

Frontline First: The Defence Costs Study

Research Paper 94/101

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This paper will discuss the background to the Defence Costs Study and then provide a summary of its results. It will also examine the related Independent Review of Service Career and Manpower Structures and Terms and Conditions of Service (The Bett Review). It will conclude with some reactions to the DCS and an analysis of the longer term prospects for defence.

The following Library Research Papers may also be of interest: - RP 94/99 *The Extension of the Non-Proliferation Treaty*, 12 October 1994, RP 94/102 *Defence Statistics 1994*, 14 October 1994, RP 94/103 *Defence Employment 1992/93*, 14 October 1994, RP 94/26 *Redefining British Foreign and Defence Policy*, 10 February 1994 and RP 93/91, *Defence Reviews: Past, Present? and Future?* 18 October 1993.

The Defence Select Committee Eighth Report, *The Defence Costs Study*, HC 655, Sess. 93/94 was published on 13 October 1994.

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House of Commons Library

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I. Introduction

The Defence Costs Study, also known as Front Line First, is the third significant initiative to adjust defence activity and expenditure since the end of the Cold War. It follows the major restructuring of Options for Change, begun in 1990 and due to be completed by 1995, and the mini-review of 1993. The DCS differs from its predecessors in that it seeks to maintain, and in some cases to enhance, the fighting strength of the armed forces, while at the same time achieving significant savings in MOD and Service support costs.

The immediate background to the DCS appears to have been strictly financial. Faced with the need to reduce the size of the budget deficit, the 1993 Public Expenditure Survey (PES) required savings from all departments. The MOD was not immune from this process, although there were some indications that the reductions finally agreed were lower than originally thought. For example, cuts of £3 billion in the 1993 PES were referred to in the press last autumn (*The Times* 20/10/93).

The first official notice of the launch of "a major review" was given by the Chancellor in his budget statement of 30 November 1993 (HC Deb 30/11/93 c 928). Further detail was provided by the Secretary of State for Defence and MOD officials in evidence before the Defence Select Committee on 1 December 1993. Mr Rifkind explained that PES 93 would entail reductions in the MOD budget "of £260m over previous plans for 1994/95 and of £520m over previous plans for 1995/96. Expenditure in 1996/97 will be 4.2 per cent lower in real terms than the previous plans for 1995/96" (Defence Select Committee Sixth Report, *Statement on the Defence Estimates 1994*, HC 68, Sess. 1993-94, Evidence, p. 1). For 1996/97 this amounts to a reduction of around £750m over previous intentions. The Defence Secretary held that the first two years' reductions could be met without radical measures. He believed that lower inflation forecasts would cover half of the settlement for the first year, about two fifths for the second year and a third for 1996/97. Pay awards could be met through efficiency savings and, more importantly, the sale of Service married quarters to a housing trust would raise several hundred million pounds in 1995/96 (see p. 28) For the year 1996/97 Rifkind declared that "the challenge is much greater" but that "my firm goal is again to achieve necessary savings without reductions in front line levels ... this will be our clear and unequivocal objective" (ibid). The DCS would "identify further areas where we can reduce costs, to ensure that every penny which is spent is absolutely essential for the support and operational effectiveness of our front line forces, and to enable our Armed Forces to discharge their military tasks and commitments properly, to the full and with formidable capability" (ibid).

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Following the implementation of the DCS, UK defence spending is scheduled to fall to 2.9 per cent of GDP in 1996/97 (*Statement on the Defence Estimates 1994*, Para 502 and *The Financial Statement and Budget Report*, HC 31, Ses. 93/94). This is compared to a 1993/94 figure of 3.7 per cent and a previous peak 1985/86 of 5.1 per cent. The 1996/97 figure will be above the European NATO 1993 average of 2.6 per cent and considering the general decline in NATO defence budgets, particularly that of the USA, may be well above the overall NATO average in 1996/97. Of the major NATO countries, only France has attempted to maintain its level of defence spending. The 1995-2000 French military spending plan, unveiled in the spring, included a provision to increase the defence equipment budget by 0.5 per cent annually until the end of the decade. Overall French military spending will climb by 1.5 per cent in 1995/96. However, this increase is to be supported by using reserves, a move apparently not undertaken before. Given tight limits on public spending, it remains to be seen whether French spending will be forced into decline (*Jane's Defence Weekly* 1/10/94).

The results of the DCS were announced to the House in a Statement on 14 July (HC Deb 14/7/94 c 1169-1190) and further details were provided in an accompanying document, *Front Line First: The Defence Costs Study* (hereafter *DCS Document*) and an attached *Memorandum on Force Enhancements*. Outlining the Study's recommendations, Mr Rifkind claimed that he had met and, in some respects, exceeded the mandate set in December. He concluded, "Today, we have demonstrated the Government's determination to preserve and enhance our fighting strength and to ensure that our Armed Forces, soldier for soldier, pilot for pilot and ship for ship, remain the best in the world" (HC Deb 14/7/94 c 1175-1176w).

II. The Defence Costs Study

A The Structure and Themes of the Defence Costs Study

The DCS was directed by a steering group, chaired by the Secretary of State, with the immediate conduct of the review overseen by an Executive Group. The latter, chaired by the Minister of State for Defence Procurement, Jonathan Aitken, also included the Minister of State for the Armed Forces, the Under Secretary of State, senior MOD officials, a representative from the Treasury and the Defence Secretary's own efficiency advisor, Vincent Watts (*RUSI FactSheet*, 'Defence Costs Study - Front Line First', February 1994). The Executive Group set up 33 separate studies, 20 of which were termed "major" and 13 "minor", supervised their progress and made sure that they were consistent with the annual review of Long Term Costings (LTCs). A small central Secretariat was created to support and co-ordinate the studies (HC Deb 14/1/94 c 343-344w).

The majority of the study teams were chaired by brigadiers or major generals (or their equivalents) or civil servants with a minority led by 'outsiders', each team leader being given a personal remit by a minister. Every team contained a representative of the Treasury and some also numbered advisers from outside the civil service. With the exception of the Defence Intelligence study all the studies had been launched by the beginning of January and the majority had been concluded by the end of March. Minor studies generally lasted between six to eight weeks with most major studies taking a maximum of four months. In April the conclusions of each study began to be drawn together into a single package for ministerial consideration and subsequent passage to the Cabinet (*DCS Doc*, Paras 111-116).

The majority of the 33 studies sought to examine a particular support area across Service lines, seeking to discover the best and most cost effective practices. A minority of studies were vertical, examining management structures in the MOD and Services (*DCS Doc*, Paras 112-113). Not all the work was novel, however. The DCS often incorporated studies or reviews begun before December 1993 and in some cases considered options which had been visited several times before. In all cases, the study teams were encouraged to be radical and not to spare 'sacred cows' from investigation. The DCS Document maintains that "every recommendation was examined against one major criterion: would it directly or indirectly reduce the operational capability of the armed forces. We relied heavily on the professional advice of the Chiefs of Staff. If the judgement was made that a proposal would damage the operational capability of the armed forces, it was rejected" (*DSC Doc*, Para 107). The Study solicited proposals for reform from within the Services and the MOD. 3,000 such proposals were received. Many were duplicated and others impractical. As a consequence only about a fifth were accepted.

A number of themes emerge from the DCS team's analysis. Firstly, the Study found that "the MOD Main Building and other headquarters at all levels were seen to be too large, too top heavy and too bureaucratic". Secondly, that there was "scope for far more delegation of responsibility down the management chain", that working practices could be simplified and personal responsibility and accountability could be increased. As the Defence Secretary commented "We should try to bring to our peace-time working practices the reliance on personal responsibility which the armed forces show so effectively in operations". Finally, the study found that in recent years and increasingly in the future operations have and would be conducted on a tri-service basis. It declared that "As part of the rationalization of training and support services, a joint Service basis might actually increase operational effectiveness as well as offering savings (HC Deb 14/7/94 c 1170-1171 and *DCS Doc*, Para 117).

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The 33 studies were as follows: -

Statement on the Defence Estimates 1994, pp. 78-79

Although the results of each individual study were welded together into the overall DCS and presented as such in the DCS Document, as far as possible they have been disaggregated below. Much work remains to be done to flesh out their recommendations and firm proposals will in many cases be subject to consultation. Since the publication of the DCS in July, some additional clarification of various proposals has been supplied to the Defence Committee. In addition, the full reports of certain of the studies have been placed in the House of Commons Library. A summary of the base changes resulting from the DCS is given in Annex I.

