

Scribblings: Stop Press

Just as the February edition of Scribblings “goes to Press” a series of stories broke on the UK defence scene. Yet again the Ministry of Defence is facing challenges. The National Audit Office is not happy with a big hole in the budget. Former Secretaries of State are being taken to task. Another story from the Royal Navy that seems trivial but illustrates the current difficult state of military and media relationships emerged in The Sun. HMS Ocean is to be scrapped, And, a surprise argument from the defence media that the Audacious class carrier HMS Ark Royal, scrapped in 1978 could have prevented the Falkland’s War if she had been retained.

Thursday February 1 2018

£21bn hole in defence spending plan after fleet of frigates was overlooked

Deborah Haynes, Defence Editor, The Times February 1 2018

A MILITARY PLAN to buy warships, jets and submarines is unaffordable and unrealistic, with a funding hole of up to £21 billion over ten years, the UK’s spending watchdog said yesterday. The Ministry of Defence omitted even to include the £1.3 billion price for a fleet of five new frigates in its equipment plan, the National Audit Office revealed. The NAO also identified a £576 million rise in the cost to build four replacement nuclear-armed Trident submarines.

The watchdog took a veiled swipe at Philip Hammond, the chancellor, and Sir Michael Fallon, who succeeded him as defence secretary, suggesting that the MoD was reverting back to before 2012 when its budget was consistently overheated. “The department risks returning to the situation it was in before the equipment plan was first introduced [in 2012],” the watchdog said in a report on the ten-year, £180 billion programme.

After cuts to personnel and kit, Mr Hammond declared six years ago that he had balanced the MoD books, eliminating what he claimed had been a £38 billion funding hole under Labour. This boast was repeated by Sir Michael during his time as defence secretary.



That is no longer the case, according to the spending watchdog. “The department’s equipment plan is not affordable,” said Amyas Morse, head of the NAO. “At present the affordability gap ranges from a minimum of £4.9 billion to £20.8 billion if financial risks materialise and ambitious savings are not achieved.”

Financial risks include over-optimism in the cost to buy and maintain kit, the impact of a weak pound and a failure to meet efficiency saving targets.

Highlights from the report include:

- A failure to include £9.6 billion in forecast costs for equipment on top of the £1.3 billion omission related to the Type 31e frigates. This appears to have been caused by a failure by the MoD last year to make politically difficult decisions on which ship, aircraft and vehicle programmes to cut or delay to balance the books.

- Uncertainty over how to achieve at least £8.1 billion in efficiency savings out of a £16 billion target.

- A question over whether there is money to fund the last in a fleet of seven Astute-class attack submarines after the cost of the programme grew by £365 million.
- A lack of “reliable data” to forecast the cost to support next generation F-35 jets and a query over assumed savings in the support plan for two new aircraft carriers “at a time when the department was still to finalise the relevant contracts”.
- No budget to fund increasing costs to keep an older fleet of Type 23 frigates running because of delays in ordering replacement ships.

The watchdog called on the MoD to take “urgent action” to fix the funding gap or be forced to reduce or delay acquisition programmes.

Guto Bebb, the defence procurement minister, conceded in a foreword to the MoD’s equipment plan, which was also released yesterday, that there was “a high level of financial risk and an imbalance between cost and budget”. But he said that ensuring a sustainable and affordable armed forces would be part of a “modernising defence programme”.

The NAO also flagged up past work in which it identified a £8.5 billion shortfall in funding for barracks and other aspects of the defence estate over the next three decades. The MoD is also well short of a target to reduce civil servants by 30 per cent to 41,000 within two years to save £150 million a year.

Contingency plan concern as Capita’s woes grow

By: Jack Torrance /Rhiannon Curry, Daily Telegraph January 31 2018

THE CABINET OFFICE was unable to confirm whether it had contingency plans in place for the failure of public sector contractor Capita after the company issued a shock profit warning, scrapped its dividend and announced plans to raise £700m in order to avoid collapse.

The company, which provides a variety of services to the public sector including running call centres for Jobseekers Allowance, administering teachers’ pensions and providing an electronic monitoring service for the Ministry of Justice, is estimated to have net debt of £1.1bn, and a pension deficit of around £380m.

Its troubles have drawn comparisons with fellow outsourcer Carillion, which plunged into liquidation last month under a pile of debt and carrying a huge pension deficit which could be up to £990m.

But the Cabinet Office could not provide details of any contingency plans that the Government had put in place to protect public services in the wake of another high-profile collapse.

According to public sector data provider Tussell, Capita is the biggest supplier of local government services in the country. The FTSE 250 company was founded in 1984 and employs around 70,000 staff.

