



House of Commons
Welsh Affairs Committee

Future of RAF St Athan

Fourth Report of Session 2005–06

Report, together with formal minutes and oral evidence

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The Welsh Affairs Committee

The Welsh Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for Wales (including relations with the National Assembly for Wales).

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1 Introduction

Defence Committee Inquiry into Delivering Front Line Capability To The RAF

1. On 18 January 2006 the Defence Committee published its Report on Delivering Front Line Capability To The RAF.¹ That report considered the Ministry of Defence's provision of logistics support for front line aircraft and included the decision to relocate the activities of Defence Aviation Repair Agency (DARA) from RAF St Athan to England. The Defence Committee concluded that:

“We remain concerned about the long term viability of the RAF St Athan site. In light of the end of the fast jet business and the VC10 having an Out of Service Date of 2011, Government departments must work with the National Assembly for Wales and its agencies in encouraging alternative commercial investment to guarantee the long term viability of St Athan as a matter of urgency”.²

2. While we agree with the Defence Committee's conclusions we have not sought to reopen the debate around the withdrawal of DARA from St Athan. The focus of our short inquiry was on the future of the RAF St Athan site. The impetus for our report came from the announcement by the Ministry of Defence that it had put out to tender bids for a contract to deliver MoD training on “a Defence wide, Tri-service basis and no longer separately by the Army, Royal Navy and Royal Air Force”,³ and the fact that one of the preferred bidders for that contract, Metrix, had decided to use St Athan as the location for its bid. This represents a clear opportunity to maintain the site as a key defence facility.

Current position of RAF St Athan

3. David Swallow, Director of Integrated Delivery, from the Welsh Assembly Government told us the DARA contract employed roughly 1,800 people. Following the withdrawal of the Harrier work (under that contract) the workforce was reduced by about 550 jobs. The withdrawal of the Tornado contract, by April 2007,⁴ would “bring the workforce down to around 350”.⁵ Councillor Harvey, the Cabinet Member for Regeneration, Tourism and Leisure, Vale of Glamorgan Council, reflected that in addition to those jobs, the withdrawal of DARA had impacted on the local economy, both directly and indirectly.⁶

1 Third Report from the Defence Committee, Committee Report On Delivering Front Line Capability To The RAF, HC 557 of Session 2005-06.

2 Ibid., para 97

3 www.mod.uk/DefenceInternet/AboutDefence/Organisation/AgenciesOrganisations/DTR

4 Q 24

5 Q 24

6 Q 7

4. The Welsh Assembly Government was keenly aware of the need to regenerate St Athan and to attract new public and private investment to the site. Andrew Davies AM, Minister for Enterprise, Innovation and Networks, Welsh Assembly Government, told us of several recent developments including the decision to locate the Special Forces Support Group at St Athan.⁷ David Swallow, Director of Integrated Delivery, Welsh Assembly Government, highlighted the importance of the Special Forces Support Group relocating to St Athan. He argued that, as an elite unit, the Group would raise the profile of St Athan, giving it “a credibility in that such an important unit is being housed there. It is a very important development in terms of how the MoD more generally might look at St Athan and its potential”.⁸

5. Andrew Davies AM also told us that St Athan had attracted ATC Lasham, the UK’s leading independent aircraft maintenance organisation to the site.⁹ Furthermore, he explained that the Welsh Assembly Government was also in negotiations with a number aerospace companies and that there had been “a very significant amount of commercial interest” in the Red Dragon Super-hanger from those companies.¹⁰ David Swallow confirmed the high level of interest in St Athan amongst the aerospace sector. He stated that the Welsh Assembly Government was in the interesting position where expressions of interest from aerospace companies was in danger of outstripping available buildings and land.¹¹

6. We welcome the work being carried out by the Welsh Assembly Government to attract new business to St Athan, and in particular businesses that will continue to nurture the aerospace centre of excellence in south Wales.

