

## COUNTDOWN TO UK'S GENERAL ELECTION

For more than a decade, defence has been a low political priority with seemingly few votes in it. Over the last few months this has begun to change with increasing casualties in Afghanistan, some specifically linked to inadequate defence funding, allegations of huge waste and incompetence in defence equipment acquisition, and the delay to a report commissioned by the previous Secretary of State for Defence. The media now seize on defence stories. Whether defence will now make a clear impact on the electorate in the run-up to the General Election is not clear, but major political parties will not want to ignore it.

In this section, we look at the major issues facing the Party leaders in defence acquisition with articles by the RUSI Acquisition Focus on acquisition issues, by the Defence Industries Council on the economic role played by the British defence industry, by Clark Vasey at Bell Pottinger on Labour's defence quagmire, and by John Dowdy of McKinsey's on the cyclic downturn in defence expenditure in UK and US.

In our next issue, we shall look at the Conservative position and at specific issues that will dominate the defence debate during the final run-in.

# Defence and the General Election Part 1: Labour's Defence Quagmire

by *Clark Vasey*

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Over the course of 2009, amidst their on-going economic woes, defence has emerged as one of the most challenging areas for Labour, as Gordon Brown's Government struggles to muster any semblance of a fight back. Because they see few votes to be had, political strategists often view defence as being a secondary issue after health, education and the economy, but over the summer defence has risen markedly within the public consciousness. Image after image of coffins draped in the Union Flag returning home from an ever more deadly Afghan campaign has focused public attention on the support, or lack of it, given to our forces on the front line. Popular calls for more helicopters and armoured vehicles to provide greater protection in theatre, and claims that equipment is not getting there either through 'incompetence' or money being 'wasted' elsewhere, has focused attention on the equipment process. Bernard Gray's review of the acquisitions process, leaked to *Channel*

*4 News* in early August, is a damning indictment of the Government's handling of defence and led to ministers, in particular the Prime Minister, being accused of covering up the full extent of their mismanagement.

### The Gray Review

Ministers had sight of the Gray Review in May and the outgoing Defence Secretary, John Hutton, had intended to reveal the findings to MPs in June. Both the MoD and Downing Street, however, considered its findings to be potentially too damaging at a time when the tempo of operations in Afghanistan was heightened with Operation Panther's Claw and our forces were suffering an increased number of casualties. With the press citing lack of armour and helicopters for the deaths of servicemen, the public would have been unforgiving of claims that the MoD was wasting £2.5Bn each year through inefficiencies and costly delays implemented to put off dealing with funding shortfalls.

Shadow Defence Secretary, Dr Liam Fox, accused the Government of putting Labour's reputation ahead of the needs of the Armed Forces and has stated that Labour must not be allowed to implement a 'scorched earth' policy when

our forces are so heavily deployed. The findings of the Gray review along with other stories of equipment shortages, cost rises and troops killed or injured through a lack of the right equipment, have turned defence into one of the most politically damaging policy areas for Labour. The public are now expecting both parties to take action on defence. Labour needs to bring this issue back under control lest it threatens to add to public discontent which could be seen at the ballot box.

### Labour's Green Paper

Both main parties are now committed to holding a defence review after the next election, but the work surrounding this review has begun in earnest. The acknowledged need for a defence review was always going to be more pressing for Labour given that they are in power and many of the challenges facing the MoD cannot wait until after the election. Labour needs to address the public's desire for greater support for the front line and attempt to reduce negative perceptions of Labour's policy.

The Green Paper announced by the Defence Secretary, Bob Ainsworth, in June will form the basis of this response. The Green Paper is intended to set out strategic principles ahead of a defence review after the next election, but is more likely to address immediate concerns than long-term reform coming so soon before the election. It is unlikely that it will go as far in its calls for reform as the review by Bernard Gray. Given the scale of the problems at the MoD, which such a review was always likely to unearth, the scope of the report commissioned by John Hutton went beyond what Downing Street could ever realistically be comfortable with.

### The Forward Equipment Programme

The Gray review demonstrates the distance between Hutton and his colleagues within Government over how to address the budgetary problems at the MoD. When Hutton took over the helm of the MoD he inherited a department which was not only engaged in two demanding operations, but whose budget had long since gone into the red. With around £19Bn of unfunded commitments on the MoD's books, costs continuing to rise on major projects and increasing demands from the Treasury to drive down costs, ministers who came before Hutton had been doing their best to keep a lid on things and delay the consequences of the funding shortfalls until after the General Election. Last year's planning round (PR 08) and the equipment review, which reported in December last year, were exercises in putting off the inevitable while appeasing the Treasury.

The equipment review did little to solve the systemic problems of the forward equipment programme and was little more than the usual tactic of pushing forward spending with its related cost increases. The MoD reportedly pushed up the cost of the aircraft carrier programme by £500M through its decision to instigate a delay. Hutton was not satisfied with business-as-usual and wanted to use his time in the MoD

to drive through real reform, and so the statement on the equipment review was accompanied by the announcement of the review of the acquisition process by Bernard Gray.