B. Summaries of the Results of the Major Studies

MOD Head Office

The DCS will lead to changes in the MOD central organization in London last revised by Michael Heseltine when Secretary of State for Defence from 1983 to 1986. Heseltine created a unified Defence Staff, under a new post of Vice Chief of the Defence Staff (VCDS), while at the same time founding a separate Office of Management and Budget (OMB), headed by a new 2nd Permanent Under Secretary (PUS), to oversee *inter alia* the Long Term Costings, general financial management, some areas of military personnel and logistics and civilian management (*The Central Organization of Defence*, Cmnd 9315, pp. 7-8). This division is now to be broken down with the establishment of a new Central Staff. The three smaller single Service headquarters will remain. There will be some rationalization within the new Staff and further responsibilities will be delegated to Commands outside London. (*DCS Doc*, Paras 204-209)

A further reform is the strengthening of the role of the Financial Policy and Management Group (FPMG) which, in the jargon of the DCS, will become the "main board" of the defence establishment, reporting to ministers. The FPMG, created in 1977, is chaired by the Permanent Under Secretary (PUS) and also includes the Chief of the Defence Staff (CDS), the 2nd PUS, the Chief of Defence Procurement, the three Service Chiefs of Staff and the Vice-Chief of the Defence Staff. Currently confined to budgetary oversight, it appears that the revised FPMG will now become the key body within the MOD where policy and expenditure are matched. Members of the Group will then be given the responsibility for implementing policy within their areas of authority. Generally, as many responsibilities as possible will be delegated away from Whitehall to the lowest applicable level of management as part of a wider application of the New Management Strategy (NMS) which was first introduced in 1991. This is in order both to seek financial efficiency but also to separate the formulation of strategic and financial policy from its implementation. Thus, the formation of a joint operations headquarters away from Whitehall (see below) will lead to a separation between the central strategic direction of operations by policy staff and their execution by commanders. Furthermore, although the central authority over major capital programmes will be strengthened with the extension of the powers of the Equipment Approvals Committee to cover all major long-term investment decisions, Service Chiefs will now be made directly

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accountable for their operating plans and budgets of their Services. Again, in the area of personnel most staff management duties will be delegated away from Whitehall (DCS Doc, Paras 210-212 and McIntosh, *Managing Britain's Defence*, pp. 159-161). A further minor organizational change will be the merging of the four HQ directorates responsible for security into one. A similar change may be made to the organizations responsible for vetting (DCS Doc, Para 215)

The broad changes described above will have an impact on the number of MOD staff in central London which will fall from the planned total of 5,200 to around 2,500. These will be housed in MOD buildings on Whitehall allowing the disposal of a number of offices. Pending any restructuring of the Defence Intelligence Staff around a further 1,000 DIS staff and others serving in corporate services will be located in central London (DCS Doc, Para 216).

HQ/Command and Top Level Budget Holder Structures(One Study) and Management Structures and Manning: Three Single Service Studies (RN, Army and RAF)

The Command structures of each Service have been reorganized by function. Following the introduction of NMS in 1991, each functional command is a Top Level Budget (TLB) Holder, responsible for specific management areas and budgets delegated downwards from the MOD. By 1995, there will be three operational commands for the Army (Land Command, GOC Northern Ireland and UK Support Command (Germany)) and one each for the Navy (CinC Fleet) and RAF (Strike Command). These will be backed up by single Service commands responsible for training and personnel, and support and maintenance (for the Navy, Naval Home Command and Chief of Fleet Support; for the Army the Adjutant General and Quartermaster General; and the RAF, Personnel and Training Command and Logistics Command).

The studies examined the new arrangements and decided not to reduce the number of TLB holders. There will, however, be minor rationalizations in the staffs of CinC Fleet and RAF Strike Command and more major changes in Land Command after its establishment in 1995. After this date, the Southern Army District will, in effect, be split into two with 3 Division HQ assuming administrative, budgetary and other responsibilities for units in the south west while Aldershot continues with similar responsibilities for the south east but now also including Colchester; other district HQs at Aldershot, Shrewsbury and York will be retitled as Divisional HQs. In addition, a small number of brigade HQs will be merged or disbanded. The three functional training and personnel commands will remain unaltered apart from some minor streamlining. The Army Finance and Audit Office at Ashton-under-Lyne will close and its functions will be devolved. The plan for a combined Army Personnel Centre at Glasgow was confirmed. The three functional support command will continue to concentrate in the Bath/Bristol area (Naval Support Command), at Andover (the Quartermaster General's HQ) and at RAF Brampton/Wyton in Cambridgeshire (RAF Logistics Command).

The most significant aspect of the study was the decision to set up a new permanent Joint Headquarters at Northwood. To date, joint operations have been led by the HQ of the lead Service in each case. Thus, Operation Corporate, the recapture of the Falkland Islands in 1982, was conducted from the existing Naval HQ at Northwood; Operation Granby, British participation in the Gulf War in 1990-91 was commanded from RAF Strike Command, High Wycombe; and Operation Hampden, UK operations under NATO/UN command in the Adriatic and former Yugoslavia are being co-ordinated by UK Land Forces HQ near Salisbury. The new Joint HQ is intended to improve response times to crises and to achieve savings in other HQs. Northwood will have access to British rapid response assets including a full range of RAF aircraft; RN ships and 3 RM Commando Brigade; the Army's 5 Airborne and 24 Airmobile Brigades; and Special Forces (*DCS Doc*, Paras 220-228).

Research and Development

Working from experience of the Defence Research Agency (DRA), which was established in 1991, the DCS recommended that all non-nuclear science and technology organizations be brought into a single Executive Agency based on the systems of the DRA. The new agency will be operated as a trading fund and will include: the DRA as now and already planned; a new Defence Operational Analysis and Assessment Centre created by the merger of the Defence Operational Analysis Centre and the DRA Operational Studies Centre; the Chemical And Biological Defence Establishment, Porton Down; and the Directorate General of Test and Evaluation (DGT&E) organization. The new Agency is intended to achieve staff and financial savings. The framework of the new organization should be created by April 1995 but much work remains before full details can be made available (*DCS Doc*, Paras 238-241).

The DCS work on the proposed Science and Technology Agency paralleled a study launched into the DGT&E in April 1992 after the latter's foundation. The latter review found overcapacity in DGT&E ranges and concluded that ranges at Pendine, Dyfyd, Kirkcudbright, Dumfries and Galloway, and Lavington, Wilts. should close with their facilities being transferred to Shoeburyness, Essex and Eskmeals, Cumbria. After consideration, it decided the Hebrides missile range should remain open. A small DGT&E site at Hurn, Dorset will also close (*DCS Doc*, Paras 516-521).

In future defence research, instead of the current division between strategic and applied Research, will be divided between corporate research, "aimed at maintaining and developing the defence science and technology base" and contract research aimed at meeting "the specific needs of the armed forces, linked to particular equipment requirements". This is intended to improve management and lead to consequent savings. Further savings will be made by, it seems, ceasing some primary research and encouraging the DRA to undertake more collaborative and extra-MOD work (*DCS Doc*, Para 417-420).

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Procurement Executive: Organization and Function

The study confirmed the planned collocation of Procurement Executive Staff at Abbey Wood, near Bristol. As a result of comparisons of practice with other organizations, further rationalization will be undertaken and an additional 500 posts cut. The DGT&E organization will transfer to a new science and technology agency.

Procurement Executive: Projects and Practice

Building on procurement reforms introduced since the mid-1980s, the study has sought additional savings in procurement costs. New measures will include offering longer-term contracts and reducing the number of tenderers for a requirement. The MOD will be more willing to consider single-source suppliers and in other areas will continue to attempt to transfer the burden of risks in procurement to contractors. The Ministry will also now make use of leasing, hiring and pooling of equipment. This will apply particularly to the fleet of military vehicles, many of which are civilian models. However, the study found that leasing aircraft for specialist military purposes was not cost-effective, although the MOD will again examine the concept of a Civil Reserve Air Fleet. The latter is used in the USA, where airlines dedicate aircraft for wartime usage in return for peacetime business (*DCS Doc*, Paras 402-412).

Market Testing and Contracting Out

Although the work of this particular study is not detailed in the DCS Document, it was intended to review the process and extent of market testing within the defence establishment, in order to help inform the work of other studies. (The MOD's market testing programme is the largest of any government department. Up to September 1993, £346 million of activities had either been contractorized or market tested producing savings of 28 per cent (Secretary of State for Defence, speech to RUSI 27/9/94).)

Financial Management

The study appears to have confirmed the essential thrust of the NMS, the delegation of financial authority and accountability to the lowest possible level. However, it seems to have found that greater efficiency could be achieved by better staff financial training and further pruning of intermediate layers of bureaucracy. The most significant recommendation was the proposal to develop a new "integrated output planning and management process" which will "simplify the Long Term Costing and Planning Process" and set up a clearer system for matching objectives set by the central MOD and their execution by subordinate commands (*DCS Doc*, Paras 229-234).

