

## A Question of Balance?

### The Deficit and Defence Priorities

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##### Future Defence Review Working Papers

This series provides independent analysis and opinion on issues that are likely to feature in a Future Defence Review.

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##### *Issue*

The defence budget is due to fall significantly over the coming years, even as unit costs continue to rise. The Strategic Defence and Security Review will therefore have to make difficult choices on whether to maintain the current balance between different capabilities, or focus efforts on some areas at the expense of others.

##### *Context*

The forthcoming Strategic Defence and Security Review (SDSR) will be asked to make significant cuts in real defence spending. The previous RUSI estimate of a 10–15% real cut over the next six years remains a plausible central scenario.

##### *Key Findings*

- The deeper the immediate cuts that the MoD has to make, the greater the risks will be of capability reductions without commensurate financial gains.
- The greatest efficiency saving of all would be to put the defence budget onto a sustainable path, in which plans are realistic and commitments are honoured.
- Given plausible budget trends, a 'balanced' scenario for capability over the next decade could involve reducing ground force formations from 98 to 80, major vessels from 57 to 45, and aircraft numbers from 760 to 550–600.
- A policy of balanced reductions would involve reducing ground force personnel numbers by around 20 per cent. This could require cuts in capabilities for armoured warfare, together with examination of more selective approaches to expeditionary operations.
- As long as NATO is committed to Afghanistan, the UK could not easily decide to withdraw all of its own forces. But a review of the nature and size of its commitment, and the timing of any future reduction, could be conducted in parallel with the Review.
- Balanced reductions could lead to steep falls in combat aircraft numbers and scrutiny of the Joint Combat Aircraft requirement which, even on a reduced buy of sixty aircraft, could cost £15–20 billion in life-time costs.
- Most major powers with a carrier capability make do with only one vessel. A policy of balanced reductions could consider a similar option, and also review numbers of frigates, destroyers and submarines.
- Alternative nuclear weapon delivery platforms are unlikely to achieve significant savings. But a re-examination of the timing of expenditure on *Vanguard* replacement, due to rise sharply after 2014, is still a possibility.
- Cuts of 10–15 per cent in the defence budget will not alter the UK's position as one of Europe's two leading military powers. But its capability is likely to continue to decline compared with China, India and other rising powers.

## **Analysis**

If there were any lingering doubts about how tough the Strategic Defence and Security Review (SDSR) would be, they have been dispelled by the new government's coalition agreement. The agreement commits the government to increasing NHS spending in real terms each year, as well as funding significant additional spending for disadvantaged pupils from outside the schools budget, and pledging to restore the earnings link for the basic state pension from April 2011. The only mention of defence (in a section entitled 'Spending Review – NHS, Schools and a Fairer Society') commits the government to 'a full Strategic Security and Defence Review', in which it emphasises 'the strong involvement of the Treasury'.

In January 2010, a RUSI study by this author suggested that the Ministry of Defence (MoD) faces a likely reduction in the core defence budget of between 10 per cent and 15 per cent in real terms between 2010/11 and 2016/17.<sup>1</sup> This may be an underestimate of the scale of the cuts that the MoD will have to face as a result of the 2010 spending review. Because of the protection given to the NHS and other higher-priority activities, the Institute for Fiscal Studies has calculated that unprotected departments (of which the MoD is the largest) will face sharp reductions in their real budgets. Stated Conservative policies, it estimated, could lead to a reduction in real defence spending of 23 per cent between 2010/11 and 2014/2015 (compared to a reduction of 25 per cent under a Labour government).<sup>2</sup> A post-election analysis by the *Financial Times* has made a similar estimate, predicting that unprotected departments could face an average cut of 23 per cent over the three years to 2013/2014.<sup>3</sup>

The scale of the likely cuts in the defence budget will depend in part on whether pressure for spending cuts can be reduced by further tax increases, reductions in social security spending, and/or public sector pay restraint. It will also depend on the priority that the government gives to defence compared to other unprotected spending functions (of which police, prisons, transport and foreign affairs are amongst the largest). Until the results of the autumn spending review are known, however, a 10–15 per cent real cut

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<sup>1</sup> Malcolm Chalmers, 'Capability Cost Trends: Implications for the Defence Review', Future Defence Review Working Paper 5, January 2010. This excludes additional spending on operations.

<sup>2</sup> Robert Chote et al, *Filling the Hole: How do the Three Main UK Parties Plan to Repair the Public Finances*, Institute for Fiscal Studies 2010 Election Briefing Note No. 12, April 2010, p. 26. The estimated Labour figure assumes that a Labour Government would have extended protection for health and schools up to 2014/15.

<sup>3</sup> Chris Giles, 'Pain of deficit reduction is still hidden', *Financial Times*, 12 May 2010.

(roughly equivalent to 'flat cash' – unchanged spending in nominal terms) remains a plausible, if perhaps optimistic, central scenario.