7 Q 25

8 Q 25

9 www.atclasham.co.uk

10 Q 21

11 Q 21

2 The Defence Training Review

7. The Defence Training Review (DTR) was established on 22 July 1999 by Lord Robertson, the then Secretary of State for Defence; with a remit to “examine all individual training and education” for both Service and civilian personnel.¹²

8. The Review began in September 1999 and a Report on its findings was published in 2001. The Review confirmed the view of the MoD that “our training estate, despite earlier rationalisations, is still too large. We will now pursue Project Definition work to establish a number of Defence Schools for specialist training”.¹³

9. Among the DTR’s recommendations was that the delivery of some types of specialist training should be rationalised on a tri-service or MoD-wide basis. The MoD subsequently established the DTR Rationalisation Programme to deliver “modern training methods and technology and concentrate training on to a reduced number of sites to give MoD the flexibility it needs to match training demand to Defence needs”.¹⁴

10. The training disciplines considered in the rationalisation programme were:

Aeronautical Engineering;

Communications and Information Systems;

Electro-Mechanical Engineering;

Logistics;

Joint Personnel Administration;

Service Police and MoD Police and Guarding; and

Security, Languages, Intelligence and Photography.¹⁵

11. The MoD divided those disciplines into two contractual packages. Package 1 included Aeronautical Engineering (AE), Mechanical Engineering (EM) and Communications and Information Systems (CIS). Package 2 included Logistics (Logs), Joint Police (JP) & Personnel Administration (PA) and Security, Languages, Intelligence and Photography (SLIP).

12 Modernising Defence, Training Report of the Defence Training Review, para 1.

13 Modernising Defence, Training Report of the Defence Training Review, para 2.

14 www.mod.uk/DefenceInternet/AboutDefence/Organisation/AgenciesOrganisations/DTR

15 www.mod.uk/DefenceInternet/AboutDefence/Organisation/AgenciesOrganisations/DTR

12. An Integrated Project Team (IPT) was established in 2001 to drive forward the DTR Rationalisation Programme and to “engage with industry to develop solutions to modernise training delivery and training facilities”.¹⁶ The MoD concluded that a 25 year PFI/Partnership was the appropriate procurement route for “this complex change programme”.¹⁷

13. Bids were received on 17 October 2005 for Package 1, from the Metrix and MC3 consortia. Bids for Package 2 were received on 14 November 2005 from the Metrix and Holdfast consortia.¹⁸ The Metrix consortium was the only one to bid for both packages and has decided to locate both operations at St Athan.

14. The estimated cost of the DTR Programme is in excess of £10 billion over the lifetime of the project.¹⁹

16 www.mod.uk/DefenceInternet/AboutDefence/Organisation/AgenciesOrganisations/DTR

17 www.mod.uk/DefenceInternet/AboutDefence/Organisation/AgenciesOrganisations/DTR

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19 www.mod.uk/DefenceInternet/AboutDefence/Organisation/AgenciesOrganisations/DTR

3 The Metrix Bid

Metrix

15. Metrix is a consortium which is bidding for both of the packages and propose to site them both at St Athan. Chris Bryant MP, Chairman of the M4 St Athan Parliamentary Steering Group explained that Metrix was a consortium of companies that included “some of the biggest players in their respective fields”.²⁰ The full list of consortium members are Augusta Westland, City and Guilds, Currie and Brown, Dalkia, EDS, Laing O’Rourke, Land Securities Trillium, Nord Anglia Education Plc, Qinetiq, Ratheon, Serco, Sodexo Defence Services and The Open University.²¹

16. We do not set out the details of the Metrix bid in this report as they remain commercially confidential until the conclusion of the competition. Instead, we gauge the support for the bid in Wales.

17. While the two Metrix bids represent a significant proportion of the St Athan site, we were told by a number of our witnesses that the Metrix bids would not impinge on the current commercial development of the site. Furthermore, the two bids could be located on the St Athan site alongside existing contracts with ATC Lasham and the Special Services Support Group. John Smith MP, a Member of the M4 St Athan Parliamentary Steering Group and the local Member of Parliament told us that RAF St Athan was the largest military base in the United Kingdom covering 1000 acres. He confirmed that St Athan could “accommodate the two packages for the Defence Training Review on 600 acres of the remaining land” which would still leave between 200 and 300 acres to continue the development of a commercial aerospace park on the site.²² Therefore, development of the site for the training academies could proceed without any disruption to existing activity at St Athan.

