, absolutely, a rigorous assessment was done.



HOUSE OF COMMONS

Q63 **Mrs Moon:** Can I ask this just very quickly? Do you have any idea how many NATO allies use the Saab radar, as opposed to the Australian one?

Sir Simon Bollom: No, I don't.

Q64 **Mrs Moon:** Could you have a look at that and come back to us?

Sir Simon Bollom: I can certainly do that.

Q65 **Chair:** But surely if you had properly evaluated it, you would know that.

Sir Simon Bollom: Sorry, I was just saying I didn't know personally, sat here now.

Q66 **Chair:** Surely if a proper evaluation had been done—you're talking about commonality with allies, unless you're saying that basically we are only dealing with certain allies in this regard—you would have known. In the same way, we still fail to understand why, for example, when there was a question about classified data from the Swedish Government and the Swedish Government gave permission for that, you did not take up the offer to access it. It does seem as though at quite an early stage, for whatever reason, there was a downselect to Boeing, and basically after that, probably from earlier this year, Saab and Airbus did not get a hearing at all.

Sir Simon Bollom: I can only go back over this: I do have a fair amount of experience in this area, and it was one of the first things that I looked at when I came into this post; I had more than a professional interest in it. The Saab radar is a capable radar, I don't dispute that at all, but the integration of a radar on to a brand-new platform that has never been done before has a lot of technical risk in it. I know that from experience. And in terms of the time to do it and the cost, I am not surprised that the Boeing solution, the Wedgetail, was selected.

Q67 **Mrs Moon:** Why did you not do a formal market testing by issuing a high-level requirement and inviting responses? Was it your decision not to do that?

Sir Simon Bollom: It predated my arrival on the scene, but the organisation chose not to.

Q68 **Mrs Moon:** Do you know why?

Sir Simon Bollom: Because in our view there was such a clear decision relating to the E-7. The gap was that big that the assessment was made that going through a further market test was not going to fundamentally change the drivers here. We also have to remember—I am sure you heard this yesterday—that we have an issue: the E-3 is getting older by the day. Mr Francois knows that very well. Therefore we had to move at pace. I think that to have gone through a market test, as you put it, or a full competition would have simply delayed what was, for me, an inevitable conclusion.

Q69 **Ruth Smeeth:** I have a couple of points. First, for something that has not been manufactured for five years, the concept that it is relatively



HOUSE OF COMMONS

straightforward to restart a production line when you do not necessarily have the sovereign skills or the capacity to do so is a little bit extraordinary. There is an added risk in there.

Five different platforms have integrated the current Saab radar. I am suggesting that at this point they are probably quite good at integrating on to lots of different aircraft. You raised timing as a key issue. From the date when the Australian Wedgetail contract was signed, it took nine years for the first plane to be delivered. The next contract was for Turkey. It took 12 years for the first plane to be delivered after signing the contract. The third order was for South Korea. It took five years for the plane to be delivered. Within your timescale and risk analysis, that suggests that—given that production is not currently running, and that at the point of those three contracts production was running at full capacity—you will not meet your own timescale and you are using time as a reason for doing single-source.

Sir Simon Bollom: I would say that the Australian production has completely de-risked the systems integration—I will go back to that—which is absolutely the thing that will drive the timelines on this. I cannot comment on Turkey.

Q70 **Ruth Smeeth:** But that took nine years, and the following contract took 12 years for the same level of integration for the Wedgetail. That suggests that they were not learning, and that was when they had a fully-fledged production line.

Sir Simon Bollom: I don't think they were sequential.

Ruth Smeeth: They were signed in 2000, 2002 and 2006. They were sequential.

Mr Francois: But don't worry, if it has nothing to do with you.

Sir Simon Bollom: It almost underpins my point that doing a systems integration is not easy. If the Australians took that long to do it, we have a fully de-risked solution.

Q71 **Ruth Smeeth:** But we don't, because production is not currently occurring, so they will have to reopen a production line, which has added risks for everybody.

Sir Simon Bollom: My perspective, as an aircraft engineer, is that the design and integration bit—not the production bit—is the challenge here. If you have already designed it, systems-integrated it, brought it into service, tested it and flown it in allied operations, that is a massive de-risk of your solution.

Q72 **Ruth Smeeth:** We were very good at building submarines. However, when we stopped doing that, it took us eight years to reopen the production line.

Sir Simon Bollom: I think we are making different points. I am absolutely sure that it will not take anywhere close to that length of time to build it.



HOUSE OF COMMONS

Ruth Smeeth: I really hope, given that that is for the record, that that will be—

Sir Simon Bollom: That is fine. I am happy to go on the record and say that having done the de-risking, the building is less of a challenge.

Q73 **Mr Francois:** What was the relative cost between the two offers?

Sir Simon Bollom: I think that at the moment I will have to say that is commercially sensitive data.

Q74 **Mr Francois:** Come off it. Which was cheaper? The Wedgetail or the Airbus/Erieye solution?

Sir Simon Bollom: The Wedgetail.

Q75 **Mr Francois:** Clearly cheaper or marginally cheaper?

Sir Simon Bollom: Clearly.