Estate and Property

This study suggested various measures to improve the management of the defence estate including the amalgamation of the Defence Lands Service and the Defence Works Agency. Further disposals are being considered and, in cases, where under-utilized property needs to be retained, access by commercial companies may be sanctioned (*DCS Doc*, Para 501-504).

Repairs/Spares/Storage

The study found that there was a broad need to retain in-house capability for the repair and overhaul of equipment in order to respond to unpredictable crises, to provide comparisons with industry and to support older equipment. However, individual areas of repair may be transferred outside the MOD depending on capacity requirements and the need to reduce costs. In the search for the most cost effective means of repair, large areas of the Service repair organization, including the Fleet Maintenance Repair Organization and the Naval Aircraft Repair Organization Defence Agency may or will be market tested. Further civilianization will take place. More widely, attempts will be made to involve industry in third and fourth line repair and "potentially, in repair and resupply of operational units" (*DCS Doc*, 421-424).

In the area of spares, stores and storage, the study found that further closure of a major ammunition depot in the UK would be impractical, although the Army Depot at Bracht in Germany could be shut. Generally, the study held that longer warning times would lead to a reduced need for spares and ammunition stocks. Lower stock levels would be assisted by the implementation of new stock management systems. Many of the stores held were either no longer usable or had never been utilized. As a consequence of the study's recommendations, 17 RN and Army logistical bases in the UK will close. Other depots will be market tested (see Annex I for list). Thus, whereas in 1990 there were 141 armaments, store and fuel depots and repair facilities by the later 1990s they will number 65, although this figure is subject to further market testing and rationalization. A single freight distribution organization is also to be established (*DCS Doc*, Paras 421-429).

Naval Infrastructure

One of the major decisions of the DCS was to further rationalize naval infrastructure beyond the last review of 1991. The study decided that there was no longer an operational need to maintain four major bases. After consideration, it concluded that Rosyth, dedicated for a minor warfare role, should be downgraded to a "forward operating base". Ships currently based at Rosyth will transfer to Faslane and Portsmouth. The Royal Naval Support Establishment at Rosyth will house facilities necessary to support the neighbouring dockyard, stores, a DRA outpost and an office of the Defence Land Agent. As a consequence of these changes, 700 civilian posts will be lost at Rosyth, although a smaller number will transfer to other locations, and 1,500 RN personnel will be redeployed. Following a period of consultation, changes are intended to be in place by April 1996.

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Rationalization will also affect the following bases: RNAS Portland, Dorset, following the transfer for helicopter operations to Culdrose and Yeovilton, will close in 1999; the single UK Rescue and Co-ordination Centre which was to have been located at RAF Pitreavie, Fife, will now transfer to RAF Leuchars, and with the transfer of Flag Officer Scotland Northern England and Northern Ireland to Faslane, RAF Pitreavie will close; finally, RM Poole will close following the relocation of units to RM Plymouth. Some RM units may move to RAF Chivenor subject to study (*DCS Doc*, Paras 505-515 and see *The Proposed Redeployment of Minor War Vessels from Rosyth and of the Headquarters of the Flag Officer Scotland, Northern England and Northern Ireland: a Consultation Document*, Dep 297).

Training

It was decided that initial officer and other rank training will remain at single Service establishments, although further changes may be made in RN and Army training organizations as a consequence of studies currently in hand. Major changes will, however, be introduced in command and staff training where it has been decided to establish a Joint Services Command and Staff college in 1997 which will conduct a tri-Service command and staff course. The respected Higher Command and Staff Course will continue. The new College will either be sited at Camberley or Greenwich; the RAF Staff College at Bracknell will be sold. The Royal College of Military Science, Shrivenham will develop as the defence centre for science, technology and related management and finance training. The Royal College of Defence Studies will continue but its courses will be reviewed. Throughout the defence establishment further attention will be given to the development of joint doctrine and joint warfare training (*DCS Doc*, Paras 317-323)

The study also suggested various changes to flying training. From the late 1990s, training for fast jet, helicopter and multi-engined aircraft will be conducted as follows: Elementary, in University Air Squadrons and at a Joint School at RAF Cranwell; Basic, at RAF Linton-on-Ouse (Fast Jet), a proposed Defence Helicopter Flying School at either Middle Wallop or RAF Shawbury (helicopter), and either within the MOD or involving the civil sector (multi engine); and Advanced, at RAF Valley (Fast Jet), DHFS/air stations (helicopter), MOD or contracted/civilianized (multi-engine). As a consequence of the new structure training at RAF Scampton and RAF Finningley will cease and the bases will close by 1996/97. Reductions will also be made in European jet training. The use of civilian instructors will increase at both Elementary and Basic levels (*DCS Doc*, Paras 324-329).

Specialist training, including adventurous, parachute, technical, security, language, fighter control and driving training, was also be examined. All areas may be rationalized and market tested in the future with the options of either tri-service or lead service training, civilianization or contractorization to be considered (*DCS Doc*, Para 330)

Recruiting and Manning

The study suggested significant changes to the Service's current system of recruiting which it found can cost up to £15,000 per recruit, largely due to the fixed costs of over 200 recruitment offices. Subject to the findings of a pilot scheme, which began in October (*The Soldier* 17/10/94) the study recommended that a new system of recruitment be established. The 1,300 Job Centres of the Employment Services Agency will assume the initial task of interviewing Service candidates. They may then be passed to regional defence selection offices for secondary interviews, possibly to be sited within existing defence establishments, before formal induction. As a consequence the majority of existing Careers Information Offices may close. The current structure of School's Liaison Officers, University training units and Service cadet corps will remain largely unaltered. The study also decided that Service demonstrations, such as the Royal Tournament, and armed forces display teams, such as the Red Arrow, helped to promote the image and standing of the forces and should continue (*DCS Doc*, Paras 303-309)

The study also made a number of recommendations concerning manning. Due to the reduced likelihood of a major conflict, the manning of certain units could be cut back, removing the excess allowed to cover those undertaking training, on leave, etc. The study bore in mind the need to maintain "flexibility to react to the unexpected" and presumably cuts will only affect rear-line units (*DCS Doc*, Para 311). The greater use of Local Service Engagement and retired personnel is also being considered. Attempts will also be made to improve retention rates both in the regular and reserve forces (*DCS Doc*, Paras 310-316)

Medical

On the basis of this study, further integration will take place between the military medical services and the National Health Service. The study team found that the three existing single service hospitals at Haslar (RN), Aldershot (Army) and Wroughton (RAF) were all operating significantly under capacity. It was decided that Aldershot and Wroughton should close and a new single tri-service hospital should be set up at Haslar (Portsmouth). Regional Military District Hospital Units will be established within NHS hospitals to provide peacetime treatment in areas with large military populations and to assist with Service training. One MDHU will be situated at Derriford in the south west and two others will be created. Separately, a defence medical unit will be retained at Catterick.

Organizational changes will also be made as follows: all secondary medical services will be placed into a tri-Service Defence Medical Agency; the Defence Medical Services will be headed by a tri-Service Surgeon General and each Service will retain its own medical branch as now but a tri-Service Medical Training Organization will also be established on a single site. The Royal Army Medical College, Millbank, currently still a centre for Army medical training, may remain as a centre for primary care in London. Market testing within the

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defence medical services will be expanded, including the testing of RAF Hospital Wegberg in Germany. As a result of these changes, over 1,000 posts will be lost (*DCS Doc*, Paras 331-336 and see *The Defence Medical Services: A Consultative Document*, Dep 299).

Information Technology

It has been decided to create a single Defence Fixed Telecommunications Service from the five existing networks. Work will begin on new equipment for and organization of the single network in 1995. The current MOD distinction between civil non-operational IT and military operational IT will cease (*DCS Doc*, 413-416)

Security and MOD Police: The Belloch Report: Two Studies

At the end of 1993, the MOD commissioned a wide-ranging review of the roles, objectives, pay and conditions of the Ministry of Defence Police (MDP) to be led by Sir John Belloch (HC Deb 15/12/93 c 738-739w). The Belloch Review was then linked to the DCS where a parallel study on security was launched at the beginning of December.