Its new chief executive Jonathan Lewis, who joined the company two months ago, said in a trading update on Wednesday that the company was too thinly spread across different markets and had failed to invest enough in its own business while focusing too much on acquisitions to drive growth. The company said that its 2017 trading had been in line with expectations but that underlying 2018 pre-tax profits would be lower, at around £270m to £300m.

Capita had first warned of problems in Sept 2016, when then-chief executive Andy Parker blamed “continued delays in decision making and lower conversion of the pipeline” for a hit to profits. However, Capita continued to win contracts from the public sector even after this point, signing deals worth £451m between September 2016 and January 2018.



Five of the 10 biggest public-sector contracts awarded since Capita's troubles became apparent were from the Cabinet Office, including a £31m award to administer the Royal Mail's pension scheme and a £23m management consultancy contract.

Capita runs Army recruitment services.

Nick Greatorex, Capita's chief financial officer, said profits had been dented by the loss of contracts, mostly in its private sector and IT services businesses, and increases in costs including depreciation

and from the adoption of a new data protection regime.

Analysts at Jefferies suggested consensus estimates of Capita's 2018 earnings per share were likely to be 40pc lower than previously predicted on the back of today's news. "In the medium term, cost savings should help (we think £85m-90m could be achievable) but the revenue environment remains lacklustre," they said in a note.

Under Mr Lewis's plans, he is looking to sell Capita's car park management business ParkingEye and contractor registry Constructionline, the proceeds of which will be used to pay off debts and reinvest in the company's core operations. The Jefferies analysts suggested Mr Lewis could go further by shedding its German business and parts of its IT enterprise division.

Meanwhile, hedge funds which had held a short position on Capita pocketed about £40m on Wednesday as the company's share price collapsed 47.5pc to 20-year lows of 182.5p.

Around 4pc of the company's shares were out on loan to short sellers, more than the 3.5pc average across the FTSE 350. AQR, the hedge fund run by American billionaire Cliff Asness, made around £29m through its 2.9pc stake. Capeview Capital made around £6m and Janus Henderson made around £5.1m.

Mr Parker also made £317,000 on shares he sold in May last year, which at Wednesday's closing price would have been worth less than £102,000.

What does Capita do? Capita offers business services for both public and private sector clients, including running call centres for O2, collecting licence fees for the BBC and providing software for emergency service control rooms. Some of its largest contracts in recent years have been a £1bn agreement with the NHS to provide administrative services in primary care, and a £400m deal with the Ministry of Defence to run its recruitment.

Do the Public Need to Know?

Questions for the Media and the Ministry from Military Blogger, Sir Humphrey

THE SUN HAS REPORTED that the Royal Navy was forced in a state of desperation to send a 'plastic' warship to escort a small Russian force in the Channel last August. This was not revealed in a press release by the MOD, leading to speculation that the RN had something to hide, namely embarrassment that no larger vessels were able to escort it.

The debate on social media quickly became one as to whether the RN was right not to flag this up, or if it has a duty to notify all escort operations as a matter of course, and let the media decide as to whether the release is newsworthy or not.

To Humphrey this story captures the essence of the difficult relationship that the RN and MOD has with the media. To his mind there are three equally plausible reasons for the escort mission not being announced, although he has no direct knowledge as to why this was actually the case.

The first point to note is that the Hunt class MCMV is not merely a plastic warship. It is the world's largest Glass Reinforced Plastic hull, and a world beating example of British engineering to meet the challenge of dealing with mines. It is very much a capable platform able to make a strategic difference (where in the Gulf the presence of 2 x Hunt MCMV is a key part of the UK commitment to the region and taken very seriously by the US and allies due to their inherent capability).

The Hunt class have been used for years as very capable patrol vessels – several formed part of the Northern Ireland squadron, and they have often done fishery protection roles too.

An escort mission is neither novel or a sign of sending an inferior platform. Russian transits of the Channel are entirely routine, and are always escorted. They have occurred thousands of times without the slightest incident over many decades and with scant media interest. While the RN will usually use what is called the 'Fleet Ready Escort' (FRE) to do this job, primarily because it is the highest readiness ship in UK waters for tasking, it is not always this platform, and just about any ship can, or does, do the role if required. There is no risk, no confrontation, merely the polite steaming in company to ensure a safe and professional transit through UK waters.

These incidents have not normally attracted press releases or interest outside of specialist circles unless there is a very interesting story or photo (e.g. the Kuznetsov transit) or a wider narrative is being handled – for example the sailing of HMS ST ALBANS on Christmas Eve, presumably to counter the media perception that no RN ships were at sea.

Cock Up?

So, what is all the fuss about exactly? It is likely that one of the following occurred to explain why the RN did not announce this publicly at the time:

August is summer leave season and people are away on holiday. It is possible that key personnel who would have the knowledge and experience to call for a press release were away, and by the time they were back the window of opportunity had passed. Never rule out the extremely simple potential for something to not happen because someone is on holiday.