### **Timing**

One of the central and immediate challenges for new Defence Secretary Liam Fox will be to win the argument on the timing of any spending reductions. He has already had some success in this regard by getting agreement to exempt the MoD from the £6 billion reduction in 2010/11 budgets. It is likely to be much more difficult to get the Treasury to agree a similar exemption for 2011/12 and 2012/13. Assuming that the MoD will be asked to make steady progress towards a 12 per cent real reduction by 2016/17, it could be asked to make a 4 per cent real reduction over these two years. It could be much worse, for example if bond market pressures persuade the Chancellor to 'front load' expenditure cuts.

Even 2 per cent annual cuts will be very hard to achieve. The core MoD budget has been increasing at around 1 per cent per annum in real terms for the last decade or so. But, despite a series of mini-reviews and small-scale capability reductions, this has not been enough to bridge the gap between commitments and available resources. The consequence, all too often, has been that short-term savings have had to be made, even at the expense of longer-term cost increases. Now that the total budget is set to fall in real terms, these tendencies could deepen further as the MoD seeks to cut where it can, irrespective of long-term strategic prioritisation or contractual efficiency. The deeper the immediate cuts that the MoD is asked to make, moreover, the more that will have to be spent on up-front transition costs (redundancy payments and penalties for cancelled contracts), thereby risking destabilising capability reductions without the achievement of commensurate financial gains.

### **The Greatest Efficiency Saving**

It will be all too easy, given the severity of these immediate issues, for the SDSR to focus primarily on balancing the MoD's books for 2011/12 and 2012/13. It would also be a tragically missed opportunity. A new government, with a full parliamentary term ahead of it, creates the opportunity for a fresh look at defence policy and management, unencumbered by the need for consistency with the accumulated decisions of its predecessors. The fiscal crisis creates the necessity for such a fresh look, for all agree that things cannot go on as they are. There is, moreover, an expectation that the success of the 2010 SDSR will be judged on whether it is able to take a long-term look at the UK's defence requirements, learning the lessons of the last decade, and providing the coherent rebalancing of commitments with resources that is now needed.

It will clearly be important for the MoD to do more to investigate every opportunity for efficiency savings, and thereby reduce the need for cuts in front-line capabilities. But the greatest efficiency saving of all would be to put the defence budget back onto a sustainable path, in which plans are realistic, and commitments (once made) can be honoured. One of the central problems that has bedevilled past defence planning has been that it has always seemed to be either too early or too late to make tough decisions on procurement and future capabilities. Ministers have been happy to postpone politically difficult decisions where they can, while suffering the consequences of the non-decisions (or under-costed decisions) made by their predecessors. With five years before the next election, and a defence secretary who owes no loyalty to past decisions, there is now a real opportunity to buck the trend and make the hard decisions necessary to balance the books for the next two decades, and not just for the next three years.

One of the key tests of whether the 2010 SDSR provides a basis for coherent long-term defence planning will be whether it is based on credible assumptions. One of the reasons for current levels of over-commitment is that past defence planners have made unrealistic assumptions (most notably on efficiency and pay). This needs to change. But the MoD also needs to make it clear that it cannot be expected to produce credible long-term defence plans if it is not given clear guidance, agreed by the National Security Council, on the assumptions it should make on the level of resources that are likely to be available for defence in the long term. Once the immediate fiscal adjustment has been completed, by 2015 or 2016, it should be reasonable to plan on the basis that real spending growth will resume, as both Canada (0.7 per cent real growth to 2027) and Australia (2.2 per cent real growth to 2030) both assume in their defence planning frameworks. The inclusion of similarly long-term budget guidelines will be a key indicator of whether the SDSR is a truly farsighted review, or simply an immediate budget fix.

### **Radical Choices?**

In April 2010, RUSI conducted a poll of more than 2,000 of the country's defence and security specialists. The results were striking, with 88 per cent of respondents agreeing that 'the UK needs a radical reassessment of the position it wants, and is able, to play in the world.'<sup>4</sup>

Yet there is far less consensus about what the results of such a 'radical reassessment' should be. Many of the members of the UK's

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<sup>4</sup> 'The British Defence and Security Election Survey', RUSI occasional paper, April 2010. Available at <[www.rusi.org/downloads/assets/RUSIElectionSurvey.pdf](http://www.rusi.org/downloads/assets/RUSIElectionSurvey.pdf)>

security policy elite still harbour hopes that someone else will have to take the brunt of any necessary adjustments. Many still focus their energies on protection of their own particular turf, rather than taking a defence-wide (far less a government-wide) view.

In particular, and entirely understandably, many of the most vocal voices in the pre-SDSR debate have been coming from those who have close links with one or other of the armed services. Each tends to argue that a particular service, or service arm, is at a minimum 'critical mass' level, below which its value will diminish to the point where it is scarcely worth maintaining at all. Rejecting so-called 'salami slicing', representatives of particular service interests often argue that politicians must have the courage to make fundamental choices in favour of particular capabilities and roles, and at the expense of others.

