

Intellect Paper for the Defence Committee

Inquiry into UK Defence: resources and commitments – implications of the 2007 spending review

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Background

Intellect is the UK trade association for the IT, telecoms and electronics industries. Its members account for over 80% of these markets and include blue-chip multinationals as well as early stage technology companies. These industries together generate around 10% of UK GDP and 15% of UK trade. Intellect is a vital source of knowledge and expertise on all aspects of the hi-tech industry.

The following paper provides the initial views of Intellect member companies on the potential implications of the 2007 spending review for UK defence planning assumptions and the Ministry of Defence's equipment programme.

Intellect welcomes the opportunity to provide input to the committee and looks forward to a programme of continual engagement with the committee, the Ministry of Defence, relevant government departments and other stakeholders on this and related issues.

Introduction

This paper gives Intellect's view of the implications of the 2007 comprehensive spending review (CSR) for UK defence. A high proportion of Intellect's members are active in Defence and related markets, and this submission draws on their views. This paper addresses those aspects specified in the Committee's call for evidence, and also raises issues that Intellect believes it is important to address in this inquiry.

At time of writing, figures on the detailed budget allocation within the Ministry of Defence are not yet available, and this paper will therefore not attempt to analyse the implications of the spending review for individual sectors or projects.

It is possible, however, to use the published overall figure and the commitments already made to gain an understanding of the likely spending landscape. This landscape has generated a number of concerns in industry which this paper highlights.

Whilst it may be possible to dismiss some of these concerns as insufficiently informed, the often inadequate information and assurance available to the industry about current and future Defence funding is in itself a serious issue. Providing clarity on strategic, commercial and procurement direction helps dispel industry's unease, allows companies to direct research and development, and enables industry to best contribute expertise and capability to UK Defence. The MoD highlighted this transparency as a fundamental tenet of the first Defence Industrial Strategy, and Intellect believes that progress must be accelerated towards this goal.

Intellect's position

Intellect believes that the optimum use, renewal and integration of modern technology - partnered with the correct human and platform factors - is a strategic imperative for UK Defence. The advantages which UK forces enjoy as a result of technological dominance must be maintained and improved, through strong investment in both near-term and future technology-enabled capability.

Given the present landscape of an (at best) "as is" CSR settlement for Defence and high levels of funding already committed to politically sensitive platform projects, Intellect believes that in order to generate the maximum effect from the remaining budget MoD must prioritise the integrating and interlinking technology-enabled capabilities, which maximize the effectiveness of UK personnel, assets and information.

Key to delivering technology-enabled capabilities are the commercial and acquisition mechanisms employed to procure them. The current models must be improved and modernized as a matter of urgency to cope with a rapidly evolving threat and the rate of technology evolution.

Intellect believes that if sufficient investment is not made in these capabilities, their supporting infrastructure, and the processes for acquiring them, the UK will be unable in the long term to generate the capabilities and efficiencies necessary to achieve its stated strategic goals.

Technology-enabled capability

There is no doubt that modern military capability is underpinned and improved by the use of information technology, communications and electronics. The UK military and its partners use technology as the backbone of fighting capability, from superior situational awareness enabled by ISTAR technologies, to strong communication links embedded through the command chain via resilient networks, to modern detection equipment protecting ground troops from explosive devices. In all areas of Defence, technology amplifies the effectiveness of assets and military personnel.

As technology is critical for UK Defence, it is vital that it be maintained and refreshed constantly, and that not only do British forces have cutting edge technology but that it is properly integrated with training, existing equipment and operational doctrine. To do so requires a cross-cutting approach which not only invests in future capabilities, but also works with the other disciplines and Lines of Development within MoD.

In Defence and in the wider industry, technology evolves prodigiously fast, and ensuring that both legacy and new equipment allows for technology refresh is critical to maintaining a capability edge. It is also increasingly clear that a substantial proportion of the innovation in the technology industry develops outside of the traditional bounds of the Defence sector, and both Government and its industrial partners must ensure that the market is adequately transparent to capabilities and companies from non-Defence areas.