Equally, it could have been the case that during the transit, no particularly good or newsworthy images were taken, which in turn would have meant no story that the media would have taken and used. Never underestimate the value of a good image to cover a story.

Finally, it could be as simple as someone forgetting to write it up – many press releases begin life onboard ship with the PR Officer (usually a tertiary duty) drafting something to be staffed up through the fleet for approval. Perhaps somewhere in the chain, someone never got around to doing it or it was lost in a sea of other duties.

Conspiracy?

The point is many factors could have happened to mean that no one actually got around to drafting the press release in time – not conspiracy, but cock up.

There may have been good reasons not to announce the deployment – it is possible that the FRE was activated on other more discrete tasks, and the RN did not wish to publicly draw attention to this fact. Never underestimate the value of social media as a means of intelligence collection. The use of this vessel may have been an unintended third or fourth order consequence of an entirely different operation.

Alternatively, the ship could simply have been the closest RN vessel to hand, and her programme meant that she was able to escort quite happily without the need to send another



ship to sea. During a leave period, fewer ships are available because crews are on holiday. Recalling people off leave to go to sea unnecessarily when another ship was available would be a major retention problem (causing more people to leave) and without good reason.

Finally, it could have been the case that somewhere in the RN media chain, a publicity fearing system chose not to put a press release out for fear that someone would spot that a smaller ship was escorting a small submarine and decide that reputationally this was damaging to the RN. This is not beyond the realms of possibility, but equally it does seem unlikely.

Need to Know

The comparison was made between the RN and RAF approach to notifying of activations. The RAF quickly reports scrambling of QRA Typhoons, partly because if the aircraft make a sonic bang, then a lot of people know and worry about an 'explosion' and also because real time data makes them trackable. They are confirming what is already in the public domain.

The maritime domain is less forward leaning, and while it does occasionally put press releases out, is often tight lipped about what ships do when they sail into deep waters.

To the RN, this sort of job is part of the day job, a task done among other tasks and perhaps in



their eyes not worthy of notice or praise. In many ways the RN is publicity shy because it feels much of what it does that to the public is extraordinary is to them just routine.

There is also the issue that every organisation needs secrets and sometimes people do not need to know. Much like journalism would fail if reporters had to reveal the identity of their sources, or publicly announce every undercover investigation then underway, there are times that the MOD does activity that does not need to be in the public eye.

It is right and proper that as much as can be reported is announced, but this isn't always possible. Expecting the MOD to announce every activation or operation merely plays into the hands of others who may use it for nefarious means, and sets unrealistic expectations of openness. It is not possible to do this sometimes for legal or security reasons or when the announcement may risk RN sailors personal safety.

Striking this balance means not everything will be announced as a press release, which is causing frustration with reporters who feel that the media should have the right to determine what is news, and what is not news. This friction is inevitable, with the challenge between a free and open press rightly seeking to expose issues, and a military required to sometimes not talk about its work. To Humphrey this incident perhaps is summed up by the view that the media is frustrated that the MOD has prevented them from deeming a non-newsworthy press release non-newsworthy.

The frustration here is that the RN is being pilloried in the press for 'failing' despite nothing of the sort happening. A routine operation, conducted thousands of times without incident, coverage or concern was carried out without incident. The UK was not at risk, nor was it at any risk during the operation. Yet to the eyes of the taxpayer, they will believe that the RN has failed, that there is conspiracy and something to hide and that the MOD is trying to cover up its embarrassment, not trying to do a good job without incident or fanfare.



Phantom FG.1 of 892 NAS launching from HMS Ark Royal.

Could keeping HMS Ark Royal have prevented the Falklands War?

By: Oliver Steward, UK Defence Journal February 1, 2018

RETAINING HMS ARK ROYAL, an Audacious class aircraft carrier, would have been beneficial in the Falklands War and perhaps even prevented it. Having another capital ship, which was an Audacious class aircraft carrier equipped with McDonnell Douglas Phantom FG.1 alongside Blackburn Buccaneers, would have been a huge asset, and potentially could have made a difference in the Falklands War and perhaps even have prevented it.

I think the simple answer to the headline is yes, as there would have been greater air cover and range to protect the ships in the fleet, with Argentina well aware of this fact they may not have invaded.

This is very much a what if question, that has possibly been posed by other scholars. The Royal Navy was in a middle of another round of defence cuts which would have meant some of the capital ships including HMS Invincible would have been sold.