There are currently 5,000 officers guarding MOD civil, Service and certain defence manufacturing establishments throughout the UK. This task is also undertaken by and in co-operation with the Home Office police forces, the recently formed MOD Guard Service (MGS), Service police and private security firms. A summary of the Belloch Report's conclusions is given below: -

HC Deb 14/7/93 c 760-761

Separately, the security study examined how MOD property might be protected more cost-effectively without reducing standards. It also initiated a site-by-site examination of guarding requirements, at first only in Great Britain. A review of Service policing is also to begin (*DCS Doc*, Paras 522-529 and *Ministry of Defence Police Study Team Main Report*, Dep 301).

Perhaps the most controversial section of the Blleloch Report were suggestions that in certain cases MDP officers might be replaced by Servicemen on new Military Home Service Engagement. Personnel on such engagements might also replace some MGS guards. Home service engagements already exist in the RAF, where they are known as Local Service Engagements, and are now being examined in the Army and Royal Navy. The recommendations of the Report are now being considered. However, it seems likely that the reviews of security will lead to a cheaper mix of and reduced number of security personnel with the size of the MDP also being reduced. There has been speculation that up to 3,000 MDP personnel could be made redundant as well as some MGS personnel. (*The Times* 10/3/94). It has been suggested that those on home service engagements might be recruited from ex-servicemen (HC Deb 26/5/94 c 451).

Defence Intelligence

A review of the organization and work of the Defence Intelligence Staff was due to be completed by July 1994 (*DCS Doc*, Para 216). Its findings have yet to be announced. However, given the changing strategic priorities and budgetary stringency, it would seem likely that the DIS, built up to focus on threats posed by the Soviet Union, may face substantial reductions and changes in priorities.

C. Summaries of the Results of the Minor Studies

Music

There will be no further reductions in the number of military bandmen, although some reductions may be made in TA bands. Finding that overall, the Royal Marines School of Music (RMSM) Deal cost £6 million a year to run while it produced only 15-20 musicians a year the study recommended that the School should transfer to another site by 1996. (A previous PQ revealed that the "approximate annual cost of training [individual] bandmen" at the RMSM was £72,000 (HC Deb 20/6/94 c 64w.) The study has prompted further examination of the creation of a combined Defence School of Music (DSM) from the three single Service music schools (the Royal School of Military Music, Kneller Hall, Twickenham, RMSM Deal and the RAF Music Centre, Uxbridge). If a DSM were to be established it might only be used for higher level training with initial Service music training in future conducted at civilian music colleges where Service musicians might be provided with scholarships and bursaries (*DCS Doc*, Paras 338-339).

Animals and Vets

All animal and veterinary services will be concentrated at the Defence Animal Centre at Melton Mowbray with the consequent closure of facilities at RAF Newton (*DCS Doc*, Para 340).

Catering and Messes

Based on previous work which has already led to a substantial rationalization of catering services, the study found that further improvement was needed in the provision of management information and costing. Further savings can be found in the maintenance of catering equipment (*DCS Doc*, Paras 343-345).

Chaplaincy Services

Subject to further work, small reductions may be made in the overall number of Chaplains and a single tri-Service Chaplaincy School may be set up either at Amport House (Andover) or Eltham Palace (*DCS Doc*, Para 337).

MOD Fire Services

The study recommended the creation of the post of Director MOD Fire Services, responsible for fire protection across the MOD estate. The study found that savings could be made through other management changes, rationalization and some civilianization of manpower, within safety margins (*DCS Doc*, Para 532).

Air Traffic Control

The study found that further market testing and civilianization of air traffic control and controller training is possible. The RAF will become responsible for ATC services at Army Air Corps bases (*DCS Doc*, Para 342).

Legal Services

Each Service currently has its own legal branch. The study suggested no scope for change in the short term (*DCS Doc*, Para 531).

Travel and Subsistence

The study concluded that the overall costs of travel and subsistence might be reduced by possibly contracting business travel arrangements to commercial managers (*DCS Doc*, Para 341).

Costs of Regulations

The study is largely proactive, seeking to increase intra-Service and MOD awareness of the requirements of legislation, particularly that governing Health and Safety and the environment. The cost of compliance may rise as crown immunity is progressively removed. The MOD is also to establish a unit to monitor EU legislation and its potential implications for the MOD (*DCS Doc*, Para 530). (The latter move may arise from the apparent failure to recognize the impact that the EC's Equal Treatment Directive, which came into force in 1978, might have on the Services policy of dismissing pregnant Service women. Compensation payments to women dismissed in this manner between 1978 and 1990 may eventually amount to £100m (RP 94/27 *Compensation for Discrimination*, February 1994, pp. 8-10)).

Meteorological Office

The study concluded that the Met. Office should become a Trading Fund as soon as possible (*DCS Doc*, Para 242).

Radiological Monitoring and Protection

The study into this area found "no great scope for savings ... in the short term" (*DCS Doc*, Para 531)

Forms and Publications

It appears that this study recommended ways of reducing paperwork in part by transferring some publications onto the MOD Corporate Headquarters Office Technology System (CHOTS) (*DCS Doc*, Para 416).

Uniforms

This study has confirmed plans to establish a Defence Clothing and Textile Agency on a single site, under Army auspices, and which would include relevant research activities. Systems for the supply of uniforms will also be examined (*DCS Doc*, Para 429).

D. Regular and Civilian Personnel Reductions

Altogether, some 18,700 defence posts will be lost as a result of the DCS by 2000. The RN/RM will lose 1,900 personnel, the Army 2,200 and the Royal Air Force 7,500. The number of UK-based civil servants will decline by 7,100 (*DCS Doc*, pp. 38-39). Not all of these posts will be jobs lost as many posts will be contractorized or civilianized. Many ex-servicemen may, in fact, be rehired by contractors to perform their previous Service jobs, particularly in the RAF. Although the redundancy terms available will be the same as those currently on offer, the MOD "cannot yet estimate reliably the total number who will have to be made redundant" (*DCS Doc*, Para 606). "At the very least" 80 per cent of the redundancy costs will be met by the Treasury (Mr Rifkind in evidence to Defence Committee, 27/7/94).

Further reductions may occur over the same period as a consequence of any implementation of other reviews currently in train, once the new structures designed by the DCS team have been established and market testing. Collectively, with the remaining changes to be completed under Options for Change, the final withdrawal from Hong Kong and other measures already in hand or projected, the DCS may contribute towards an overall reduction in Service personnel of around 37,000 over the next six years (RN/RM strength down from the 55,000 to 44,000; Army strength from 123,000 to 115,000; and RAF strength from 75,000 to 57,000, *Defence Statistics 1994*, Fig 2.7 and estimates from *The Independent* 15/7/94).

In April 1994, the MOD employed 142,000 civilians, including 21,000 staff engaged abroad (*Defence Statistics 1994*, Fig 2.1). Before the DCS, this was scheduled to fall to 128,700 in 1996 (Cm 2550, p. 76). Further falls will occur as a result of withdrawals from Hong Kong and other reductions may result from any implementation of the recent white paper on the civil service (*Civil Service: Continuity and Change*, Cm 2627). In 1979 there were nearly 300,000 MOD civilian staff (Cm 2550, pp. 76-77). As a consequence of the DCS and other changes, actual or projected, total MOD UK civilian personnel numbers may fall to around 100,000 by the year 2000 (*The Independent* 15/7/94).

The estimated job reductions resulting from the DCS by the year 2000 are given below: -

DCS Doc, Table 2

Although overall civilian personnel levels are in decline, a recent Defence Committee report found that reductions did not affect grades across the board. In spite of the MOD's commitment made in 1990 to reduce civilian numbers by 20 per cent over the next six year (*SDE 94*, p. 76), the Committee found that while the number of senior posts had declined "the middle and lower management and executive grades of MOD's administration have actually grown rather than being pruned over the past four years" (HC 68, Para 86). With the delegation of responsibility for personnel to TLB holders, Whitehall now only monitors civilian personnel number and controls by budget the overall number (HC 68, Para 83-88). Regardless of any possible overall efficiency gains, the further delegation of responsibilities to TLB holders may lead to an increase in civilian personnel in certain grades.

E. Financial Savings Arising from the Defence Costs Study

DCS claims to have succeeded in identifying savings to cover the PES 93 target for 1996-97 of £750m (*DCS Doc*, Para 120). Indeed, savings beyond this have been found which will support defence procurement decisions and certain additional forces and training outlined in

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Sections IV and V. The changes resulting from the DCS will lead to more savings in the years beyond 1997 which in 1997-98 may total an additional £100m (Mr Rifkind, evidence to Defence Select Committee, 21/7/94). The savings by origin are given in a pie chart below:

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Source: *DCS Doc*, Fig 1

A table below sets out the estimated savings arising from individual studies quoted in the DCS Document. Not all savings will be immediate.