This tendency to see the debate on defence resourcing in dichotomous terms is not a new one, sustained as it is by the politics of inter-service rivalry. In the 1960s, the UK faced a choice between its army on the Rhine and its global role, eventually deciding (after much equivocation) that the former was more important than the latter to its national security. If the UK faced a single dominant security risk, there would be a case for a similarly stark prioritisation today. Even in a post-Falklands War retrospective, the UK was almost certainly right to focus its defence efforts on its contribution to conventional deterrence in Europe at the expense of taking more risks elsewhere. For, in the last analysis, West Germany and the North Atlantic were immeasurably more important to the security of the UK homeland in the 1970s and 1980s than commitments in East Asia or the Gulf.

Today, by contrast, the case for such a radical reorientation of role is much less compelling. The current strategic environment is one characterised by uncertainty and complexity, not by a single existential threat. The UK has an important role to play in contributing to international counter-terrorism, counter-proliferation and state-building efforts. It has a particular stake in the security of states, such as Pakistan and Bangladesh, with whom it has close historic and interpersonal links. Yet the risks that arise as a result of state weakness and international terrorism do not pose existential threats to the UK comparable in magnitude to those posed by rival European powers during the twentieth century, when the UK faced a real threat of invasion (as indeed it had done through previous centuries).

At the same time, new forms of inter-state rivalry could re-emerge that might begin to pose new and serious threats to the UK's vital interests. There are legitimate concerns, in particular, that rapid

shifts in global economic power from Europe and the US towards China, India, Brazil and other rapidly growing developing countries might, over time, lead to the emergence of new risks of inter-state conflict. The instabilities and risks created as a result of state failure and underdevelopment will remain a source of continuing security risks for the UK. But the peaceful management of relations between the world's centres of economic power is likely to continue to be more central to the UK's long-term security, just as it is clearly more central to the management of the world's economy and environment. Afghanistan, Yemen, Sudan and Somalia matter to Britain's long-term security. But China, India and Russia matter more, as for that matter do Brazil, Pakistan, Iran and Turkey.

In these circumstances, a security policy which involved a complete abandonment of particular broad categories of advanced military capability is not the best way to manage the wide range of strategic uncertainties that the UK faces. This is not to advocate a policy of 'balanced reductions', especially if this were seen simply as a politically attractive way of sharing misery between different constituencies. Some of the hardest decisions in the SDSR will be those that involve curtailing legacy capabilities with powerful institutional backing in order to create space for new technologies and new tasks that lack such sponsors. If the UK is to have the ability to respond to a range of plausible risks, however, the retention of capabilities to do a range of tasks, together with the ability to develop new capabilities over time, has much to commend it.

### **Afghanistan and the Army**

In periods of strategic uncertainty, recent operational experience often trumps other considerations in force planning. The 1998 Strategic Defence Review was shaped by the experience of the 1991 Gulf War and by subsequent peace support operations in the Balkans. And there is now significant support for a 2010 review that focuses on preparing the armed forces for the next Afghanistan. This is reinforced by awareness that the Afghan campaign will remain the 'main effort' for the armed forces well into 2011, and perhaps beyond.

Yet we are not in 1998. While the last defence review took place in a relatively benign fiscal environment, this one will be driven by the need to contribute to government deficit reduction. The opportunity costs of 'ring-fencing' or enhancing particular capabilities will therefore be much higher than they were twelve years ago.

Direct additional Treasury funding for the Afghan commitment will amount to as much as £5 billion in 2010/11. Even this only pays

for those elements of Afghanistan-related costs which the Treasury and MoD can agree would not otherwise be incurred. A fuller accounting of associated costs also needs to include account the resources devoted to training, supporting and deploying forces there, as a result of which they are not available for other purposes. At any one time, around 10,000 service personnel are deployed in theatre, with up to another 40,000 tied up in the associated rotation of forces (training, leave, and so on). UK-based support for the operation – procurement, repair and transport, administration and planning, rehabilitation and welfare – probably accounts for roughly as many personnel (service and civilian) again. The procurement budget is less weighted towards the Afghan operation. Even so, total MoD resources now devoted to Afghanistan probably amount to around 30 per cent of the total budget. A commitment to protect Afghanistan-related capabilities from cuts, therefore, would require that economies would have to be focused entirely on the remaining 70 per cent of the defence structure.