Benefits of the Bid for Wales

18. Jenny Randerson AM, told us that successful bids would have an important impact on the economy of south Wales. She explained that St Athan had “a travel-to-work employment population of 600,000 people within 45 minutes’ drive-time” which included the population of Cardiff where there was “an academic and training infrastructure to support this development”.²³

20 Q56

21 www.metrixuk.com

22 Q55

23 Q2

19. Councillor Harvey also highlighted the potential for a successful Metrix bid to act as “a motor for economic growth not only in the Vale of Glamorgan but in the sub-region and the Welsh economy as a whole”. He added that the bids would also help to “maintain and grow the critical mass we need to have a sustainable, expanding aerospace industry.”²⁴ Jane Hutt AM agreed that successful bids would have a significant impact on employment in the region. She argued that it could create “up to 1,500 direct construction jobs during the building of the academy, and creation of 5,550 permanent jobs – 4,000 on site and 1,500 off-site; once the academies were up and running”.²⁵

20. In 2004, our predecessor Committee published its report on Manufacturing and Trade in Wales. That report examined the defence sector, including defence spending in Wales. One of the witnesses in that inquiry, Professor Gripaios, the Head of South West Economy Centre, University of Plymouth, argued that while Wales did well in identifiable public expenditure, which was defined as “expenditure incurred on behalf of a particular population”, Wales did “very poorly from the non-identified component of public expenditure, principally Defence”. In conclusion he asserted that Wales had the lowest defence spending of any UK region.²⁶

21. During our inquiry our witnesses returned to that issue. Representatives of the M4/St Athan Parliamentary Steering Group stated that while 9% of military personnel were recruited from Wales, only 6% of MoD public spending and procurement came to Wales. They saw a serious inequity in that situation and argued that St Athan could help to restore that balance.²⁷

22. David Melding AM also believed that the MoD had to recognise the fact that all the home nations should be able to contribute fully to the defence of the United Kingdom, and that the Metrix bid would help Wales to achieve that goal.²⁸ In addition, Chris Bryant MP highlighted the military tradition in south Wales, which he described as being “an enormously supportive environment for the military”.²⁹ David Melding AM concurred. He argued that Wales had “a very proud military tradition in supporting the defence of this country and abroad, and we want to go on doing that”. He also argued that locating the training academies at St Athan would have “a major impact on the morale of people in Wales as well as being an opportunity in terms of economic development”.³⁰

24 Q 7

25 Q 3

26 Second Report from the Welsh Affairs Committee, *Manufacturing and Trade in Wales*, HC 329 of Session 2004-05, para 104

27 Q 63

28 Q 3

29 Q 47

30 Q 11

23. In relation to the MoD’s physical sites Tom Watson MP, Under Secretary of State for Defence, Ministry of Defence, acknowledged that this was a legacy from 50 years ago when many RAF bases were established in the east of England.³¹ Nick Evans Director General Management and Organisation, Ministry of Defence, added that like all other government departments, the MoD was subject to the Lyons Review recommendations to relocate people from London and the South East of England, which would reverse that trend. While the Minister declared that not investing in Wales was not an MoD policy, he reiterated the fact that MoD investment decisions “have to be made against what is best for our military outputs”.³²

Support for the Bid

24. In this short inquiry we took evidence from all tiers of government in Wales to assess support for the Metrix bid. Our witnesses included representatives from the Vale of Glamorgan Council, backbench Members of the National Assembly, the Welsh Assembly Government, and backbench Members of Parliament.

M4 St Athan Parliamentary Steering Group

25. Chris Bryant MP, Chairman of the M4 St Athan Parliamentary Steering Group explained that his Group had been established to help promote the Metrix bid. It was made up of Members of Parliament from all four political parties represented in Wales, and included Members with English constituencies. He argued that such a range of support was important in order to:

“show that there is very strong political support across ideology, across different kinds of constituencies, both rural and metropolitan, both north Walian and south Walian, valleys and cities, and stretching into the work zone of England as well because we believe that that support will be an essential part of delivering the outcomes that the MoD needs”.³³

26. John Smith MP, a member of the Group and the local Member of Parliament, agreed with his colleague’s assessment. He stated that it was “vitally important that this campaign be seen as a much broader campaign than just a Vale of Glamorgan campaign” because “the benefits of a successful Metrix bid would go “far beyond the Vale”.³⁴ Furthermore, he was clear that the role of the Group was to promote the merits of the Metrix bid rather than campaign for “some sort of *quid pro quo* for recent disappointing decisions about DARA”. To that end, he believed it was vital to have an All Party Group whose membership extended across Wales and into England.³⁵