Action	Saving in £ Million per Year
Disposal of Northumberland House and Metropole Building	10
Rationalization of Single Service Headquarters	60
Rationalization of Procurement Executive	30
Creation of Science and Technology Agency	12

Action	Saving in £ Million per Year
Unattributed Savings in MOD Whitehall and Command Structures	38 (possible)
Changes to Recruitment	25
Reductions in Excess Manning	30
Restructuring of Flying Training	40
Changes to Medical Services	55
Centralization of Defence Animal Centre	3
Changes to Procurement Contracting Procedures	120
Changes to Vehicle Fleet	22 (averaged over next 10 years)
Changes to Procurement of Simulators and Electronic Test Equipment	15
Reductions in Research Spending	20
Funding from External Sources for Research	20-30
Changes to Repair Facilities	40
Rationalization of Spares, Stores and Storage	145
Closure RAF Laarbruch and Return of Units to UK	30 (from 1999)
Downgrading of Rosyth	22
Closure of RNAS Portland	12 (from 1999)
Rationalization DGT&E Ranges	7.5
Changes to Fire Services	15

III. The Independent Review of Service Career and Manpower Structures and Terms and Conditions of Service: The Bett Review

Separate but related to the DCS is the Independent Review of Armed Forces Manpower, Career Structures and Terms and Conditions of Service. Whereas Front-line First was intended to reduce costs through the rationalization of support services, the Review is to examine the efficiency of Service management, pay and allowances and may suggest radical changes to traditional practices. Separately, a review of the Armed Forces Pension scheme was launched in January 1994 (*The Soldier* 25/7/94). Lord Carver, CDS between 1973 and 1976, has commented that the Bett Review's "effect on the morale of the services, in every rank, is potentially even greater and certainly more widespread than that of either Options for Change or Front Line First" (HL Deb 26/7/94 c 620).

The decision to launch a review was revealed in February 1994. It was then announced that Mr Michael Bett, had been appointed chairman of the review team (HC Deb 30/3/94 c 753-754w). The team includes two other members with industrial experience and one recently retired Serviceman, Admiral Sir John Kerr (HC Deb 5/5/94 c 592w). It is serviced by a small secretariat which appears to include at least one representatives from each Service (*The Soldier* 25/7/94). Lasting a year, Bett is set to report to the Secretary of State by early summer 1995 (HC Deb 30/3/94 c 753-754w). The terms of reference of the Review were set out in a parliamentary answer: -

Mr Bett, who has been described as "one of the UK's most experienced industrial relations experts", is a former deputy chairman of British Telecom (*The Financial Times* 8/1/93). He remains a non-executive director of BT and is chairman of Cellnet until January 1995, and is also chairman of the Nurses Pay Review Body, of the Social Security Advisory Committee and of the Central England Training and Enterprise Council (TEC). Mr Bett is also non-executive chairman of the TEC national council (*The Guardian* 17/3/94 and *The Financial Times* 8/4/94). He has had some contact with the Services having completed National Service and has been an honorary colonel of a TA signals squadron. Between 1983-1987 Mr Bett was a member of the Armed Forces Pay Review Body (AFPRB) (*The Soldier* 25/7/94).

The Bett Review may parallel the central thrust of the DCS by seeking to introduce commercial practices into Service personnel, management and pay structures. It also aims to simplify the complex and often confusing system of pay and allowances. The Review will:

- examine private sector practices and those in the armed forces of other countries and see how they can be applied to the British armed forces
- seek to ensure that the armed forces concentrate on their 'core' activities and, where possible, buy in services from the private sector.
- see whether more fully-trained personnel can be recruited rather than providing possibly uneconomic specialist training for small groups of experts. For example, the MOD is considering the recruitment of trained musicians, educated in music colleges, rather than training them itself
- regard service as a 'module of life'. With the average service career lasting only six years too many resources may be allocated to training all recruits for the long-term. Experts might be employed for short periods
- greater career flexibility with experts who have left for the private sector being allowed to return, presumably bringing their new experience with them.
- the impact of new technology on management structures
- examining whether the X Factor, the pay increment awarded to servicemen in recognition of the difficulties of military in comparison with civilian life, is the appropriate such reward
- generally shaping the forces to the needs of the society of 2015

(Based on an interview with Mr Bett in *The Soldier* 25/7/94)

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The Bett Review has been the subject of some criticism. Within the armed forces, there has been "widespread cynicism at the assertion that the [Bett] review is unconnected with the Defence Costs Studies, or is not designed to reduce conditions of service in an attempt to cut the cost of uniformed manpower" (*The Soldier* 25/7/94). On the subject of cost, according to its terms of reference, although the Review is taking full account of the requirement to maintain "disciplined, highly trained and well-motivated armed forces" it will also "seek to contribute to the reduction over the longer term of the overall resource cost of manpower, and should clearly identify the resource implications of its proposals" (HC Deb 30/3/94 c 753w). A recent press article asserted that a target of a 20 per cent cut in Service personnel costs has already been set (*The Sunday Times* 4/9/94). In contrast, Mr Rifkind has declared, "This Review is not working to any cost-saving imperative whatsoever; it is seeking to establish a firm and workable framework for Service personnel management and remuneration" (Speech to RUSI, 27/7/94).

The examination of the use of performance pay, something which has already been introduced into the MOD Civil Service, has also provoked a response. Lord Mayhew commented in the Lords that the motivation of Serviceman differed from that of civilians and owed more to "tradition, morale, discipline and loyalty" (HL Deb 13/6/94 c1435). More trenchantly, a 'senior officer' was reported as declaring "performance related pay will undermine morale" ... "How on earth is the performance of a soldier to be measured - by the spit and polish on his boots, or the accuracy of his fire against the enemy. Would he get a merit rise for killing an enemy soldier?" (*The Evening Standard* 19/4/94). If PRP were to be introduced then it would be most likely to follow civil service practice with increments between the minimum and maximum pay for each rank being decided by performance rather than length of service. Overlapping pay bands for more senior ranks, as suggested for the civil service in the recent white paper, might also be introduced (Cm 2637). Outside the Bett Review, at the request of the government, the AFPRB is considering the issue of PRP and has appointed consultants to examine it. The Body has already taken informal soundings on the matter. Separately, the Senior Salaries Review Body is looking at the introduction of PRP in the pay of two-star officers and above. Their conclusions will appear in their next annual reports (*Review Body on Armed Forces Pay, Twenty-Third Report*, Cm 2461, Para 40-41). On the question of PRP the government is "entirely open-minded and unpersuaded either way" (HL Deb 27/4/94 660).

The Bett Review's attention to management structures may also prove controversial. In his interview with *The Soldier*, Mr Bett commented "One cannot help noticing there are two (officers and other ranks) management structures. Industry has sharpened up its communications by cutting layers of management. It would be marvellous if we can spend less money but maintain good quality armed forces". It is not clear whether this will entail an examination of command structures within units and suggest reductions of numbers within particular ranks or the abolition of certain ranks altogether (*The Sunday Times* 4/9/94). A British infantry company battalion, for example, contains three times as many commissioned officers as a German equivalent. Could not greater responsibilities be given to warrant

officers in the former as in the latter and large numbers of officer posts be pruned? (Spartacus, 'The Rank Structure of the British Army', *British Army Review* 104, August 1993, p 56). Any recommendation to abolish ranks could lead to the loss of jobs amongst middle-ranking officers and senior NCOs. Such losses would be added to by any posts cut through any further civilianization suggested by Bett. Both the latter would then be in addition to reductions announced in the DCS.

The Review team is also reportedly examining the basing of servicemen and their families. After centuries of overseas service, the drawdown in Germany and the withdrawal from residual colonial garrisons means that increasingly the armed forces will be based in the UK and longer-term posting may become possible. This will entail greater stability for service families and make it easier for Service partners to obtain employment. In turn, this might facilitate a simplification of the allowance system. In this context, Bett has reportedly examined turning service in Germany into a six-month emergency tour i.e without dependents. This would allow the closure of service schools, married quarters and their support services. Such a suggestion, if made, would seem unlikely to be implemented in full. It might greatly increase the strain on Service families and also involve the construction of new married quarters and facilities in the UK. However, it might be implemented for certain specialists or small groups with perhaps less disruption. As part of this section of the review, Bett is also examining the extent of Boarding School Allowance (BSA). Around 10,000 Service families take advantage of the latter to send their children to private schools in the UK. If Bett is envisaging a more statically based Army of the future, then he may suggest that BSA be reduced or axed altogether (*The Soldier* 22/8/94 and *The Sunday Times* 4/9/94).