The British Army provides the largest part of Afghanistan-related capability, as it has in other major operational deployments – the Balkans and Iraq – in recent years. In recognition of these commitments, the army's share of total full-time equivalent service personnel (including Gurkhas) has risen from 53 per cent to 57 per cent between 1997 and 2009. If the Royal Marines and RAF Regiment are also included, ground forces have risen from 57 per cent of total personnel in 1997 to 62 per cent in 2009. As a result, while total army and marine personnel levels have remained steady (falling slightly from 119,800 to 118,600), the Royal Navy has seen a reduction in its size from 38,400 to 30,500 (excluding the personnel in its own ground force, the Royal Marines, which has increased in strength in recent years). The Royal Air Force, for its part, has seen its personnel numbers fall from 56,900 in 1997 to 43,600 in 2009.<sup>5</sup>

Some suggest that it is now time to go further in shifting the balance of the armed forces towards the British Army. Given the demonstrated centrality of armed state-building in UK military operations, they argue, army personnel levels should be increased, financed by reductions in large procurement projects. The 2009 Institute for Public Policy Research (IPPR) National Security Commission, for example, proposed that the army increase to 115,000–120,000 trained personnel, up from

<sup>5</sup> *UK Defence Statistics 2002*, Table 2.8 and *UK Defence Statistics 2009*, Table 2.5. Part of the explanation for this shift may lie in increased use of contractors in Royal Navy and RAF tasks previously undertaken by service personnel.

the then level of 98,000.<sup>6</sup> It also questioned the need to continue with the aircraft carrier and Trident replacement programmes.

Yet it is hard to see how such an increase could be sustained within any plausible budget scenario. In order for such a larger force to be useable, it would require increased investment in a wide range of support capabilities, some of which (such as surveillance and transport) are partially owned by other services. While the army remains the most personnel-intensive of the services, recent ground operations are becoming increasingly equipment-intensive, reflecting both the challenging nature of the task and the premium being placed on force protection. Without commensurate increases in these support capabilities, increases in army personnel in isolation would not achieve the desired impact on capability.

Even a policy of maintaining current numbers of ground force personnel, in the context of a projected reduction in defence spending, would require severe reductions in current capabilities that are not involved in current counter-insurgency operations, or are only involved in a peripheral manner. In particular, it would require steep reductions in the size of the blue-water Royal Navy (currently including both nuclear and conventional forces) and the Royal Air Force over the next decade. This would be a very radical shift in priorities indeed, with far-reaching implications for the UK's naval and air forces, not least on their ability to continue to support future expeditionary ground operations. Such a shift would also set the UK apart from the norm in key allied countries. The 62 per cent of UK personnel who are in ground forces (army, marines and RAF Regiment combined) is already significantly higher than in the US (55 per cent), France (55 per cent), Canada (53 per cent) and Australia (50 per cent), and is close to the levels in continental powers such as Italy (60 per cent), the Netherlands (61 per cent), Germany (65 per cent) and Spain (66 per cent).<sup>7</sup> It is possible to argue that, driven by its commitments to Iraq and Afghanistan, the UK has been ahead of the game in understanding the need for a shift in priorities towards ground forces. Yet, given that the UK is already an outlier amongst its peers, and given also its geography and strong maritime capabilities, those who argue for a further shift in this direction have much to prove.

In considering future force requirements, MoD planners will also want to reflect on the origins of current Afghanistan commitments.

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<sup>6</sup> Institute for Public Policy Research, *Shared Responsibilities: Final Report of the Security Commission* (London: IPPR, 2009), p. 49. This figure for Army personnel appears to refer to trained personnel, including Gurkhas.

<sup>7</sup> All figures, including for the UK, are from IISS, *The Military Balance 2010* (London: IISS/Routledge, February 2010). Figures refer to personnel levels in November 2009, and exclude paramilitary forces.

The growth in the UK's commitment to Afghanistan since 2006 has been driven in part by operational demands, and the lessons learnt from this experience will rightly play a key role in shaping the defence review. But the size and nature of the UK's commitment has also been supply-led, with the UK taking on commitments because (especially after the withdrawal from Iraq) it believed that it had the military capabilities necessary to fulfil them. The larger the forces that the army had committed to operations at the time of the next defence review, some also believed, the more protected it would be from cutbacks.

Given the opportunity costs for other capabilities that would be involved, however, the government will need to be wary before accepting that the SDSR should protect capabilities simply because they have been deployed in Afghanistan. The UK's armed forces are only in Afghanistan as part of a wider NATO operation. While the UK's contribution is second to that of the US, and is much greater than that of any other ISAF ally, it constitutes only 9 per cent of the total numbers of personnel provided by NATO members. This proportion is declining as the US continues to increase its own forces.

As long as the alliance as a whole and most of its member states are committed to the Afghan operation, no UK government could lightly decide to withdraw all of its own forces. Precisely because it is acting as part of an alliance, however, there is more choice as to the shape and size of the UK contribution. The growing deployment of US Marines in Helmand, and the transition to rotating US/UK leadership in that province, is continuing to increase the scope for flexibility in the size and nature of the British contribution. Rather than 'ring-fencing' Afghanistan-related commitments, therefore, a review of the nature and size of the UK commitment in that country might well be under way at the same time as the review itself.

The SDSR is likely to want to examine, in any case, whether sustaining all the capabilities for repeating an operation of the scale and duration of the recent Afghan commitment is compatible with preserving capabilities needed for serving other defence needs. Some might argue that a shift in priorities towards counter-insurgency is justified, on the principle that the capabilities now being used in Afghanistan are likely to be much more relevant to future challenges than those capabilities whose main role is in other types of encounters. Given the overwhelming superiority of the US military in capabilities that counter the conventional forces of hostile states, for example, the UK arguably adds relatively little military value to US conventional deterrence at an inter-state level. So, it is argued, the UK should specialise its limited resources on capabilities for which there is more likely to be a sustained demand, and which the US (it is argued) may be more likely to value.