HM Government's investment in Defence technology, its commitment to refreshing and renewing existing capabilities, and its approach to integrating technology with the other disciplines in Defence must be robust if UK forces are to maintain and expand their capability advantage over adversaries.

Spending landscape

The UK is currently undertaking operations in Iraq and Afghanistan which represent a significant cost for the foreseeable future, both in terms of direct resource for equipment and personnel, and through the increased level of funding required to maintain assets which are depreciating at a wartime rate.

Many in industry believe that whilst national inflation remains below 3%, current wartime military inflation is edging towards double figures owing to this accelerated depreciation, high fuel costs, and a substantial rate of churn in personnel. The CSR settlement, which includes a 1.5% annual rise in the Defence budget, is therefore unlikely to represent an increase in real terms.

Public and political commitments have also been made to fund future platforms including the two Carriers, Astute-class submarines, FRES land platform, Type 45 destroyers, the Joint Strike Fighter and Eurofighter Typhoon. Resource must also be set aside for the exceptional programme to establish the foundations of a future Nuclear deterrent.

This apparent disparity of depressed funding and increased platform investment risks placing significant pressure on the remaining areas such as C4ISTAR. Whilst the drive to satisfy critical immediate needs in areas such as force protection is undeniable, allowing wider budgetary pressure to prevent investment in technology and research & development will exact a far higher toll on future capability and resource.

It would be regrettable if the benefits which can be wrought from the optimal use of linked C4ISTAR technologies (cross-cutting platforms and services) were not obtained because this sector was an easier target for budget cuts than platform areas. This is particularly true

because this sector has the potential to offer both quick and long term wins through the rapid introduction of technology.

Enabling Mechanisms

MoD is in the process of implementing a significant shift in procurement, support and delivery culture, but both Government and industry have acknowledged that further and faster improvement will still need to be made. Alternative acquisition approaches are being developed, efforts are being made to implement a through life capability management mindset, and the publication of a Defence Industrial Strategy – whilst not flawless – sought to establish a common understanding of commercial and industrial principles.

Like all significant organizational change, a period of adjustment is inevitable as MoD moves through the transition from a service and asset based mindset to a capability based approach. Intellect is, however, concerned that the resource pressures generated by the CSR settlement and the MoD's "Streamlining" programme will hinder progress on these important initiatives.

Intellect believes that the use of innovative or rapid acquisition mechanisms should be encouraged, including for example an enhanced version of the Coalition Warrior Interoperability Demonstrator, linked to the Urgent Operational Requirement process.

Whilst the prospect of cutting such initiatives may seemingly present painless opportunities for the Government in the short term, Intellect believes that the approaches they are developing have the potential to deliver greater value for money over time, not least through a substantial reduction in the length and cost of the procurement process.

Conclusion

As the MoD makes its strategic planning assumptions in the near future, it is vital that technology's contribution to information, communication, infrastructure and fighting capability is not taken for granted. To successfully maintain and expand UK Defence's comparative advantages, the MoD must continue its proud tradition of investing in and exploiting modern technology.

In Intellect's view, the likely budget pressures resulting from the CSR settlement make the case for improving the MoD's enabling mechanisms even more compelling, as moves towards through life capability management and new acquisition approaches offer the chance to achieve greater efficiency and effectiveness over the long term.

To ensure industry is able to deliver its contribution, Government must also seek to inform as fully as possible, not least to give assurance and clarity on commercial terms, and embrace wider and related markets which can deliver innovation in technology.

Intellect believes that technology offers HM Government the best opportunity to leverage the available resource into the optimum military effect. Therefore the next stage of resource planning must at the very least maintain the investment in technology capabilities and research & development which will allow UK forces to continue to operate at a very high level. Sacrificing this future-proofing on the altar of short-term expediency will have significant implications for the UK's ability to achieve its strategic goals.