IV. Defence Equipment in the Statement on the Defence Costs Study

The Front-Line First Statement included the announcement of a number of procurement decisions. The package, including actual orders and invitations to tender, amounted to £5 billion and was expected to sustain 10,000 jobs (HC Deb 14/8/93 c 1174). Most of the projects involved had been foreshadowed in earlier announcements. Any success in the DCS in this regard may not be in securing much new equipment for the armed forces but, by finding reductions in support costs, guaranteeing the existing procurement programme, as least in the short-term.

A. For the Royal Navy

For the Navy, Mr Rifkind announced an invitation to tender "shortly" for two assault ships, an invitations to tender for a new class of nuclear attack submarines (Trafalgar Batch 2) and "during the coming year" for further Type 23 frigates. The only firm naval order announced was for seven Sandown minehunters (HC Deb 14/7/94 c 1773). Separately, the Secretary of

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State referred to the possibility of purchasing conventionally armed Tomahawk missiles (HC Deb 14/7/94 c 1175).

The orders for the replacements of the Landing Platform Docks (LPDs) *Fearless* and *Intrepid* has, in the words of the Defence Select Committee, been "an apparently endless saga of delay and frustration" (Defence Select Committee Fourth Report, *United Kingdom Peacekeeping and Intervention Forces*, HC 188, Sess 92/93, Para 29). Both ships were marked for disposal as part of the 1981 defence review and then, following their participation in the Falklands War, when they proved essential, they were reprieved. Not until 1986 did the MOD announce its firm intention to retain an amphibious capability in the longer term, running on HMS *Fearless* and HMS *Intrepid* into the mid-1990s when they would reach the end of their useful lives. Contracts for the project definition of the LPD replacements were issued in 1992 (ibid). These were delayed after attempts "to introduce commercial shipbuilding standards without compromising safety". An invitation to tender was expected in 1993, with an in-service date of 1998. The former is now expected this year with expected in-service dates of 2000 and 2001, respectively. *Jane's Fighting Ships 1994-95*, p. 746 and Cm 2550, Para 409). As an "economy measure", their design has been reduced from 15,000 to 11,000 tons and there will be some reduction in their capabilities (*Navy International*, December 1993, p. 352). The Defence Committee has remarked:

"On current plans the new ships will enter service "around the turn of the century". That means that the RN will be dependent until then on two steam-driven ships some way past their best, one of them mothballed. **For the next five years, Britain's amphibious capability will be threadbare, with potentially serious implications for the United Kingdom's peacekeeping and intervention forces.**" [HC 188, Para 29 (their emphasis)].

The intention to invite tenders for the design and build of Batch 2 Trafalgar submarines "shortly" was referred to in *SDE 94* (Para 407). The first of this class may not enter service until after 2000. An order for new Type 23 frigates has been expected for some time. The last batch of Type 23s was ordered in January 1992 (*Jane's*, p. 742). In May 1993, the MOD told the Defence Committee that an invitation to tender for the next Type 23 batch would be issued in 1993. This was then delayed to 1994 in following the July (Defence Select Committee Eighth Report, *Royal Navy Commitments and Resources*, HC 637, Sess. 92/93, Para 11) In HC 637 the Defence Committee stated "Any further delay in the process of ordering the next batch of Type 23 frigates will cast doubt on the earnest of the Government's intentions to maintain an adequate frigate force" (ibid).

A tender for up to a further seven Sandown minehunters was sought in December 1993 (Defence Committee Sixth Report, *Statement on the Defence Estimates 1994*, Sess. 93/94, HC 68, Para 50). Again, *SDE 94* flagged an order for this year (Para 412). The MOD currently has a target figure of 25 Mine Counter Measures Vessels (MCMVs) although the fleet

contains only 18 at present. The MOD views this as "an acceptable risk" but the Committee noted that it might not be until 1996/97 before any of the new MCMV batch would enter service (HC 68, Para 50). Tenders for a batch of three Sandown minehunters were invited in 1990 but were allowed to lapse in 1991 (*Jane's*, p. 745).

B. For the Army

For the Army, Mr Rifkind confirmed the order for 259 Challenger 2 tanks from Vickers Defence Systems as well as announcing an order for 40,000 rounds of mortar ammunition (HC Deb 14/7/94 c 1174). The Challenger order is an extension to that announced for a batch of 127 tanks of the same model in 1991 which will enter service at the end of 1995. *SDE 94* stated that "Subject to satisfactory negotiations currently in progress, we therefore intend to place a further order for up to 259 Challenger 2 tanks in addition to those already in production" (Para 416). The gap between the two orders occurred as MOD pondered whether to upgrade the existing Challenger 1 tanks to grade 2 standard or to purchase entirely new Challenger 2. In 1993, the MOD chose the latter option (*SDE 94*, Para 416).

C. For the Royal Air Force

The Statement named a number of procurement measures for the RAF. These included a production order for the mid-life update (MLU) of 142 Tornado GRI aircraft to GR4 standard, an order for laser-guided bombs and associated guidance systems, and continuing feasibility studies into the need for a Conventionally Armed Stand-Off Missile (CASOM) (HC Deb 14/7/94 c 1174).

After the Eurofighter 2000 programme, the Tornado Mid Life Update (MLU) is the most significant RAF procurement project. The Tornado MLU was the subject of extensive criticism in a recent National Audit Office report (NAO, *Ministry of Defence: Major Projects Report 1993*, HC 356, Sess. 93/94). The project had an original in-service date of mid-1993 and was estimated to cost £540m. It is now expected that the MLU will not enter service until 1998, a delay of 59 months, and costs have escalated by around 50 per cent (some £270m). This increase has occurred despite saving measures including a reduction in the number of aircraft to be upgraded and a reduction of specifications (Figures in 93/94 prices) (HC 356, p. 18 and Paras 4.9-4.15, and HC 68, Para 76-78). With regard to the Tornado MLU, *SDE 94* states that "we plan to begin the update of our Tornado GR1 aircraft to a new GR4 standard" (Para 422).

Of the equipment decisions announced on 14 July, only the revelation of the studies being conducted into the acquisition of Tomahawk cruise missiles was novel. The missiles, which would be fired from RN submarines, would "make a considerable increase in UK submarine capability (*JDW* 14/5/94). The Chief of Naval Staff, Admiral Bathurst recently commented "the combination of SSN with submarine launched cruise missiles combines surgical precision

with the advantage of not to have to send out aircraft into danger zones in the early phase of a conflict" (ibid). There would, however, appear to be some duplication with the separate RAF requirement for a CASOM. It has been suggested that the RN and RAF requirements may be combined (ibid).

V. Add Back, Training and the Territorial Army

Besides providing information on various defence procurement projects, the Front Line First statement also announced a number of measures to "reverse the hollowing-out of recent years, and to increase levels of operational training" (HC Deb 14/7/94 c 114). In the Navy, these measures will include not placing one frigate and a submarine in reserve as intended but now continuing them in front line service; and purchasing additional anti-submarine and gunnery targets to allow further training. In the case of the former, however, since the longer-term strength of the fleet may be uncertain it is unclear whether this add-back is an increment to the fleet or merely an insurance of its current size. For the Army, extra funds will be spent on improving training areas in Germany and the UK. In the UK new firing ranges will be constructed on Salisbury Plain and at Warcop, Otterburn, Catterick, Sennybridge and Castlemartin. Furthermore, field training will increase by between 50 and 100 per cent, particularly at the battlegroup level and additional simulation equipment will also be acquired. More significantly, the 3,000 Army posts released by market testing, etc from rear-line units have now been allocated. A third will "enhance the establishments of combat support units". The remainder will reduce the planned cadreization of artillery and engineer units, create an additional battery for the 24 Airmobile Brigade artillery regiment and provide additional manpower for the AAC in Northern Ireland. Finally, for the RAF measures will include the transfer of 12 Harrier GR7's from reserve to operational service and increasing the number of fast jet flying hours per aircrew member by 20 hours a month over the next three years. (HC Deb 14/7/94 c 1175-1176). A further significant initiative was the decision to establish a new joint rapid deployment force (RDF) HQ and the possible purchase of conventional cruise missiles (see p.7 and p.25 and *Memo on Force Enhancements*, MOD 14/7/94).

The statement on the DCS also included an announcement of changes to the Territorial Army (TA) (HC Deb 14/7/94 c1173). In 1991, the TA had an establishment strength of 91,000 and actual strength of 74,000. As part of Options for Change, the establishment figure was reduced to 63,400 in 1991 (HC Deb 10/12/91 c 733-748). Although the TA's recruits pool of 4,500 will now be cut and it will reduce to 59,000 personnel, at the same time, it will be more closely integrated into the regular Army. A regular AAC squadron will be disbanded and replaced by a TA unit. Some TA units, particularly in the infantry, are expected to be converted to combat support roles; initially a TA unit will re-role to become the Army's nuclear, biological and chemical defence regiment. Further announcements will be made later in the year (*Memo on Force Enhancements*, MOD 14/7/94).