While the probability of direct state-led threats may be less than that of complex encounters with non-state actors, however, the potential damage done to UK interests by hostile states could be much greater. If nuclear proliferation occurs in the Middle East, or if an intensified great power rivalry accompanies the rise of Asia, then current preoccupations with terrorism and organised crime will quickly pale in comparison. Given the likely resource constraints, a policy of over-specialisation in capabilities for sustained state-building and counter-insurgency operations could also risk under-insurance against the exploitation of new technologies (for example, CBRN, cyber-terrorism and nanotechnology) by a wide range of potentially hostile state and non-state actors.

### **Difficult Trade-offs**

#### *Personnel and Equipment*

It is possible to envisage an approach to the SDSR in which, in order to preserve personnel numbers, disproportionate savings are made in spending on new equipment and support. But such an expedient would become increasingly counterproductive over time, were it to lead to severe reductions in the technological capabilities on which the UK's relatively small armed forces rely.

Nor, in the long term, can it make sense to depress real pay and benefits of armed forces in order to prevent reductions in numbers. Just as continuing investment in modern equipment and infrastructure will be necessary to make service personnel effective in the tasks they perform, so too competitive pay and benefits will be needed to attract the highly capable and motivated servicemen and women whom the armed forces will require.

If one assumes that the proportion of the overall defence budget spent on personnel remains as it is now, however, and that trends in pay levels broadly mirror those in the civil economy, the implications for long-term personnel numbers are clear and stark. In the event of a 10–15 per cent real cut in the defence budget over the next six years (and even assuming modest real growth thereafter), the MoD could be looking at a reduction of around 20–25 per cent in total service personnel numbers by 2019. This would be a much sharper reduction than the 10 per cent reduction that the MoD carried out between 1998 and 2008. It may not be quite as sharp a cut as that experienced between 1988 and 1998, when service personnel numbers fell by a massive 34 per cent. But this reduction resulted from a marked improvement in the UK's strategic environment. No such prospect can be assured over the next decade.

*Adaptability and Reconstitution*

Some argue that it might be possible to reduce the extent of the numerical decline in capabilities through greater emphasis on '80 per cent solutions'. This refers to capability solutions that allow the service customer to achieve most, but not all, of the state-of-the-art military requirement, in return for which there are significant cost savings (including in personnel). It often involves reducing the extent to which the UK is able to match the US in terms of technological sophistication or readiness. But it has the advantage, in an uncertain world, of allowing the UK to retain a more diversified set of capabilities than would otherwise be possible. Such an approach could mean that it takes less time to build stronger capabilities in response to new strategic developments than would be the case if the armed forces had exited entirely from particular capability areas.

Such a solution has been proposed, for example, in the case of the Future Surface Combatant (the planned replacement for existing frigates and other surface ships), one of the programmes likely to come under severe scrutiny in the defence review.<sup>8</sup> Yet recent experience suggests a healthy dose of scepticism when project promoters claim that they can buck the trend of unit cost inflation. In practice, significant cost savings may only be plausible when the MoD is prepared to accept a substantial reduction in capability. Even then, once a programme has been approved, demands for flexibility and adaptability often drive costs back on to an upwards trajectory.

Another possibility might be to examine what the implications would be of moving a significant proportion of key capabilities to a state in which it would take an extended period of time to reconstitute them, perhaps even as long as five to ten years. Such a move could identify forces that currently provide useful contributions to coalition capabilities, but are of more marginal value in short-notice national contingencies. For example, such an exercise might seek to examine how large a fleet of available fixed-wing combat aircraft the UK needs at short notice for national tasks. If excess capabilities were then to be put on extended readiness, what risks would have to be run in doing so? In the event of a new threat emerging, how long would it take to procure the capabilities (personnel, equipment and infrastructure) that would then be required? And are there 'seed corn' investments that need to be made to protect these reconstitution possibilities?

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<sup>8</sup> Julian Lewis, 'The Politics of the Future Frigate', *RUSI Defence Systems* (Vol. 11, No. 3, February 2009), pp. 34–35.

***Land, Sea and Air: A Balanced Scenario***

For illustrative purposes, it may be useful to sketch out what some of the consequences would be if the SDSR's medium-term defence plan did indeed seek to pursue a policy of relative balance in its ground, maritime and air capabilities.<sup>9</sup> It is not proposed that such a balance should be a stated objective of policy, nor even that it is a likely outcome. Indeed, one of the tests of a vigorous review process will be whether it is prepared to consider asymmetrical reductions, both between and within the three services. At the same time, the magnitude of the changes that are likely to be necessary in coming years means that a 'balanced baseline' can provide an important reality check to those who still believe that economies in one area (or service) will be sufficient to protect the status quo in others. In the end, the SDSR may decide that pain will not be shared evenly. But it will have to be shared.