Q76 **Mr Francois:** Okay. Now, why—in order to deal with everybody's concerns—didn't you run a BAFO?

Sir Simon Bollom: Because, in our estimation, we had such a gap between the two, in terms of technical risk, cost and time, that there was not any need to do so.

Chair: Mark, we are going to have to move on, because we have a number of other areas that we need to cover.

Q77 **Mr Francois:** I have one more question, then fair enough. The Apache AH-64E: a multibillion dollar contract awarded non-competitively to Boeing. The Poseidon P-8: a multibillion dollar contract awarded non-competitively to Boeing. The E-7 Wedgetail: a multibillion dollar contract awarded non-competitively to Boeing. Does it not occur to you that optically, that does not look good?

Sir Simon Bollom: From my optics, we are buying into a well-found capability operated by our allies and there is the opportunity to defray our fixed costs and to be able to co-ordinate with them. I think it is just an opportunity.

Q78 **Chair:** Basically, you have sub-contracted your decision-making process to the Pentagon. The Pentagon agrees something and therefore you just follow.

Sir Simon Bollom: We are faced with a military requirement, a budget and a need to operate with our allies. Inevitably your eyes are going to be drawn towards platforms that are performing, that we can access and that build on our relationships within NATO.

Q79 **Mrs Moon:** But you do not know how many of our NATO allies, other than the Americans, are actually flying the Wedgetail. You do not know.



HOUSE OF COMMONS

Sir Simon Bollom: No. Well, I do, actually. We have got the—I have already heard from Ms Smeeth on that particular area. *[Interruption.]* But it is not on the A330, and that is really my point.

- Q80 **Mrs Moon:** I am worried about the fleet solid support ships, the mechanised infantry vehicle and the AWACS—all those decisions mean that the Department is sending contradictory signals on competitive tendering. Are single-source non-competitions a route that you are going to go down further?

Sir Simon Bollom: As I was saying at the start, we do an evaluation on a project-by-project basis, and there are a number of factors that inform the final decision.

- Q81 **Mrs Moon:** So Boeing is so good, they do not like competition.

Sir Simon Bollom: Your words.

- Q82 **Mrs Moon:** What risk assessments have you made of the consequences of not building the fleet solid support ship in the UK?

Sir Simon Bollom: We have got the national shipbuilding strategy, which I thought was a very coherent piece looking at the capabilities and capacities in UK yards. For fleet solid support—I know you have covered this in previous hearings—our judgment was that as a non-warship it had to be put out to international competition. UK bidders are bidding into that at both the prime and the sub level. There is opportunity for British shipyards here.

- Q83 **Mrs Moon:** So it is nothing to do with Boeing not wanting the contract, I take it. I have got the shipbuilding policy here, and it states: “Defence will take account of wider factors (including the impact on UK prosperity) when making these procurement decisions.” Did you take that into account?

Sir Simon Bollom: We are in the early stages, as I am sure you appreciate. We will be looking at the prosperity dimension, as we do with any programme going forward.

- Q84 **Chair:** Given that you are so keen to leap in and make an early decision on the AWACS, why did you not build that in at an early stage of the prosperity agenda? Can you tell us any other of our NATO allies in Europe who build these types of vessels other than in their own yards?

Sir Simon Bollom: To my understanding, Norway, Canada and New Zealand have competed contracts for similar types of vessel.

- Q85 **Chair:** Interestingly, none of those are our EU allies. My understanding is that all those other EU countries built these vessels in their own yards. Why would we not follow that? They are protecting their shipbuilding industries for the future and also maintaining capability. We know the cost of maintaining a workforce, in Rosyth, for example, and we know the cost of recreating a workforce, after what happened in Barrow. Following that would enable us to retain that capacity for when the Queen Elizabeth needs its first major refit.



HOUSE OF COMMONS

Sir Simon Bollom: I absolutely understand your point, but the countervailing point is that the drive here is to get the best value for money.

Q86 **Chair:** In a very short-term sense.

Sir Simon Bollom: At the end of the day, it gives us the option, doesn't it?

Q87 **Chair:** No. You may have lost the capacity in Rosyth, for example, and you would not have a workforce there.

Sir Simon Bollom: Sorry; I am talking in the context of the procurement decision for FSS.

Q88 **Chair:** But you can't look at these things in separate, isolated silos. You surely have to look at them in the context of our sovereign shipbuilding capability as a whole.

Sir Simon Bollom: And there is the opportunity to do that. We are going through a process, as you know, and we hope to have five bidders into this. Ultimately, when we select a preferred bidder, that is the opportunity to make a decision along those lines. We will be looking at prosperity and at the value of that to British industry and to the taxpayer. However, fundamentally—as has been said at previous hearings—we are obliged to follow the JSP 507 and the Treasury Green Book in how we evaluate these competitions.

Q89 **Mrs Moon:** I know that Martin wants to come in on the shipyards, but I just want to go back to the AWACS very quickly. You said earlier that the Wedgetail was considerably cheaper. Is that after adding in or ignoring the opportunity offered to you by Airbus, which included the provision of four new booms for Voyagers, which would offer air-to-air refuelling capability?