It should be noted, though, that the units in the new RDF are awaiting much equipment not referred to in the Front Line statement. Firstly, rapid deployment requires transport aircraft; an MOD decision on the replacement for the RAF's ageing Hercules fleet is expected in the autumn although it may now have been postponed to next year (*SDE 94*, Para 425 and *The Economist* 10/9/94). It is intended that half the fleet will be replaced or refurbished by the end of the century (*SDE 93*, Para 618). Secondly, the Army Air Corps regiments within the Airmobile Brigade have been promised new attack helicopters. A decision on which attack helicopter the MOD will procure is expected to be made in spring 1995. They should enter service "by the end of the decade" (*SDE 94*, Para 417 and HC Deb 23/5/94 c 72w). Together with the renewal of the Navy's amphibious force referred to above, much of the modern equipment for a rapid deployment force may not be in place before the new millennium.

VI. Some Reactions to the Defence Costs Study

Defence Ministers have made much of their belief that the DCS can both achieve savings in defence expenditure while at the same time preserving and enhancing front-line forces. Although the general thrust of the Study and many of its individual recommendations have been welcomed, it has also been subject to criticism.

Financially, some discoveries, such as the high cost of training Royal Marine bandmen and of recruitment, might raise questions as to why such wasteful practices had been allowed to continue for so long, or indeed, should require a special study to find them (*The Times* 15/7/94 and HL Deb 26/7/94 c 600-601). However, in an organization employing 400,000 personnel and spending £23,240,000 a year (*DCS Doc*, Para 201) some waste may be inevitable. As one commentator on the DCS put it, "Sadly waste has its own dynamic. The search for savings is rather like the job of painting the Forth Bridge. As soon as the work is finished, it is time to start again" (*The Independent* 15/7/94). Indeed, after the DCS was completed it was revealed that the MOD estate contained 77 official Service residences worth in excess of £34m. In the last two financial years, maintenance, equipment, furniture, domestic and household staff costs approximated some £10m (HC Deb 8/7/94 c 342w). Yet, such apparent profligacy apart, the MOD will need to show that less is indeed more.

Perhaps more importantly, the DCS Document contains little financial detail. A pie chart shows the source of prospective savings (see p. 18) but estimates of savings from each study are only given as a total figure without further analysis. For example, the reader is told that changes to procurement procedures briefly outlined "could eventually save around £120 million" without any accompanying analysis (*DCS Doc*, Para 406). In another example, the Document states that "there is scope for saving another £20 to £30 million a year" in research expenditure through increasing in the amount of collaborative and non-MOD work undertaken by the proposed science and technology agency. It is not clear whether the MOD is counting firmly on such speculative saving to meet its 1993 PES settlement. Indeed, the DCS Document states that "it has identified a coherent package of proposals for achieving £750

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million a year in 1996/97 and more thereafter" (*DCS Doc*, Para 120). Given the speedy way in which the studies were conducted and without the publication of the majority of the studies, it is by no means certain that the MOD will be able to cut £750 million from the defence budget by 1996/97 in the ways set out in the DCS. If this were to be the case, then to cuts might have to be made in defence procurement or front-line forces. As Lord Bramall, CDS between 1982 and 1985, commented in reaction to the DCS: -

HL Deb 26/7/94 c 607

Added to the MOD's budgetary challenge is its recent reported abandonment of plans to transfer Service housing stock to a housing trust. Other initiatives are now urgently being explored. The Ministry has relied on raising £500m from transferring housing to meet its PES 93 cuts in 1995/96 (*The Financial Times* 6/10/94).

In many ways, the DCS is not as radical as it may seem. The organizational changes to the MOD in Whitehall might be seen as only the latest move in the integration of the Services and MOD civilians which began with Mountbatten's plans to create a unified MOD in the early 1960s. However, whatever the benefits, there may be initial cultural teething problems in merging the OMB and Defence Staff into a Central Staff. There may always have been some tension between MOD central civil servants, who, until recently, have spent their entire careers in Whitehall, and Servicemen rotated through Whitehall for at most three-year periods. The fact that the new Central Staff will be headed by both the 2nd PUS and the VCDS might also beg the question of who is actually in charge. Furthermore, the enhancement of the FPMG as the new 'main board' of the defence establishment may further dilute the role and influence of the Chiefs of Staff in high level policy making, despite the assurances to the contrary. Again, this is a continuation of a long-term trend dating back to the 1950s. Although integration is unlikely to be taken to the extent of Canada, where the armed forces were amalgamated in 1968, areas which were not subject to 'jointery' in the DCS may, in the future, be conducted on a more tri-Service basis.

Many of the studies visited areas which have been visited before. For example, the possible establishment of a Defence Music School was examined twice during the 1980s. Another area, that of medical services, was the subject of a review only last year (HC Deb 26/2/93 c 740). Then, it was decided to reduce the number of Service hospitals in the UK from eight to three. Following the DCS, there will now only be one with four smaller Service units mainly integrated into NHS hospitals. A further 1,000 medical posts will be lost.

Overall there is also some question as to the appropriateness of regarding defence as one minister has called it "a high tech business" (HL 26/7/94 c 595) or the extent to which the main building of the MOD in Whitehall is "Head Office" as described in the DCS document (see 'Decimated by Dogma', Christopher Coker in *The Times* 15/7/94). In a recent speech to the Royal United Services Institute, Mr Rifkind, addressing the special nature of defence, perhaps sought to answer these concerns. He remarked, "It is important to emphasise at the outset that the principles underlying the management of defence are different in key respects from those which generally apply in the private sector and to a lesser extent elsewhere in Government ... That is not to say that we cannot learn from elsewhere - that clearly is untrue - just that Defence is a special business in which purely "off-the-shelf" management solutions are unlikely to work". The Defence Secretary continued to emphasize that the mission of the MOD and armed forces must be to serve the front-line with regard to the defence of the realm. Unlike in the private sector where failure is reflected in the balance sheet, mistakes in defence can be "catastrophic" (RUSI, 27/9/94).

Certainly it may be the case that the defence establishment can benefit from applying commercial practices, both financially and in terms of efficiency. The DCS does not mark a radical departure in this sense. The introduction of commercial management techniques into the MOD dates back to the reforms of defence procurement in the mid-1980s and then was continued with the introduction of Next Steps Agencies, NMS and market testing. However, many capable soldiers and administrators may not make good accountants. Some make more fundamental criticisms, holding that the armed forces are ultimately dependent on an ethos alien to that of the market. Commercial practices, particularly the possible introduction of PRP, may improve value for money in defence spending but, at the same time, harm the ingredients of an effective armed forces, such as morale, discipline and cohesion. In an interview a senior naval officer commented: -

"Enormous strains are being placed on us by new management techniques. We expect a man to be prepared to lay down his life for us, yet we turn round without the slightest hesitation and make him redundant. We take great pride in the service. It would be frustrating to produce a shoddy, second-rate job, but stress and great uncertainty is very much there and can lead to just that ... You cannot apply business principles to an organization whose earnings are invisible. Our product is intangible. Cost cutting has got to stage where we have lost sight even of business principles. In a real business we would have a 10-year plan. The MOD has a 10-year plan and rips it up every year and starts again. We are now at the cut-off point where inefficiencies outweigh the benefits of cost-saving." (*The Financial Times* 2/7/94).

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In this sense, the spread of private sector management techniques may threaten not so much a quiet revolution but a permanent one generating a climate of insecurity within the defence establishment. Reacting to the DCS statement, members of both houses made pleas for a period of stability in the armed forces (for example, Lords Bramall and Carver (HL 26/7/94 c 608 and c 620) and Mr King and Sir Nicholas Bonsor (HC Deb 24/7/94 c 1178, c 1179)).

Another area of possible concern is the extension of use of civilian contractors further up the maintenance chain. During the Gulf War British industry provided extensive in-theatre backing to British forces proving "that industry is capable of providing technical support in areas that hitherto many have considered as requiring Service personnel or industrial civil servants" (Defence Committee Fifth Report, *Implementation of the Lessons Learned from Operation Granby*, HC 43, Sess. 93/94, Para 98). However, the use of such contractors may have risks. In 1993, contractors modernizing RAF aircraft, caused damage to 12 RAF Tornados which it was estimated would cost £7m each to repair (*The Daily Telegraph* 5/6/93). Although the MOD declared that it would seek damages from the company involved (HC Deb 13/13/93 c529w) it is possible that the damaged aircraft will never return to service. Besides the apparent difficulties of supervising contracted maintenance work, civilian workers provide the additional operational problem of having the right to strike. In addition, also unlike Servicemen, they can not be called upon at a moment's notice. The Services may need to retain some in-house capability in maintenance in all areas, not just for the reasons set out in the DCS Document (p. 9) but also in order to make sure that civilian work is carried out to the right standard. Although in the short term many of civilian workers taking on work formerly undertaken by Service personnel may well be ex-Servicemen mechanics, etc, in the longer term the MOD may need to guarantee that a skill base in areas such as aircraft maintenance is not degraded.