The calculations below (summarised in Tables 1–3) are based on the assumption that the defence budget falls in real terms by 12 per cent between 2010 and 2016, before rising at 1 per cent annually in subsequent years. It is entirely possible that capability reductions could be steeper, or at least more rapid, than this.

On this baseline scenario, and given reasonable assumptions on unit cost trends, a decision to maintain the current balance between ground, sea and air capabilities would probably require *all* of the following three steps. Within each category, some possible priorities are identified, consistent with a balancing of provision against a range of risks.<sup>10</sup>

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<sup>9</sup> Since both air and ground capabilities are controlled by all three services, this division does not correspond neatly with the inter-service division of responsibility.

<sup>10</sup> For more detailed discussion of force capability options, see Michael Codner, 'The Defence Review: Capability Questions for the New Government', Future Defence Review Working Paper No. 6, May 2010.

**1. A reduction in ground force personnel numbers (British Army, Royal Marines, and RAF Regiment) by around 20 per cent, along with a reduction in the number of regular ground formations from 98 in 2009 to around 80 by 2019. (See Table 1.)**

**Table 1: Regular front-line ground formations, 2009–2019.**

	2009	2019 projection
<b>Total regular forces</b>	<b>98</b>	<b>Around 80?</b>
<i>Of which</i>		
Armoured Regiments	10	
Infantry battalions	36	
Artillery regiments	14	
Engineer regiments	11	
Signals regiments	12	
Royal Marine Commandos (inc. fleet protection)	4	
RAF Regiment (battalion equivalents)	3	
Special forces	7	

**Source:** *UK Defence Statistics 2009*, Tables 4.2 and 4.4.

Given the changing nature of the risks that the UK faces, together with the comparative advantages that its European allies hold in this field, a strong case can be made for reductions in the level and readiness of capabilities for medium-scale mechanised combat (including armoured and artillery regiments). This could also help provide an opportunity for a re-examination of MoD infrastructure provision. Total MoD land holdings remain roughly the same (240,000 hectares) as in 1990, most of which is for army use. It might be possible to dispose of some of this land if the size of the British Army is reduced. A move towards a smaller army might also allow the repatriation of most remaining forces from Germany without substantial investment in new training infrastructure and housing in the UK.

In parallel, the type and scale of expeditionary ground capabilities could be re-examined. Both Iraq and Afghanistan have shown some of the limitations of post-invasion state-building efforts. Both operations have proven to be unpopular at home, given the combination of continuing casualties and uncertain prospects for success. The support of local populations and governments for intervening British forces has proven fragile at best, making the UK's task much more difficult. Not least, as discussed above, such operations can be very costly in financial terms.

As a consequence, a growing body of opinion is arguing for a more selective ground force role in responding to the problems created by state failure and instability. The UK and its allies will continue to have an interest in preventing state failure and supporting state

reconstruction in fragile states, together with deterring inter-state aggression between militarily-weak states. But, some would argue, other means of doing so will often be able to achieve most of the same objectives at lower costs, while avoiding many of the pitfalls of comprehensive state-building efforts. In addition to a smarter use of civilian capabilities, these could include a greater role for building the capacity of local security forces and regional allies, together with greater use of special forces and air power in containing sub-state and weak state threats.<sup>11</sup>

Balancing these two strands – reduced emphasis on armoured warfare and a shift towards a more selective approach to expeditionary operations – with continuing requirements for combat capabilities against a wide range of potential adversaries will be made even harder because the MoD’s main effort remains the successful prosecution of its operations in Afghanistan. Once sustainable longer-term goals for the shape of ground forces have been established, therefore, the MoD should also make clear that the pace at which these changes can be achieved will have to be related to the pace at which it is possible to scale down the UK force in Afghanistan after 2011.

## 2. A reduction in the number of available aircraft from 760 to around 550. (See Table 2.)

**Table 2: Aircraft fleets 2009–2019 (as of 1 April, Forward Available Fleet).**

	2009	2019 projection
<b>Total</b>	<b>760</b>	<b>550-600?</b>
<i>Of which</i>		
Air Combat (Tornado, Typhoon, Harrier, JCA)	214	
C4 and ISTAR (Nimrod R1 & MR, Sentinel, Sentry)	28	
Air support (VC-10, Tristar, Hawk 100)	37	
Logistics (BAe 125/146, C-17, Hercules, A400M)	51	
Training (Tucano, Dominie, Hawk)	126	
RN helicopters (Sea King, Merlin, Lynx)	117	
Army helicopters (Lynx, Gazelle, Apache, Islander, Defender)	108	
RAF helicopters (Chinook, Puma, Merlin)	79	

**Source:** *UK Defence Statistics 2009*, Tables 4.8–4.10.

<sup>11</sup> See for example, the arguments made by David Kilcullen, *The Accidental Guerrilla: Fighting Small Wars in the Midst of a Big One* (London: Hurst & Co, 2009).