Sir Simon Bollom: Within the price? Four new Voyagers?

Q90 **Mrs Moon:** Perhaps you could go back and have a look, Sir Simon, and make another assessment of what the contract actually contained.

Sir Simon Bollom: Sorry; could I just ask you to—

Chair: I think it would be useful to do that in correspondence.

Sir Simon Bollom: I was not entirely clear what the question was.

Chair: We need to move on. Martin can come back on that if he wants to, and then he can move on to his question.

Q91 **Martin Docherty-Hughes:** Simon, which shipyards are unable to build the fleet support ships in the UK?

Sir Simon Bollom: It on depends how the winning contractor wants to address the build and if they want to build it as a whole ship. The modern way of doing things is to build it in blocks. I am an aircraft engineer, not a

shipbuilder, but I guess that, if they built it in blocks, there is an opportunity to distribute that work around a number of yards in the UK.

Q92 Martin Docherty-Hughes: And then build it all completely at Rosyth?

Sir Simon Bollom: It would probably be somewhere like Rosyth or Harland and Wolff.

Q93 Martin Docherty-Hughes: Forgive me, Sir Simon, but this sounds like Groundhog Day. I have only been in this Parliament since 2015, but it is like a revolving door of “Yes, Minister”. Knowing the history of shipbuilding in this country as I do, I see what seems like consistent disengagement from industrial policy by the Ministry, and clear decisions to disinvest, from my perspective, in shipbuilding capability across the UK.

You talked earlier about the prosperity issue, which has been mentioned by other Members, and I will go into that in the next question. Cammell Laird, Portsmouth, Swan Hunter and Harland and Wolff could also probably do unit sections, along with Scotstoun, but Rosyth is probably the only place where the whole ship could be built or put together as units. Clearly, it is only Rosyth—

Sir Simon Bollom: Or Harland and Wolff.

Martin Docherty-Hughes: Possibly. Okay. Given the gaps with the refits for the new aircraft carriers, we are saying that we will just leave those empty until the next refit. That will be the same for shipyard workers in either Rosyth or even Harland and Wolff.

Sir Simon Bollom: In the context of FSS?

Martin Docherty-Hughes: In the context of the fleet support.

Sir Simon Bollom: That has to get to a point where we make a decision, and if a UK bidder wins it, then the problem—

Q94 Martin Docherty-Hughes: What if a UK bidder does not win it because the UK has decided to put it out to tender? What does that say about the prosperity agenda, in terms of the industrial policy of the MoD and its impact on prosperity?

Sir Simon Bollom: At the same time, Type 31 will be in play, and that is also an opportunity for a whole variety of shipyards in the same way as FSS.

Q95 Martin Docherty-Hughes: Let’s go on to the Type 31, then. Why was the programme paused in July?

Sir Simon Bollom: Insufficient compliant bidders. I cannot really go into the issue for commercial reasons, but it was about financial stability, and we decided to relax some of the restrictions that we had asked for. It was about risk transfer and about joint and several liability, so we changed those conditions and we have relaunched the PQQ.



HOUSE OF COMMONS

Q96 **Martin Docherty-Hughes:** Will this mean a delay in them coming into service?

Sir Simon Bollom: No. 2023 is still the target in-service date for this platform.

Q97 **Martin Docherty-Hughes:** How many compliant bids were received, and from whom, when the new tender process closed on 20 August?

Sir Simon Bollom: The PQQ response was last Friday, and the evaluation on that will be completed by the end of this month.

Q98 **Martin Docherty-Hughes:** Would you be able to advise the Committee at some point as to who—

Sir Simon Bollom: If I can, I will.

Q99 **Martin Docherty-Hughes:** What discussions have you had with the defence industry about whether the price and delivery timescales are achievable?

Sir Simon Bollom: Extensive. Do you want me to elaborate?

Martin Docherty-Hughes: A wee bit, if you want.

Sir Simon Bollom: We used a process called value management, which was brought in from the private sector. Basically, that involves engaging in a pre-procurement exercise with potential bidders on what our aspirations are in terms of capability and what they think they can deliver as shipbuilders. We went through that value management phase for close on nine months, with constant interaction with potential bidders.

Q100 **Martin Docherty-Hughes:** You said that value management came from the private sector. What element of the private sector did it come from? Was it the shipbuilding private sector?

Sir Simon Bollom: It is widely used in construction, facilities, and large capital programmes. It is not really about building the ships; it is a way of engaging with potential bidders.

Q101 **Martin Docherty-Hughes:** Could the price constraints make capability an issue, in terms of exports?

Sir Simon Bollom: One of the core parts of the Type 31 strategy is modularity. It was termed Type 31e—export—so we want a modular open-systems architecture that allows potential export customers to quickly integrate what they need on to the ship. We are designing it at the outset to be plug-and-play.

Q102 **Martin Docherty-Hughes:** You used a term earlier on: “being a market follower”. I am wondering if the Type 31 is a market follower, because if you look at the French examples—I think they are called the FTI frigates—they are already operational, they are being exported, and they have ASW capability that the Type 31 lacks.