### Delaying Implementation

Originally, Hutton intended the review process to take six months with implementation occurring immediately after publication, which meant he and his team were working closely with Gray to ensure that no time was lost when ministers considered its findings. The timetable for the report was even brought forward at the behest of the Secretary of State to give as much time for reform as possible before the next election. Yet, just as the report was ready to go to ministers, and despite his commitment to the process, John Hutton chose to exit the Government altogether.

All the urgency has now gone from Bernard Gray's findings. What was supposed to be implemented with immediate effect is now being incorporated into the MoD's defence Green Paper on the UK's strategic priorities, which will lay the ground work for the post-election strategic defence review. The Green Paper will be published in the early part of 2010, meaning that few of the reforms which Gray recommended will be attempted this year. With the election most likely to come in May, little substantive work will take place as the parties enter election mode.

Junior MoD Minister, Kevan Jones, when interviewed by *Channel 4 News*, revealed that ahead of the Green Paper Lord Drayson, Acquisition Reform Minister, would be making an announcement on procurement in the autumn. Such an announcement was not part of the new Defence Secretary Bob Ainsworth's statement in June, which set out the Green Paper process, and indicates changes to MoD policy arising from public dissatisfaction with Labour's handling of defence.

### Political Implications of the Green Paper

The MoD and Downing Street have been keen to give the impression that the Gray review was merely overtaken by the announcement of the Green Paper, but it is understood that Hutton had been planning the Green Paper for some time. The Conservatives have been calling for the MoD to hold a new strategic defence review (SDR) since 2007. They argue that given that it is a decade since the original SDR, which they believe was never fully funded, and because the operations in Iraq and Afghanistan have been beyond those predicted by the SDR, its conclusions need to be revisited. When he was Defence Secretary, Des Browne resisted these claims and argued that the SDR, the New Chapter and the 2003 Defence White Paper remained relevant. Hutton, however, was more sympathetic to the need for a new SDR and took the decision in February this year that a new review was needed. Recognising that Labour had neither the time ahead of the next election nor the political authority, he intended to set out a number of strategic principles early in 2010 to set the framework of the post-election review, whichever party was in power. So, the Green Paper was not just the initiative of the in-coming Defence Secretary, Bob Ainsworth, as it was presented.



Realistically, the Green Paper is unlikely to contain the kind of substantive reform that is understood to make up the Gray Review. Labour is unlikely to set out any decisions which would be politically difficult months before the country goes to the polls.

The Green Paper could also bring certain political advantages for Labour as it could allow them to wrong-foot the Conservatives. Firstly, it could influence the Conservative review by setting the framework within the MoD and Armed Forces around which the new SDR will take place. It would be difficult for in-coming ministers to dismiss work carried out by officials so recently. Secondly, it allows Labour to get the jump on the Conservatives in setting out a clear approach on defence, which they could try and use as a means of getting the Conservatives to pre-empt their own review.

**Drayson and Genuine Reform**

Lord Drayson's role within the process is a source of confidence and is likely to mean that it will examine some genuine reforms, even if it is not to be as sweeping as the unreleased Gray review recommended. His acquisition reform role gives Lord Drayson the opportunity to pick up where he left off when he left the department to race motor cars in November 2007. Drayson is the most effective ally of defence within Government. His role gives him wide-ranging influence across the work of the MoD and he is likely to be the one minister focused upon substantive reform. His comments since returning to the MoD have highlighted the importance of research and innovation within the defence industry. His other role within the Department of Business, Innovation and Skills means he can drive defence acquisition and innovation within a wider industrial context.

While Drayson has the potential to make a meaningful contribution to the way in which the MoD procures its equipment, he is, however, limited in how much he can do. The spending constraints on the MoD will not lessen and there is little chance that significant funds will be freed from one of the major projects, with money likely to continue to be shifted between existing budgets. Drayson's previous stint at the MoD ended with him becoming increasingly frustrated with the lack of support he was receiving from Number 10, the Treasury and the then Defence Secretary Des Browne, so even with a minister of his calibre, success is far from assured, particularly with an election only months away.

**A Significant Issue**

Defence is now on track to become a significant issue at the next election, with widespread calls for the Armed Forces to be better supported. This doesn't necessarily translate into public support for an increased defence budget. It favours a prioritisation of personnel and equipment, such as helicopters and armoured vehicles, which are needed to give protection on the front line. Larger, more strategic, capabilities such as Trident, so-called 'Cold War' capabilities such as the Eurofighter, and even the future aircraft carriers do not hold the same significance in public perceptions.

So, the stage is now set for a wide-ranging defence review after the next election when the public will be expecting significant changes at the MoD and a greater focus on front-line needs. Between now and the next election both parties will be setting out their stalls on defence, but Labour may find that having been in power for the past twelve years means they have little room for manoeuvre. ■