In order to achieve a reduction in the costs of air power, planners will have to ask hard questions on the relative priorities between fixed-wing and rotary aircraft, between combat and support roles, and – increasingly – between manned and unmanned platforms. There should be particularly close scrutiny of whether requirements for fixed-wing combat aircraft can be reduced, given the very high costs involved in generating a single combat aircraft at full readiness. In particular, planners should ask for an examination of the financial savings (but also the strategic and defence-industrial risks) that would result from a sharp reduction in the number of available combat aircraft from its current level (just over 200), together with commensurate reductions in support aircraft (for example trainers and tankers) and associated personnel, training and infrastructure costs.

There is likely to be particular scrutiny of the planned Joint Combat Aircraft (currently the US F-35B). Even a reduced F-35 buy of 60 aircraft could cost the UK £5 billion or more, starting around 2017, with perhaps another £10-15 billion in lifetime support costs.<sup>12</sup> Current plans are for the JCA to be available for both carrier-based and land-based roles, replacing the Tornado GR in the latter case. With the rapid development of more cost-effective and capable unmanned aircraft, however, the added value from manned aircraft is set to diminish over time. As a consequence, and given the severe long-term fiscal pressures it faces, the MoD could conclude that it can make sharp reductions in the number of front-line aircraft. The eventual size of JCA procurement would then be determined by a judgement on the optimal balance between Typhoon and JCA in a much-reduced combat aircraft fleet.

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<sup>12</sup> The US Department of Defense's latest official estimate projects total acquisition costs for the US (excluding construction) of \$323 billion for 2,443 aircraft, with a unit cost (excluding development) of \$112 million. Officials estimate that another \$764–1,000 billion would be needed to operate and maintain them over their lifetime. GAO, 'Joint Strike Fighter: Additional Costs and Delays Risk Not Meeting Warfighter Requirements on Time', GAO-10-382, March 2010, pp. 13, 40.

### 3. A reduction in major vessels from 57 to around 45. (See Table 3.)

Table 3: Maritime forces 2009–2019.

	2009	2019 projection
<b>Total</b>	<b>57</b>	<b>45?</b>
<i>Of which</i>		
Trident submarine (SSBN)	4	
Attack submarine (SSN)	8	
Aircraft carriers	2	
Landing platform docks / Helicopter	3	
Destroyers	7	
Frigates	17	
Royal Fleet Auxiliary (RFA) Tankers	6	
RFA Fleet Replenishment Ships	4	
RFA Aviation Training Ship	1	
RFA Landing Ships	4	
RFA Forward Repair Ship	1	

Source: UK Defence Statistics 2009, Tables 4.1.

If the review were to conclude that there should be a sharp reduction in the size of the combat aircraft fleet, it would raise questions on the priority given to the two large aircraft carriers, currently in an early stage of construction. Because of its high costs, most major powers that do have a carrier capability (including Brazil, France, India and Russia) make do with only one, often far less capable than those planned for the UK. The SDSR might examine options for a similar capability, with commensurate reductions in both capital and running costs. The risks of unavailability during refit might be reduced by negotiating mutual availability agreements with other states, perhaps including France and/or the US, and/or by the operation of one of the carriers already ordered primarily in a helicopter (and unmanned aerial vehicle) carrier role (currently undertaken by HMS *Ocean*).

In addition, the review might also want to look at other elements in the Royal Navy's fleet, including the required numbers of frigates, destroyers and submarines. If a reduction in some or all of these elements were to take place alongside a reduction in planned carrier capabilities, it would mark a further step in the historic trend towards favouring quality over quantity, and would increase dependence on other states for some collective security tasks (for example, in anti-piracy operations). Yet, if numerical reductions can be limited to 20 per cent or less, it

would probably maintain the UK as NATO-Europe's strongest naval power, albeit with an acceleration in its decline relative to powers such as China and India.

As a result of the coalition agreement, the government is committed to scrutinising the renewal of Trident submarines 'for value for money.' At an estimated cost of £15-20 billion at 2006/07 prices, this is the largest programme in the MoD's forward equipment plan. The cost could increase further as the design matures. Current budgetary arrangements involve 'ring-fencing' of deterrent-related capital costs, so that, in principle, the MoD would obtain no benefit from such a delay. Moreover, unless it is prepared to substantially dilute its current commitment to maintaining continuous at-sea deterrence (CASD), the government will find it hard to achieve significant savings from moving to alternative delivery platforms (such as cruise-missile-armed *Astute*-class submarines or nuclear-armed aircraft).

Given the severity of the pressures for economies, however, the Treasury could insist on a re-examination of the timing of replacement expenditure, currently due to rise sharply after 2014. Postponement of SSBN construction could raise difficult issues in relation to the costs of preserving submarine construction capability at Barrow, leading to higher total project costs than if the project is completed on schedule. Such a postponement might make sense if there were a real possibility of eventual cancellation (for example, as a result of progress in international disarmament). If not, it might simply be seen as a reflection of government's unwillingness to take tough decisions.

