Written evidence submitted by Rear Admiral (Rtd) Robert Love

I worked in DE and S as a Rear Admiral for 5 years, as the Carrier IPTL and the Director General Ships. I was in charge of the Carrier programme, T26, T45, the New Tankers etc. 2006-2011.

I will comment on the TORs addressing each bullet where I feel I have relevant commentary which might contribute to your enquiry.

1. **Is the current Defence Industrial Policy effective? Is a new Defence Industrial Strategy required?** Whilst I cannot comment on the current DIP I was in the thick of Lord Drayson's production of the defence Industrial Strategy (Maritime section). This was a very useful document and generally welcomed by industry. I have often quoted it as I have seen other countries and industries scramble for high level guidance. It was particularly useful when we had to face the trade unions over the Tankers being built abroad issue. As the Tankers were not "complex" warships we were able to press home an offshore build at approximately 33% of a UK build. This I did with Baroness Taylor. It was the right decision not least as our yards were full of Carrier and T45. I'm sure a refresh of the DIS would be welcome.
2. **What are the national skills and competencies needed for a successful UK defence industrial sector? How can the UK ensure, and assure, that these are maintained in the right place at the right time for the right cost?** This is a multi-layered question and has been studied extensively. RAND Corporation did some very good work on this. As far as the Maritime sector is concerned I believe (and few would argue) that the UK needs to be able to maintain and upgrade its capabilities – most likely the same with Land, Air, Joint and Cyber. Then we get into the discussion around new build and sustainment and how much are common skills. Because if you accept that you need to maintain and many of the skills are the same then logically you want to keep a new build capability. The BAE Terms Of Business Agreement was an effort to secure those skills going forward whilst incentivising year on year productivity. But you need to "feed the machine" to ensure skill-fade or indeed complete loss does not occur.
3. **Does the market for Defence systems, products and services have any specific characteristics, which differentiates it from other markets? Does international collaboration limit the potential for defence exports?** Yes there are specific characteristics. Length of development/production time/security aspects are probably the biggest factors. International collaboration (of which I was involved in a number) brings its own challenges not least in Schedule. The more partners the greater the decision making time (in an already too slow process) and the more compromises required. I chaired the MOU cooperation with the French over the Carriers for example. I am not sure it helps defence exports as the lack of agility probably gives competitors an advantage.
4. **Is tension between competition and strategic choice inevitable?** Yes tension is inevitable. The first thing we need to acknowledge is that in some areas that competition in the home market is just not possible. A manufactured competition (between primes without domain knowledge) in my view is worse than none at all. Better to get into negotiation with the sole tenderer and drive efficiency and VFM into the contract up front which is measurable.
5. **Should the UK adopt a formal Offset/Made in the UK policy? What impact would this have on the national and international defence markets?** Yes I think it should. This has been a difficult issue here in Australia because the ground rules were not laid out clearly at the

start. The question is how is it measured? I do not think it would have a huge impact on national /international markets.

6. **What is considered in assessments of "prosperity" and "value for money" in defence procurement? What consideration is given to the local economy, skills retention and balancing the positive financial impact across the regions and nations of the UK?** I do think there is merit in considering what used to be known as "the total cost to government". Shipyard workers pay taxes, buy food etc etc. How do you sensibly capture that?
7. **What progress has been made in implementing the recommendations from Philip Dunne's report?** I cannot comment
8. **Does the MoD understand the risks and opportunities in the Defence supply chain, and the procurement strategies of other buyers in the market?** I think the answer is yes to the first part of the question. Regarding "the procurement strategies of other buyers in the market" - that is a different question and I wouldn't be so certain.
9. **What has been the impact of reforms to defence procurement and acquisition? How should Head Office and DE&S acquisition reform be aligned to defence industrial policy and strategy?** A greatly reduced head count and I would say significant skill-fade. " Smart procurement" was one of the better initiatives as it empowered Integrated Project Teams and unleashed some significant benefit. It also tried to up-skill in some critical areas. Many in Head Office (and the Treasury) did not like it as it reduced their ability to 'veer and haul' with the budget. Long term contracts are good for industry in that they have certainty and will allow them to invest but the contract needs to deliver benefit to UK PLC in terms of productivity and skills. The issue is; how much can you tie up in long term contracts with the benefits above and still give sufficient room to manoeuvre to manage short term perturbations in budgets. I would suggest no more than 50%.
10. **Given that major capability acquisition programmes are international by design—the Combat Air Strategy and Type 26 frigate for example—how does a modern national defence research and industrial policy successfully manage cross-border long term partnerships and align with the industrial approach of allies and partners? What lessons can be learnt from other defence exporting countries?** I am not sure this statement is correct. T26 was not international until the UK design was complete. As an aside I was chairing a meeting with BAe Head of Maritime (Alan Johnson) and two Ministers (Gerard Howarth was one) and Alan challenged me to make T26 "exportable". I asked him what made a ship "exportable" – of course he couldn't tell me so I sponsored a BAe study into the same. The results seem to have worked! I cannot comment on the point on "national defence and research etc" but as to the last point; "lessons learnt from other defence exporting countries". Firstly, the home country must support the home defence industry where it is sensible to do so. Secondly UK has a high standard of ethics and we should not try to compete with those who have lower standards. This limits the field.

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