HOUSE OF COMMONS

Sir Simon Bollom: This will not be a high-end frigate. It would not be suitable for doing anti-submarine operations; that is Type 26 territory. Type 31 would be much more limited than those high-end capabilities.

Q103 **Martin Docherty-Hughes:** Let's go on to the Type 26, then, and the deals with the Australian and Canadian impact. Will the recent Type 26 deals with Canada and Australia impact on the UK Type 26 and Type 31 programme—for example, through pressures on the availability of skilled workers?

Sir Simon Bollom: That is a good question.

Martin Docherty-Hughes: Coming back to the prosperity agenda.

Sir Simon Bollom: There is definitely a massive prosperity opportunity for the UK here. The Australian piece will, of course, be built down in Adelaide. BAE Systems Australia will take forward the specific requirements that the Australian navy has. Theoretically, it is reasonably self-contained, but it is a risk that there is bound to be some pull on our Type 26 programme. BAE Systems is very much aware of that; so are we as a customer, and we will be watching this carefully.

Q104 **Martin Docherty-Hughes:** You talked about prosperity for the UK, but there will also be a great agenda for Canada and Australia. At this moment in time, the Canadian yards are advertising in the papers in Scotland for the workers of BAE Systems in Scotland. That has a profound impact on my constituents in West Dunbartonshire, as well as in the city of Glasgow and surrounding areas, and for the rest of the UK shipbuilding industry. Has it crossed anyone's mind that Canada and Australia are going to start taking the workers from the yards that you are not going to fill because you are not going to give them contracts for the fleet support?

Sir Simon Bollom: I don't think we have necessarily made that connection. Both Australia and Canada—

Q105 **Martin Docherty-Hughes:** Forgive me, Simon, but shipbuilding history in these islands is ancient, and it is a revolving door.

Sir Simon Bollom: At this stage, the Australia and Canada contracts are some way away from cutting steel.

Q106 **Martin Docherty-Hughes:** So why are they advertising in Scotland for workers from those yards?

Sir Simon Bollom: I would need to have a look at what they are advertising for. My concern, which I mentioned earlier, was about design engineers and naval architects; those are the sorts of skill sets. I acknowledge that there is a risk here. We understand there is a risk and we need to ensure that, as you say, we do not denude the capability that we need to deliver Type 26 and to sustain the capability into the future. But there is a market out there, and you can't forbid people to travel. As far as I am aware—although I will take this away—there is no migration to either Australia or Canada, but we are aware of the risk.



HOUSE OF COMMONS

Q107 Martin Docherty-Hughes: Okay, let me just put this in context. As the son of a shipyard worker on a yard that no longer exists on the Clyde—there used to be quite a lot of them—take my word for it, Simon: people move quite quickly in terms of this. It is a live issue and it impacts the infrastructure of the future. Again, it comes back to a long history of the same stuff happening, consistently, time after time. Are there any plans to alter the out-of-service dates for the Type 23s?

Sir Simon Bollom: Not at this stage. The Type 23 is definitely the workhorse of the Royal Navy; getting Type 31 in from 2023 to 2028, with the Type 26s starting to arrive from 2024 onwards, is essential to ensure that we can continue with the Type 23 out-of-service dates.

Q108 Martin Docherty-Hughes: Extending that lifespan of the Type 23 will put more strain on our budget. Is that sustainable? We have already talked about the other black hole in the envelope that you will get from the Modernising Defence programme.

Sir Simon Bollom: We talked about Sentry. When platforms get to the end of their lives, it gets progressively more expensive to life-extend them. That is very much in our mindset and that of the Royal Navy as well. That is the drive to get the Type 31 and Type 26 in on time.

Q109 Martin Docherty-Hughes: And you believe that is sustainable in the long term and its impact on the budget is sustainable?

Sir Simon Bollom: Sustainable, meaning will we meet those dates? At this stage, I see no reason why not.

Q110 Martin Docherty-Hughes: Financially sustainable for the budget.

Sir Simon Bollom: To be clear and ensure I am answering your question, we have the money in the programme to deliver the Type 31 and the Type 26. If they deliver to time, we have enough money in the support lines to take the Type 23s up to those dates. If, as your question suggests, we were to delay on those new acquisitions, clearly that would put a strain on the Type 23s and cost us more. That is not budgeted for, which is why we have to hit those dates.

Q111 Mr Francois: Simon, on F-35, is the MoD still committed to buying 138 aircraft?

Sir Simon Bollom: One hundred and thirty-eight is still the programme of record and we are paying our composite share on that basis.

Q112 Mr Francois: So far the MoD has committed up front to buying 48 F-35s. How much will that cost?

Sir Simon Bollom: I think we have a session in January on the cost of the F-35 programme.¹

Q113 Mr Francois: I am not waiting until the new year. How much do they cost?

¹ *Note by witness:* The session has been scheduled for November 2018.



HOUSE OF COMMONS

Sir Simon Bollom: I am reluctant to get into a debate on this. Do you mean how much does each individual aircraft cost?

Q114 **Mr Francois:** What is the total cost of those 48 F-35s?

Sir Simon Bollom: I do not have with me today the cost of those 48 aircraft. Some of them are still subject to the negotiating process.