Interesting when you look into the political and strategic aspects that as early as 1966, the UK Defence White Paper had planned to scrap the British Aircraft carriers in the early 1970s, leaving Britain without an aircraft carrier capability. However, a new government re-examined the case and found that only shore-based aircraft was not sufficient to provide the defence needs of our global interests which were 'East of the Suez'.

Sadly, the political issue of saving money in spite of our defence needs was one which led to the ultimate decision to scrap Ark Royal, without a replacement fixed-wing aircraft carrier to fulfil her role and functions. It is worth noting that HMS Ark Royal, did have a sister ship in its line Audacious-class aircraft carrier that was HMS Eagle.

The ship entered HMNB Devonport, and was subsequently decommissioned on the 14th February 1979. Finally, the scrapping of HMS Ark Royal took place in 1980, and this marked an end to the Royal Navy's ability to project conventional fixed-wing air-power.

However, another interesting fact was that breaking up of Ark Royal took until 1983. A question remains, could she have been brought back to service on time?



During its last tour of duty, the aircraft complement of the Ark Royal was as follows: 14 Buccaneer S2s, 12 Phantom FG1s, 4 Gannet AEW3, 1 Gannet COD4, 7 Sea King, and 2 Wessex helicopters. This is quite something and definitely would have been an effective deterrent.

During its history, while HMS Ark Royal underwent many refits and innovations, it did suffer from technical issues due to the age of the vessel as it was built in 1944. However, sadly the aircraft carriers which replaced her were not able to be equipped with traditional aircraft. It is one of those what-if scenarios that can be debated, would it have stopped the war?

There were also plans to sell the Australians the HMS Invincible, but after the Falklands War, and the government seeing the utility of this ship it was decided to cancel to sale.

This is the case of accountancy over strategic necessity. This ship was invaluable during the Falklands conflict and should not be forgotten in its role as a key capital ship.

This is seen in the case of the Centaur class aircraft carrier HMS Hermes which did see successful action in the Falklands, and it could arguably be the case, that its very survival along with the HMS Invincible was the reason the War in the Falklands was victorious for the British. HMS Hermes, was converted to a helicopter carrier, and then to a vertical take-off and landing aircraft carrier – suitable for the Harrier jump jets which were invaluable to military efforts during the Falklands War.

My argument here is that with the ability to launch fixed-wing aircraft which HMS Ark Royal would have been able to, would have shifted the balance of power more favourably to the British Royal Navy, and provided even greater aircover while possibly deterring the war in the first place. While it needs to be said that the HMS Invincible along with the HMS Hermes, had done a very effective job at providing air relief and cover to the task force, a third more capable aircraft carrier would have titled the odds even more in our favour.

It was a mistake for the Ministry of Defence, despite the technical and mechanical difficulties which beset HMS Ark Royal, to have scrapped her unnecessarily.

Editor's Note. HMS Ark Royal was in very poor condition when she was scrapped. Someone once joked she had more concrete in her bottom than the M1. With hindsight it would have been better to have retained HMS Eagle which was decommissioned some years earlier. She had been extensively modified and modernised and was in far better condition. What price a name?

Minister Confirms HMS Ocean to Be Scrapped

From: Forces News February 1, 2018

THE ROYAL NAVY'S FLAGSHIP HMS Ocean will not get a last-minute reprieve despite the launch of a review into the nation's future defence needs, ministers have confirmed.

Former Head of the Navy Lord West of Spithead described as "foolhardy" the failure to halt the planned paying-off of warship, particularly after it was shown there was no money for a proposed fleet of next-generation frigates.

Former Liberal Democrat leader Lord Campbell of Pittenweem also argued against decisions being taken that could have an impact on the UK's military capability before the defence review concluded.

It was recently reported the amphibious assault vessel HMS Ocean, Britain's biggest active warship, had been sold to Brazil for £84.3 million.

Meanwhile, the Whitehall spending watchdog has warned the Ministry of Defence faces a financial black hole in the armed forces' equipment budget of up to £20 billion.

The National Audit Office (NAO) said the £180 billion 10-year equipment plan was "unaffordable" and did not represent a "realistic forecast" of the costs it would need to meet.

Defence minister Earl Howe told peers there had been no change to the planned pay-off of any warships, despite the launch of a review "to make sure that our armed forces are able to meet the intensifying threats that this country faces".

Given the current threats faced and the implications of Brexit, Lord West said: "It would seem that making any decisions about paying off ships that have already been decided would be rather foolhardy, not least because of the recent NAO report on the MoD equipment plan showing that there is no money there at all for the five frigates that have been much trumpeted."

He called for vessels to be held in reserve until a conclusion was reached on Britain's military requirements. But Lord Howe pointed out the mothballing of ships carried a cost.

The minister added: "If he is referring to HMS Ocean, I am afraid that the decision not to extend her life has been taken and she will decommission this year as planned."