Another question raised by the increased civilianization and contractorization is that of the deployment of civilians abroad to assist British forces on overseas operations. Although, as described above, a number of companies assisted British forces in the Gulf War in a rear-line capacity, the threat posed by chemical and bacteriological warfare apart, Saudi Arabia was a relatively safe environment. In future, a large British expeditionary force might be sent to a country in which terrorist groups or the population as a whole might be hostile. The Reserve Forces Act expected in the next session may contain provisions for an employer contracted to the MOD to form part or all of his relevant workforce from individuals who had accepted a volunteer reserve commitment. This may be known as the sponsored reserve (see *Britain's Reserve Forces: A Framework for the Future*, pp. 18-20). In short, on joining a company undertaking vehicle maintenance for the Army, for example, a worker might be required by his employer to assume a reserve commitment and, if necessary, serve in a foreign conflict. Although public opinion may, in some circumstances, be prepared to accept the loss of Service personnel in the course of their duties, it may prove more sensitive to the death of such soldier-civilians.

VII. Conclusion

The DCS has been attacked by opposition parties and many defence commentators for not looking beyond the structure of the defence establishment and its practices to the balance between resources and commitments and overall strategy (HC Deb 14/7/94 c 1177-1178). *The Daily Telegraph* remarked: "The report makes no attempt to define the purpose to which the armed forces are to be directed after economies have been achieved ... Front Line First represents such a radical departure from previous defence statements, however, that it seems incomplete without a survey of how the restructured armed forces are to be employed, and an assessment of what capabilities they are to retain" (*The Daily Telegraph* 15/7/94).

In this respect, the decision to maintain an RAF presence in Germany, apparently examined by the DCS, seems to be a particular anomaly. Following the Study, it was decided to withdraw RAF Harriers and support helicopters to the UK, even though they operate in support of the British Army in a tactical role. However, the MOD intends to continue to base RAF Tornados in Germany even though they are used in a strategic role. Since the potential areas of operations for these aircraft are currently in the Balkans and the Middle East, there would appear to be little military justification for their continued basing in Germany. The withdrawal of all RAF aircraft to the UK would presumably lead to further savings and British Army needs might be catered for by the use of RAF enclaves within German civil or military airfields. Politically, the continued presence of over 20,000 British troops in Germany might prove a large enough demonstration of Britain's commitment to NATO if this is required. If a commitments review were to be conducted in the future, then the RAF in Germany might be one area for examination.

Whatever the outcome of the next election, an incoming government may be faced with difficult choices in defence spending after 1996/97. Although many of the major defence projects were apparently ring fenced in the DCS statement, the MOD may still face the problems of paying for them in the medium-term. The procurement programme appears to be exceptionally crowded. Over the next decade, the Ministry needs to procure *inter alia* a helicopter carrier, landing ships and frigates for the Royal Navy; attack helicopters and new radio equipment for the Army; and the Eurofighter 2000 and Nimrod and Hercules replacements for the RAF. Although the traditional positive gap between MOD price and pay inflation and general inflation (the relative price effect) has narrowed and even been negative in recent years, defence equipment inflation was still 0.5 per cent above the general rate in 1993/94 (HC 68, Para 26). Despite the procurement reforms of the last 10 years, the costs of major defence projects can still be unpredictable. For example, for various political, technical and managerial reasons the development cost of the multinational Eurofighter 2000 alone has increased by nearly 20 per cent in real terms since 1988. For the UK this was equivalent to some £560m extra spending in September 1993. The Defence Committee found that costs are likely to increase further (Defence Select Committee Third Report, *Progress on the Eurofighter 2000 Programme*, HC 222, Sess. 93-94, Paras 18-50). During economic recovery, equipment inflation may well increase. In short, there may be insufficient funds to support all the major defence procurement projects currently in hand. Either procurement

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spending may have to be increased, as on the French model, or without an overall increase in defence spending, cuts may have to be made in either equipment spending or force levels in order to keep within the defence budget. This may suggest, for financial reasons at least, a further defence review at the end of the 1993 PES settlement.

Three to four years time may offer the opportunity for a further defence review for other military and diplomatic reasons. Peace in Northern Ireland would raise the possibility of substantial reductions in British forces stationed there. There are currently 18 major Army units under GOC Northern Ireland which, with related RAF and RN personnel, number around 19,000 Service personnel (*SDE 94*, p. 37). In 1994-95 the budget of GOC NI is scheduled to be nearly £550m (*SDE 94*, Para 69). In 1969, before the onset of the Troubles, the peacetime Army garrison in Northern Ireland was 3000 men (one armoured reconnaissance regiment and two infantry battalions, plus depots, etc). In the short term, units on six-month roulement might be withdrawn, thus reducing overstretch in the Army. However, a more long-standing peace might lead to pressure to reduce the overall number of infantry battalions, perhaps beginning with the two battalions reprieved in February 1993. *Jane's Defence Weekly* comments, "Peace would almost certainly result in the number of infantry battalions being cut further" (*JDW 17/9/94*). Although speculation on the future of Northern Ireland may be premature, by the later 1990s it may become clear whether peace, if established, is permanent and the British armed forces can tailor their force structures accordingly.

More generally, the late 1990s may see further changes in the strategic setting. Russia may or may not have continued on the path towards economic and political liberalism. European security structures may have altered. A second Clinton term or new US presidency may lead to further disengagement from Europe, reducing US forces below the levels now planned. In that case, there may need to be a greater European effort in mutual defence, perhaps encouraged by the EU Inter Governmental Conference in 1996. NATO may or may not have recovered from the strains imposed by involvement in the former Yugoslavia. Indeed, expansion of the organization to the east may effectively push NATO's front line hundreds of miles east of the Oder. In essence the strategic order which governs Britain's defence requirements may be very different to that of today and that which governed the reductions in UK combat forces under Options for Change. This may thus require further adjustments to commitments and resources.

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Annex I Summary of Base Changes

Navy

Rosyth base to become Royal Naval Support Establishment

RN Naval Staff College, Greenwich may close if it does not become site for new Defence Staff College but difficulties of disposal due to historic nature of buildings.

RNAS Portland, Dorset, to close in 1999

RN Supply Depots at Eaglescliffe, Cleveland, Exeter and Wrangaton, Devon to close

Army

Camberley, Surrey - Army Staff College may close or become site of new Defence Staff College

Army Regional Depots at Stirling and Hereford to close

Army Supply Depot at Colchester, Essex to close

Army Ordnance Supply Units at Feltham, London, Ashford, Kent, Burscough, Lancs, Bicester, Oxon, Liphook, Hants, Thetford, Norfolk and Weyhill, Hants to close

Army Engineer Parks at Hessay, N. Yorks, Thetford, Norfolk and Stirling to close

Army Vehicle Depot at Ludgershall, Wilts to close

Army Ammunition Supply Depots at Longtown, Cumbria and Kineton, Glous to be market tested

Cambridge Military Hospital, Aldershot, to close

Royal Air Force

RAF Bracknell - RAF Staff College to close

RAF Pitreavie, Fife air/maritime co-ordination centre to close by 1996

RAF Scampton, Lincs, flying training to cease by 1996 and base to close by 1997

RAF Finningley, S. Yorks, training to cease and base to close by 1997

RAF Shawbury, Shropshire, future of base after 1997 unclear if not chosen for Defence Helicopter Flying School

RAF Newton, Notts, closure of RAF Dog School, future of other residual facilities on base unclear.

RAF Wroughton, Princess Alexandra Hospital to close

RAF in Germany

RAF Bracht - ammunition depot to close

RAF Laarbruch to close by 1999

RAF Wegberg, hospital to be market tested

MOD Civilian Locations

Central London, disposal of Kelvin House, Metropole Building and Northumberland House

Testing and Evaluation Centres at Hurn, Dorset, Pendine, Dyfyd, Lavington Wilts and Kircudbright, Dumfries and Galloway to close (Defence Research Agency site at the latter will remain open)

Army Finance and Audit Office, Rogers House, Ashton-under-Lyne to close.