Q115 **Mr Francois:** But you are the head of DE&S. Who should we ask if you do not know? You are responsible for it, right?

Sir Simon Bollom: Absolutely.

Q116 **Mr Francois:** Good. So if you are responsible for it, what is the cost?

Sir Simon Bollom: I haven't got the cost here with me today.

Q117 **Mr Francois:** Okay, I'll tell you. It is £9.1 billion, and I am not the head of DE&S. That is roughly just under £200 million per aircraft. This is known as the plane that ate the Pentagon. Are you confident that you can maintain that cost ceiling of £9.1 billion or do you think it might go up?

Sir Simon Bollom: In terms of the acquisition and the price points—forgive me I do not know what information has and has not been disclosed on that. I know you have had this conversation before. I was responsible for F-35 as COM (Air) in my previous guise. There is a curve that shows the target costs for each of the LRIPs that determine the production sequence of the F-35. For each one of those LRIPs the unit cost has been below what we budgeted for and predicted for each one.

Q118 **Mr Francois:** So we have got £9.1 billion for 48. What is the total cost of all 138?

Sir Simon Bollom: I just don't have that information with me today.

Q119 **Mr Francois:** Just to confirm beyond peradventure, because I am getting slightly confused now, you are not responsible for submarines. We have established that.

Sir Simon Bollom: I'm definitely not responsible for submarines.

Q120 **Mr Francois:** You are not responsible for ISS, but you are responsible for the F-35 programme. Yes or no?

Sir Simon Bollom: You've asked me that before and I answered yes.

Q121 **Mr Francois:** Good. In which case, what is the cost?

Sir Simon Bollom: I will go back to my previous answer, which is that I am afraid I did not come here prepared to answer detailed questions on the F-35. I don't have the costings with me.

Q122 **Chair:** In that case, you can write to us on that.

Sir Simon Bollom: I believe we have a session on it.

Q123 **Mr Francois:** Hang on. I just have a couple more questions and then I will gladly hand over. Have you decided yet what the remaining

configurations will be of the remaining aircraft?

Sir Simon Bollom: A versus B?

Q124 **Mr Francois:** Or C.

Sir Simon Bollom: Or C.

Q125 **Mr Francois:** But no, you haven't.

Sir Simon Bollom: No.

Q126 **Mr Francois:** When do you envisage taking that decision? Clearly, that will have quite an important effect on the equipment plan because the B is a lot more expensive than the A. So when will MoD announce which variant it wants to buy for the remaining 90?

Sir Simon Bollom: Combat air mix will be looked at as we go through with the FCAS programme. Tempest has already been announced, so we will be looking at new concepts versus F-35s. I cannot tell you when the MoD will make a definitive decision on what combination of variance it will buy. I doubt whether we have got a programme of record for 48. I suspect there will be a number of incremental decisions over time as we understand the threat better and understand the capabilities we have got. It will be in that sense rather than a big bang.

Q127 **Mr Francois:** Last question: can you confirm that the F-35 is the second largest by value procurement programme in the equipment plan after Dreadnought?

Sir Simon Bollom: I believe it is.

Q128 **Mr Francois:** In which case, if you will forgive me sir, I am a little surprised that it is the second biggest programme on your watch and you have come to this Committee and do not even know how much it costs.

Sir Simon Bollom: Well, I think this Committee has had quite an extensive dialogue on F-35 and the costs with my colleagues, which is why, I believe, we have set up for January to come and talk to you about that in private.²

Chair: Okay. Graham Jones will just finish off on this and then move on to his own questions.

Q129 **Graham P. Jones:** Just on the F-35, we have spent £9.1 billion, and you say that we are below the cost curve, on the first tranche, so do you expect the final cost of the first 48 to be less than £9.1 billion?

Sir Simon Bollom: Clearly, we are not just buying aircraft; we're buying a sustainment package, an op support package, training—

Q130 **Graham P. Jones:** The presumption there will be that you have said that the cost of the aircraft is below what was anticipated. You are now telling me that the cost of the maintenance programme has risen,

² *Note by witness:* The session has been scheduled for November 2018.



HOUSE OF COMMONS

comparatively. That's what you have just said in the last few words.

Sir Simon Bollom: I don't think I have. I said that, in terms of the unit—

Q131 **Graham P. Jones:** You might not think you have said that, but that is what everybody else is hearing.

Mr Francois: Correct.

Sir Simon Bollom: Okay. That was not what I intended, so thank you for—

Q132 **Graham P. Jones:** I think you need to be clear in what you do say and perhaps a bit more focused in your answers.

Sir Simon Bollom: Thank you for that advice.

Q133 **Graham P. Jones:** So will we be underspending the £9.1 billion, given the fact that we are below the cost curve?

Sir Simon Bollom: What I was trying to point out was that with any procurement you will have a notional cost and a certain amount of risk in your programme. Each one of these LRIPs is negotiated—on a case-by-case basis—and what I was informing the Committee was that we have come inside the price points on each one of those negotiations.

Q134 **Graham P. Jones:** So it won't be £10.1 billion? At no point will it be more than £9.1 billion?

Sir Simon Bollom: I think I made the statement. I was asked about the unique cost of the aircraft, and that is what I was referring to.

