

Doing Defence Acquisition Better: Making the Political Case

by *Antonia Cox*

Antonia Cox is a leader writer for the London Evening Standard, and the author of The Best Kit. Here she argues that public pessimism over Britain's global counter-insurgency role not only must be tackled successfully, but can be, and sees a framework for acquisition reform being constructed for implementation after the Election.

What should worry defence acquisition specialists as the Strategic Defence Review (SDR) approaches is this: voter disillusionment with the demands of equipping Britain's armed forces for a global role.

Faced with a black hole in the public finances on a scale unmatched in peacetime, much of the public would put defence high on the hitlist for cuts. Why is that truer now than it has been in past periods of financial strain and retrenchment? The Iraq war and an Afghanistan campaign inadequately justified to the public are clearly part of the picture. But the succession of stories about equipment and procurement failure have had an impact too.

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Armies have always complained about kit. But after a strategic shift from Cold War to asymmetric warfare, accompanied by fast technological change, the picture is worse than ever. Body armour shortages; frequent casualties arising from inadequate protection of vehicles against crude IEDs; shortages of battlefield support helicopters and surveillance aircraft, as highlighted by senior officers; the devastating Haddon-Cave criticisms of the safety review before the fatal Nimrod MR2 crash in 2006 – all these mean that the public has noticed that the problem has got much worse.

The succession of searching parliamentary select committee reports, National Audit Office criticism, whistle-blowing incidents and most recently the leaking and eventual publication of the Gray review of defence acquisition together provide pointers to reform. But the negative

headlines have had the effect of making some voters conclude that the whole enterprise of defence – beyond some narrowly defined protection of the UK mainland – is doomed. We can't afford it, they say.

For anyone who believes that Britain's responsibilities in the world cannot simply be abandoned, deriving as they do from our particular position in the Security Council, NATO, EU and the English-speaking world, this is deeply troubling. There is clearly a major political problem to be addressed. At the time of writing it remains to be seen whether defence cuts will become a significant issue at the General Election. But even if they do not, there is an important communications task awaiting the next government as it goes into the SDR promised by both Labour and the Conservatives.

A No-Holds-Barred Review

The SDR should be a no-holds-barred, threat-driven exercise involving analysis of Britain's fundamental interests and the risks at hand. Judging from the present Government's National Security Strategy, hard truths may be exposed about our vulnerabilities in energy security and the supply chain, for example. However, it will be hard to persuade the public that the threats involved can be addressed if there is a prevailing mood of pessimism about the UK's ability to equip its forces effectively.

The picture is not all gloomy. High levels of donations to the Royal British Legion and Help for Heroes, and attendance at Remembrance Day events suggest strong support for Armed Forces personnel themselves. But that very concern fits a "lions led by donkeys" narrative which leads to the conclusion that the campaigns brave servicemen and women engage in should be less ambitious and more affordable. The fact that the threats to Britain's security are often hard for the public to understand, and, in the case of Islamic extremism, politically sensitive, allows this way of thinking to go unchallenged.

Equipping the Forces Better

It may well be that the SDR concludes that, instead of trying to straddle the full spectrum of defence capability, the UK, within its alliances, should specialise more. However, defence is, in the end, about standing up for values. The UK would not be the UK if it abandoned its historic readiness to take responsibility for its own defence as far as it possibly could. It will therefore be vital to convince the public that despite past failures and the much reduced size of the defence industry, we can equip our forces better.

There are two parts to the task of making this case. The first is to build on the work already done under the present government. The Gray report was commissioned by the fifth of Labour's six Defence Secretaries (so far), John Hutton. His special adviser and a team of management consultants conducted over 200 interviews within MoD, with industry and with other countries' defence ministries. Its calls for 'contractorisation' of Defence Equipment and Support (DE&S) have received the most publicity and are controversial. However, the underlying analysis is close to that of members of RUSI's Acquisition Focus forum. There is common ground here. The potential exists for a consensus about the way forward.

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Though Gray does not use the phrase, his report blames 'the conspiracy of optimism', in which perverse incentives undermine the activities of civil servants, defence chiefs and industrial players who, in principle, want to deliver equipment that works on time and to budget. The problem is the vested interests of many participants in what Gray describes as "optimistically mis-estimating" costs and deliverability, in the knowledge that once a project is in the Equipment Plan, cancellation almost never happens.

Once Initial Gate go-ahead is given, "constituency interests, BERR (now the Department for Business, Innovation and Skills) and industry will have been mobilised in support". So projects are seldom cancelled. And the projects will originally have entered the Equipment Plan on the basis of wish lists which ignore the possibility of 80 % good-enough solutions in favour of a "Bid High Spec, Bid Full Spec" approach. Those involved know there is little chance of raising the specification further down the line, so there is every incentive to bid for the most sophisticated solution – in one case discovered by the Gray team "just within the laws of physics". This behaviour among MoD civil servants, the military and industry must be changed if the balance of investment across the whole range of requirements is to be got right.