### **Leaving the Top Table?**

For some, any further reduction in the nation's defence capability would spell the end of the UK as a major power. Defence capabilities, they argue, are now at a bare minimum, measured either in terms of force size or proportion of GDP. Below this level, it is suggested, the UK will drop to the level of lesser powers. Pejorative remarks are often made in this context in relation to the lack of capability of countries as varied as Belgium, Switzerland and Italy.

This is an understandable reaction, especially when members of the armed forces face the prospect of years of austerity as a result of both the country's fiscal crisis and past governments' unwillingness to get to grips with an over-committed procurement programme.

Yet military power and status should be measured primarily in terms of relative, and not absolute, capability. And the UK has

not been falling behind in relation to either France or Germany, generally seen as its most important European foreign policy partners. In specific capability areas, a radically cost-cutting 2010 defence review could result in the UK's relative position being eroded, for example compared with France. Given the continued pressure on national budgets throughout NATO, however, cuts on the scale discussed in this paper will probably not fundamentally alter the UK's position as one of Europe's two leading military powers, or the broad parity in its capability compared with France. Were much deeper reductions to be made, it could be a different picture.

Where the balance of military power is much more likely to change to the UK's detriment over the next two decades is in relation to China, India and other rising powers. At the time of the 1998 SDR, China came only seventh in the ranking of world GDP at market prices, with a national income roughly equivalent to that of Italy (and less than that of the UK). Yet it is now in the process of overtaking Japan to gain the position as the world's second largest economy; and some estimates suggest that it could overtake the US in the number one GDP slot before 2030. Even if China's military capability grows at a rate slower than that of the economy as a whole, therefore, its relative military strength is likely to undergo a marked transformation over the next two decades. The prospect of such a trend is already a major concern to neighbouring states, and is increasingly becoming a central force driver for defence planners in Japan, Australia, India and indeed in the US itself.

It is entirely possible, even likely, that China's rise can be managed through a strengthening and broadening of multilateral structures. In the defence and security field, however, progress in this direction remains limited. And, in the absence of much greater confidence-building, a spiral of distrust and arms-racing between major powers (notably the US, China, Japan and India) remains a real possibility.

Nor will the strategic consequences of China's rise be confined to East Asia, where the UK has not aspired to play a major role for some time. Its growing economic and political influence in Central Asia (including Afghanistan and Pakistan), the Middle East, Latin America and sub-Saharan Africa also has the potential to create tensions with the US, Europe and other major powers. It remains likely that this dramatic shift in relative power can be managed successfully. But less benign scenarios are also plausible, and need to be taken into account by those charged with British long-term defence planning.

The UK cannot confront these challenges alone. The rise of China and other developing countries further strengthens the importance that the UK will need to give to its alliances, both

with other European states and with the US. For the next two decades at least, the UK's possession of a range of important assets – including one of NATO's most capable militaries – will continue to give it more ability to influence international events than most other powers of comparable economic weight. While the narrative of inexorable UK decline compared with other Western states is misleading, however, the relative decline of the US and (especially) Europe compared with the rising Asian powers is not. The UK's strategic interests, therefore, will continue to lie in active multilateralism, not least in the field of defence and security. 🌐

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**Table 4: Full Costs of Force Elements 2008-2009 (£ millions).****Objective 1: Achieving Success in the Tasks we Undertake, at Home and Abroad**

Operations	2,855
Other Military Tasks	883
Contributing to the Community	449
<b>Total</b>	<b>4,521</b>

**Objective 2: Being Ready To Respond To The Tasks That Might Arise**

Aircraft carriers	438
Frigates and destroyers	1,744
Smaller warships	316
Amphibious ships	491
Strategic sealift	64
Fleet support ships	299
Survey and other vessels	179
Naval aircraft	1,152
Submarines	2,036
Royal Marines	600
<b>Royal Navy subtotal</b>	<b>7,319</b>

Field Units	8,197
Other units	1,599
<b>Army subtotal</b>	<b>9,796</b>

Combat aircraft	3,546
ISTAR aircraft	899
Tankers, transport & communications aircraft	866
Future capability	200
Other aircraft and RAF units	1,808
<b>RAF subtotal</b>	<b>7,319</b>

Joint and multinational operations	404
Centrally managed military support	656
Maintenance of war reserve stocks	848
<b>Centre Grouping total</b>	<b>1,908</b>

**Total Objective 2** **26,342**

**Objective 3: Building For The Future**

Research	1,112
Equipment Programme	1,883
Non-equipment investment programme	1,858
<b>Total Objective 3</b>	<b>4,854</b>

**Grand total defence spending** **35,717**

**Source:** Ministry of Defence, *Annual Report and Accounts 2008-2009*, The Stationery Office, 2009, p. 240. 94 per cent of gross expenditure was allocated to tasks, force elements or activities. The remaining costs, including overheads, are shared among force elements in proportion to their levels of expenditure.