Q135 **Graham P. Jones:** I understand that, but relevant to it are the contracts that support the purchase of the aircraft itself, and that is proportionate, so will the contract exceed £9.1 billion or will it come in under budget?

Sir Simon Bollom: I hope it will come in under budget. The reason I use the word "hope" is that we have only just recently got the F-35s into the UK—nine at Marham. It is probably too early to say what the actual outturn in support costs is going to be. I think we are in a pretty good place at the moment.

Q136 **Graham P. Jones:** Let's move on to discuss Typhoon. The MoD has told us that the SDSR 2015 committed the UK to keeping a number of the Tranche 1 Typhoons and that action had been taken to allow the retention of 30 Tranche 1 single-seat aircraft. However, the Committee cannot find such a reference in the SDSR. How many more will be retained, and is this commitment fully funded?

Sir Simon Bollom: As far as I'm aware, yes, it is. There is a support budget in there for these additional Tranche 1s to run on.

Q137 **Graham P. Jones:** Can I raise the point that there are currently 35 Typhoons in the sustainment fleet out of the 137 that we have, which according to my maths is 25%. No other aircraft—barring Hawk 2, I think—have the number of aircraft located in the sustainment fleet. Could



HOUSE OF COMMONS

you explain what that is? Is it a budget saving? Why are they all in the sustainment fleet? I include in that Tornados and just about every other aircraft we have.

Sir Simon Bollom: I think Tornado is at about the same level—from memory.

Q138 **Graham P. Jones:** Ten.

Sir Simon Bollom: I think it's a bit more than that.

Q139 **Graham P. Jones:** That's not 35; that's 10.

Sir Simon Bollom: Sorry, 10 out of?

Q140 **Graham P. Jones:** Tornados—I think we have 80, don't we?

Mr Francois: We have about 40 left.

Sir Simon Bollom: Exactly. Ten out of 40—that is probably not a relevant comparison at this stage. But your question about 25% in the—

Q141 **Graham P. Jones:** I am just dividing the 35 Typhoons in the sustainment fleet into the 137 fleet that we have.

Sir Simon Bollom: It is about 25%. Typically, you are going to be rotating aircraft through maintenance; obviously, they need to go through deep maintenance. Some aircraft will be going through a scheduled upgrade. Also, when we purchase the aircraft, of course you purchase a life-of-type buy, and we use the sustainment fleet for rotating the aircraft through so that we can manage the fatigue index on a whole-fleet basis out to the out-of-service date.

Q142 **Graham P. Jones:** Can I ask about Project Centurion—the upgrades? What were the impacts of the project, and will it deliver a full-spectrum attack capability to Typhoon before we end the GR4 programme?

Sir Simon Bollom: That is the plan with the initial operating capability of Centurion being at the end of this year, and the integration of Storm Shadow, Brimstone and Meteor has been successful up to now. We are in the last knockings of that. I think the team have done a fantastic job—RAF, DE&S, industry—in pulling together what was a very ambitious programme. So yes, I am confident it will.

Q143 **Graham P. Jones:** What is the planned timetable for the E-Scan radar project to reach main gate?

Sir Simon Bollom: I am not sure what the main gate date is for—this will be for whichever variant the United Kingdom takes on, because there are three variants at the moment. I think I need to come back to you in writing. I am not going to have a punt on a date.

Chair: Graham, before you come to your next question, Martin Docherty-Hughes wants to come briefly back on the F-35.

Q144 **Martin Docherty-Hughes:** Briefly, on the back of what Mark has been



HOUSE OF COMMONS

asking, on the F-35 programme, has any risk assessment been done of the impact of currency fluctuations on the next tranche of 90 F-35s?

Sir Simon Bollom: It is a good question.

Martin Docherty-Hughes: A good answer?

Sir Simon Bollom: I am not sure I can give you a good answer on that. The exchange rate risk is held by the MOD. I do not hold exchange rate risk at my level, but clearly, with all of our US programmes going forward, that is a risk positive and negative.

Q145 **Mr Francois:** If you do not hold that risk, how can you possibly manage the budget?

Sir Simon Bollom: Because my job is to manage the technical and programme risk. The contingency for currency risk is held at an aggregated level in the MoD.

Q146 **Graham P. Jones:** The next question causes me great concern, Sir Simon—and it causes other people great concern. It is quite a simple question. How will you ensure a seamless transition between Typhoon and the F-35 that we currently have—perhaps less so the F-35—and the outcomes of the future combat air strategy?

Sir Simon Bollom: I am not sure there is a single-sentence answer to that, but in terms of integrating Typhoon and F-35, that would be a high priority for the Royal Air Force as it is. That work has been going on for years. I think if you wanted to get into the technical detail, or the operational detail, of how they were doing that, you would probably need to get one of my RAF colleagues here; but in terms of integration, in terms of the aircraft being able to communicate with one another to operate in a contested airspace, my RAF colleagues have got that well in hand.