The acquisition process is a recipe for technical problems, especially because not enough is spent to de-risk projects at an early stage. It is also a recipe for funding problems. The rising costs are dealt with for the purposes of annual budgets by delaying (as for example with the decision in late 2008 to delay construction of the two supercarriers). Because many of the threats against which the equipment is meant to protect Britain do not materialise in a given year,

such behaviour goes unpunished. However, money is spent on industrial overheads and working capital, not capability as such, and therefore the cumulative total spend gets bigger and more unaffordable. And the door is left open for changes to specification to reflect technological advances, which then create further rounds of contractual uncertainty and delay.

In addition, the process involves an undisciplined adding together of competing wish lists. Army, Navy and Royal Air Force personnel, both as front-line customers and within MoD's Capability Sponsor, are under pressure from their own Services to maximise what they can get, because lives are at risk. There needs to be a top-down strategic vision based on more frequent SDRs and updates to them.

Strategy for Acquisition Reform

Gray is preparing for the present Government a Strategy for Acquisition Reform. On the basis of his report, this seems likely to be consistent with the framework offered by the Conservatives. As well as calling for regular SDRs and an annual accounting for affordability by the MoD's Permanent Under Secretary, the report makes recommendations to make the customer/supplier relationship between the MoD Centre and DE&S more effective.

The Through Life Capability Management approach should be revisited to make 'spend to save' decisions easier

Responsibilities would be clarified and skills improved, for example, by removing the three single-Service Chiefs of Materiel within DE&S. The Chief of Defence Materiel would be a very senior professional programme manager, recruited externally. Military personnel without programme management expertise could be advisers but not line managers. Those in senior management positions would have to undertake to remain for a double tour of at least four years, rather than two. The independent costs estimation function within DE&S should be boosted. The Through Life Capability Management approach should be revisited to make 'spend to save' decisions easier. 'Contracting for availability' approaches, which are common in the private sector, should be used when buying equipment which will need extensive maintenance. Effective financial models for working out acquisition versus support costs, as developed by companies such as British Airways, should be adopted. And there is a range of options for bringing in more private sector expertise, ranging from the Government-owned Contractor-operated model recommended by Gray for DE&S, to the use of private sector strategic partners or the spinning out of individual projects.

This is not the place to argue over the detail of the proposals. Instead, the key point is that there is a framework here for reform which could attract support from industry and the Armed Forces themselves. The next Government can therefore state with conviction that it has a blueprint for change and that it will do defence acquisition better.

It is vital for the new Government to show that it has an undistorted view of what it wants and can get from the UK defence industry

In order to make that assertion convincing, a second plank of the case is necessary. This is to demonstrate that the next Government has broken with the past in key respects. Firstly, expensive and cumbersome collaborations like the Eurofighter and A400M will not be repeated. Secondly, the distorting effect of local job preservation concerns on equipment decisions will be kept in check.

There are different audiences here. In crude terms, Eurosceptics need to be assured that the equipping of the Armed Forces will not be compromised by European countries' industrial agendas, for example Airbus's prospects versus Boeing. Left-of-centre audiences, meanwhile, resent the historic lobbying clout of defence companies when it leads to arms sales to unsavoury regimes. For these voters, commentators and lobbyists, it is vital for the new Government to show that it has an undistorted view of what it wants and can get from the UK defence industry.

The next step in the argument is that Britain will no longer try to do defence on the cheap, but will aim to meet better-defined objectives more efficiently

Capability by capability, the next Government must make clear what it needs for strategic reasons to source from within the UK, and how far that requires the long production runs that exports may be able to support. It must not confuse this issue with the objectives of 'rebalancing the economy' or preserving jobs in a particular locality. Here, the next Government can build on some of the work undertaken by the present one:

because there is a Defence Industrial Strategy, albeit without its second stage, which could be developed in order to give industry some much-needed confidence, in conjunction with the SDR, about where money will be spent. There is also a 180-page Defence Technology Strategy which answers some of the questions about which technologies must be maintained here, either to ensure MoD is simply an "intelligent customer and user" or because the ability to design, manufacture and integrate is needed onshore. Though written in 2006 – supplemented by a Defence Technology Plan in 2009 – the work could, and indeed must, be built upon, in conjunction with the SDR.

Converting Public Pessimism

Converting the public from its present pessimism about the task of equipping the armed forces properly, and therefore its scepticism over a continued global role for Britain in defence, is not going to be easy. But much work has already been done and a broad consensus achieved on what has gone wrong. And the difficult political task of convincing people that "this time it really will be different" can be accomplished if the next Government can show that it has broken with the past on expensive European collaborations and in viewing defence contracts as job creation schemes in disguise.

The next step in the argument is that Britain will no longer try to do defence on the cheap, but will aim to meet better-defined objectives more efficiently. It is vital that the next Government does not go into the SDR believing that only a much reduced defence effort would be acceptable to the public. We can see a path towards getting better value in equipment – and that will enable us to fulfil our responsibilities for our own defence even at a time when money is so tight. ■

More on the Forthcoming Election

In our last edition (October 2009), we published a similar section on the forthcoming election. Included were the following articles, which can be accessed at www.rusi.org/defencesystems:

Labour's Defence Quagmire

by Clark Vasey, Jefferson Communications;

Acquisition Issues for the Next Government

by the RUSI Acquisition Focus;

Securing Britain's Future

by Ian Godden, Defence Industries Council;

Cyclical Downturn in Global Defence Expenditure

By John Dowdy and John Niehaus, McKinsey's