

**Written evidence submitted by Peter Ruddock, Chief Executive, Lockheed Martin UK**

Thank you for the opportunity to give oral evidence to the Defence Committee's inquiry on *Defence industrial policy: procurement and prosperity*, on 23 June. This is an important area for government and industry, and directly affects public value for money. It is welcome that the Committee is examining the issues.

During my oral evidence to the Committee, I recognised the longstanding and varied concerns about the Ministry of Defence's (MoD) approach to procurement. As noted in Lockheed Martin UK's written evidence of 27 March (DIP0017), despite recent and ongoing reforms, there is still significant variation in experience, business acumen, tools and techniques across the commercial and procurement teams in the MoD and Defence Equipment & Support (DE&S).

I also highlighted in my oral evidence that procurement programmes are more likely to be successful where the MoD/DE&S have sufficient capacity, and both industry and the MoD adopt collaborative behaviours. I cited Strategic Systems and F-35 as good examples. And I noted the recent progress made on the Warrior Capability Sustainment Programme (WCSP), which will completely upgrade the current Warrior Infantry Fighting Vehicles to provide enhanced protection and increased lethality, fightability and survivability. Unfortunately, the context of my point did not appear clear to some Committee members, for which I must apologise.

Some Committee members expressed surprise that I commented positively on WCSP. I explained at the time – but also want to clarify in writing – that I was referring to recent progress made on the Programme, notably work to start and progress the Reliability Growth Trials (RGT) and Qualification and Verification activities, which began in 2019. This includes successfully and safely re-starting trials from the beginning of May, as the trials were temporarily suspended in late March due to COVID-19.

Committee members were right to note that, recent progress notwithstanding, WCSP has experienced challenges. Members highlighted delays to the Programme and cost overruns. They also asked about the in-service date for the upgraded vehicles. I would like to provide further information on each of these areas, which the Committee may find useful. As context, it is important to recognise that WCSP is a development programme. Development programmes by their nature are intended to design and test new capabilities, to consider if the product will deliver the capability requirements defined by the MoD. They are undertaken before a production contract can be let.

First, on programme delays:-

- Lockheed Martin experienced some first-time design issues at the start of the Programme;
- Lockheed Martin has been dependent on the provision of various pieces of Government Furnished Equipment. The Programme was also affected by the sale of the MoD's Defence Support Group; and
- The most significant delay to the Programme was caused by the MoD changing the specification of the cannon, which resulted in a contract amendment in 2016. Lockheed Martin has met its contracted dates and commitments since that contract amendment.

Secondly, on cost overruns. The WCSP development phase contract is a firm price programme. Lockheed Martin funds schedule and cost impacts, where these are not the

responsibility of the MoD. As of 31 December 2019, cumulative losses to Lockheed Martin from WCSP are over £100 million, on a contract value of approximately £300 million.

Any changes to the contract made by the MoD are agreed and implemented accordingly. Strict reviews are undertaken by DE&S to ensure that customer-initiated variations are at a fair price.

Thirdly, on the in-service date for the upgraded vehicles, it is important to emphasise that Lockheed Martin has not yet been awarded a production phase contract by the MoD. That is why it was not possible for me to answer the direct question regarding the in-service date, which was asked repeatedly by a member of the Committee. The Committee will wish to know that, last week, Lockheed Martin received an Invitation to Negotiate for the production phase. It is not possible for Lockheed Martin to give an in-service date until the production phase contract has been agreed.

I am encouraged by the positive feedback from the trials on the upgraded vehicles. Please let me know if the Committee may be able to visit the trials site, and Lockheed Martin can work with the Army and DE&S to arrange a suitable date to minimise disruption to trials. The Committee would be able to see first-hand the differences between the original and upgraded Warrior vehicles, and what a step change in capability is offered by WCSP.

*29 June 2020*