Q147 **Graham P. Jones:** I was just about to raise the issue of interoperability and communications in a combat airspace. There have been some issues around the telecommunications in F-35 and in Typhoon and the fact that they are not entirely compatible. That also relates to the carriers, which will probably be there in support, especially B variant carriers, with the F-35 supported by land-based Typhoons. What have you budgeted to make sure that the RAF, when it goes into combat theatre with various platforms—that they are talking to each other in a matter of seconds? I do not just mean vocal communications. We are also talking about the complex data interactions in that contested airspace. What are you budgeting for, and are you ensuring that we have the best?

Sir Simon Bollom: They are compatible via Link 16.

Q148 **Graham P. Jones:** Are you budgeting for that and ensuring that that is the case, and that is with the aircraft carriers and including the bandwidth on the aircraft carriers?

Sir Simon Bollom: And on the Type 45s.

Mr Francois: But do you detect Link 16, so you no longer have stealth

aircraft, have you?

Q149 **Graham P. Jones:** You can assure the Committee that we will have the best interoperability of communications—data, voice—across all our platforms, particularly our main platforms, which is bandwidth on the carriers and with the new technology in the F-35 and an upgrade to Typhoon, given that that will have problems with the Americans, with some of this technology being classified.

Sir Simon Bollom: That is a very detailed question. I have given you the fact that they can communicate via Link 16 and secure voice. I think Mr Francois asked—I think you have asked before—about MADL. That is one of those options that we have yet to take.

Q150 **Graham P. Jones:** We have got Tempest, which is part of the future air combat strategy in the long term, and that was the platform gap that I was referring to. Do you see us partnering Tempest with other nations? This is a big issue because if, for example, the next generation strike fighter is produced between Berlin and Paris—which they are intimating—and we are left with Tempest, will we partner the US, or seek to partner France? That will have huge budgetary implications for you.

What is your role in all of this, to ensure that the British taxpayer gets best value in terms of exports and not competing against European rivals, so that we can invest across nations, lowering the cost to UK taxpayers? How are you managing this programme with FCO colleagues to make sure that we have a platform that is not only world class but not undermined by the fact that we are doing it as a single nation?

Sir Simon Bollom: The Tempest concept was launched at Farnborough. For me, with my background as ex-Royal Air Force, I think this is a very ambitious and fantastic programme. In this country we have some of the best aviation technologists around—just look at the products that we have produced over the years—and this is a great focus that we need to make sure that we sustain those excellent capabilities that have been developed, and that we can put them to good use. A fundamental part of the Tempest programme, and the way in which it was launched, was to test the appetite of our colleagues and friends, our NATO allies, and to test what they would like to do. There is very much an open invitation. We hope that other nations will join in this programme. Already there is a lot of interest out there.

Q151 **Graham P. Jones:** You mentioned “hope”, but we are talking about managing risk and huge amounts of money. When talking about sharing costs and lowering the cost to the British taxpayer, “hope” is not a word I would like to hear. I would like to hear something really firm about our allies committing to joint working on this project, not Paris and Berlin having a conversation about something completely different that undermines British sovereign capability and lands the taxpayer with a huge bill, and probably a white elephant, because we just cannot build it ourselves.



HOUSE OF COMMONS

Sir Simon Bollom: I think we will partner with other nations taking this forward.

Graham P. Jones: We will partner other nations?

Sir Simon Bollom: Yes. The last major combat aircraft design and development programme that we participated in was Typhoon. That was a four-nation programme. As you rightly say, what you do there is defray the fixed costs among four partners rather than taking it on the nose yourself.

Q152 **Graham P. Jones:** Just on that issue, you will have had conversations about access to the European Defence Fund. I wonder if you could update the Committee on whether Tempest will be able to access the European Defence Fund.

Sir Simon Bollom: I cannot update you on that, I am afraid, because I do not know whether we do or not.

Q153 **Graham P. Jones:** That is not very reassuring. To talk about workshare, I want to go to the issue that we have had in the last few weeks, or since the SPD announced that the coalition in Germany would not produce Typhoons for those involved in the war in Yemen—although I notice that they have approved the Qatar order, which seems to contradict what they said previously.

I wonder if you could update us on the situation regarding the tranche of planes that the UK is about to agree with Saudi Arabia. I think the heads of terms are not finally agreed—48. What conversations have you had with FCO officials and with German officials through the FCO on the legality of the provision through the workshare agreement of parts for this—

Sir Simon Bollom: I hate to disappoint you, but I have not had any involvement in that particular opportunity.

Graham P. Jones: But this has a huge impact on the combat air strategy, and all your budgets. Forty-eight Typhoons is five years' worth of work.

Q154 **Mr Francois:** But you don't know?

Sir Simon Bollom: I don't, no, because I am not involved in that discussion.

Mr Francois: Do you know anything? *[Interruption.]*

Q155 **Ruth Smeeth:** Let me ask a little question. The funding that has been made available to our commercial partners to help to develop Tempest runs out in December. They were expecting the MDP to announce whether the combat air strategy was going to be continued. What plans do you have to further support the commercial development of this post-December? Otherwise this has just been a paper exercise—an expensive one, but a paper exercise.



HOUSE OF COMMONS

Sir Simon Bollom: The current phase runs up to the end of March next year.

Q156 **Ruth Smeeth:** My understanding is the funding stops in December.

Sir Simon Bollom: I think the funding runs up to March next year, but let me check that. As you say, part of the deliberation of the MDP going forward is about funding the next phases and the exact numbers.

Q157 **Leo Docherty:** Moving from air to land, Sir Simon, we have a combat air strategy, and a shipbuilding strategy. Do you think we should have a land procurement strategy?

Sir Simon Bollom: Yes. I think for any of the sectors, to be honest, we ought to have a view on what we need in terms of capability onshore to support our operational sovereignty. The most immediate problems were the air and the maritime. Frankly, in terms of the numbers of people employed and the amount of money we spend in those sectors, they quite rightly should demand our attention. However, there are probably areas in the land sector that are similar, and having some sort of strategic view of that is, in my view, a good idea.

Q158 **Leo Docherty:** Moving on to the MIV, in July it was announced that you might buy 1,500 instead of the original 400 to 600. Is this option, and its associated increase in costs, included in the equipment plan or not?

Sir Simon Bollom: To my knowledge, not yet. We have funding cover for the 500 as it stands. Again, the 1,500 option will be an option going forward in MDP.

Q159 **Leo Docherty:** Contingent upon additional resources, I suppose. In October 2017 we had a session in which the former Secretary of State for Defence told us that DE&S had received a technical report outlining a suggested modification to increase air cooling in Foxhound, and that that was being investigated. Can you tell us what the outcomes of those investigations were, given the fact that there are continuing reports of problems with Foxhound overheating?

Sir Simon Bollom: I did have a look at this. Some investigation was done. At the moment, we are at about 95% availability for the vehicle on operations. When the team looked at it, they could not find any systemic problem that we needed to fix. There will always be defects with vehicles, but there was nothing systemic.

Q160 **Chair:** The MoD has been allocated £12.7 million to help to prepare for leaving the EU. How much of that has been allocated to DE&S?

Sir Simon Bollom: It has not been allocated to DE&S directly, but my understanding is that some of that money may well end up with a fishery protection task through the extension of offshore patrol vessels.

Q161 **Chair:** Finally, can we go back to the A330 and the Wedgetail? My understanding is that the wings for that plane will be produced by Airbus at Broughton and the engines by Rolls-Royce at Derby. Both of those are major aerospace engineering establishments with a very large local



HOUSE OF COMMONS

footprint. Post Brexit, they are also a very important part of our industrial and export capability. Does that play any part in your considerations about which model to take?

Sir Simon Bollom: That goes back to the choice of platform. The original concept of the Saab-Airbus partnership was about taking up surplus A330 Voyager aircraft. That option is not currently on the table.

Q162 **Chair:** Why is it not on the table?

Sir Simon Bollom: Because the five additional aircraft that sit outside the active fleet are there for contingency. The RAF needs to retain them to maintain its contingent—

Q163 **Chair:** But they are being hired out for holiday traffic, are they not?

Sir Simon Bollom: Which was always the concept.

Q164 **Chair:** Indeed. But if you did that, you could have a programme of replacing the contingency while having an aircraft that was suitably adapted for military purposes.

Sir Simon Bollom: My point would be that if you were buying new, I don't think you would buy an A330, which is frankly too big to do the job that you want from an AWACS aircraft. You would probably make a different choice.

Q165 **Chair:** Are you saying that the Voyager is too big for this?

Sir Simon Bollom: Yes.

Q166 **Chair:** And you have not evaluated whether it would be cost-effective.

Sir Simon Bollom: Well, the unit cost is something like \$230 million for an A330, and something in the order of \$80 million for the Boeing option.

Q167 **Chair:** But that is something that you could have explored through competition, isn't it? If it had come out that way, it would have been very clear.

Sir Simon Bollom: That is one of the things that drove the investment appraisal so hard towards the E-7.

Q168 **Chair:** I return to the previous point: we have major industrial establishments that are clearly world-competitive in the UK, while Airbus has facilities in different countries and is part of our current European co-operation. Does that play any part in your considerations?

Sir Simon Bollom: Absolutely. As part of the final assembly that we are looking at at the moment, we are looking at options in the United Kingdom to do that work. So yes, it should bring work and jobs to the UK.

Q169 **Mr Francois:** Which procurement Minister signed off the decision not to compete the AWACS? Was it Guto Bebb or was it Stuart Andrew?

Chair: At some stage, there must have been a submission, which must have been signed by a Minister.



HOUSE OF COMMONS

Sir Simon Bollom: Okay. There was a submission, but it occurred before I was in the chair.

Q170 **Ruth Smeeth:** You were in the chair when you were in post.

Sir Simon Bollom: No, I wasn't. I took post on 21 May. This decision preceded that.

Q171 **Mr Francois:** When roughly was the decision taken not to compete?

Sir Simon Bollom: I don't know, Mark. It was in the early part of this year.

Q172 **Mr Francois:** Right, so it was Guto Bebb.

Sir Simon Bollom: It must have been, yes, thinking about it.

Chair: Simon, as with the last three sessions, this has been a prolonged session. Thank you very much for your time. We await your correspondence in response to a number of issues coming through to us.