31 Q 85

32 Q 83

33 Q 43

34 Q 43

35 Q 43

27. We were told that the role of the Parliamentary Steering Group was to raise support for the Metrix bid “locally, nationally across Wales, and to make sure Ministers understand the unique aspects of our bid”.³⁶ It also tasked itself with presenting the high level of support for the bid to Ministers.³⁷ John Smith MP explained that the Group had the objective to seek assurances that the evaluation process would be “robust, fair and objective”, and was confident that if it was, then the Metrix bid would win on merit.³⁸ Chris Bryant MP summed up the role of the Group as one of ensuring that “if any ministers in the MoD had a Cosford chip on one shoulder, they at least had a St Athan chip on the other shoulder”.³⁹

National Assembly for Wales All-Party Military Academy Group

28. We also took evidence in Cardiff from the National Assembly for Wales All-Party Military Academy Group. David Melding AM, a member of the Group explained that its principal focus was to help the Welsh Assembly Government in its support of the bid. He argued that although colleagues at Westminster had the principal responsibility for “bringing some pressure to bear on the Ministry of Defence”, his Group had an important role to play to “demonstrate that there is an enormous amount of grass-roots support in the community” for the Metrix bid.⁴⁰ Jane Hutt AM, a member of the Welsh Assembly Government, but talking to us as a member of the All Party Group and the local Assembly Member, told us that the two all Party Groups, alongside the Vale of Glamorgan Council, had demonstrated strong support for the bid. She declared that “there has not been a voice of dissent at all in all of the weeks leading up to the public launch of this bid. It has been universally supported locally”.⁴¹ Jenny Randerson AM described the bid as being “of importance to the whole of south Wales”.⁴²

Vale of Glamorgan Council

29. Councillor Harvey, Cabinet Member for Regeneration, Tourism and Leisure at the Vale of Glamorgan Council confirmed the support of his Council. He told us that Council Members had attended meetings with Assembly Members, MoD Officers, and representatives of other Local Authorities to promote the Metrix bid. In addition to those meetings he confirmed that the Council was taking the initiative on “infrastructure matters” in relation to St Athan.⁴³

36 Q 48

37 Q 47

38 Q 48

39 Q 59

40 Q 2

41 Q 9

42 Q 2

43 Q 6

Welsh Assembly Government Support

30. Andrew Davies AM demonstrated the strong support of the Welsh Assembly Government for the bid. He explained that in relation to the Metrix bid, initial contact between the consortium and the Welsh Assembly Government was between Welsh Assembly Government officials, headed by David Swallow, a Welsh Assembly Government official. Andrew Davies AM explained that David Swallow now headed “Team Wales” which was the Welsh Assembly Government’s team to support and assist the bid, and that the Team had representatives from his Department, from the Department for Education, Lifelong Learning and Skills, and the public sector, and included “a very great deal of support from the Vale of Glamorgan Local Authority”.⁴⁴

31. In addition to the work of Team Wales, Andrew Davies AM confirmed that both he and the First Minister had already held “a series of meetings, conversations, exchanges and correspondence in terms of saying that in our view the Metrix bid is the best bid not only for Wales but it will be good for the MoD and the armed forces”.⁴⁵ Furthermore, he confirmed that the Rt. Hon. Rhodri Morgan AM, First Minister, had held meetings with the Armed Forces Minister, while he had held meetings with Wales Office Ministers.⁴⁶

32. We are impressed with the high level of support for the bid and welcome the cross party cooperation at all levels in promoting the Metrix bid to locate the MoD’s Military Training Academy at St Athan.

44 Q 29

45 Q 34

46 Q 35

4 Evaluation Process by the Ministry of Defence

Introduction

33. The bids from Metrix, MC3 and Holdfast are to be subject to evaluation by the MoD's Evaluation Project Board. Brigadier Nield, the Team Leader of the Board told us that it had been tasked with drawing together a business case on its preferred options for the two packages. That business case would be subject to internal MoD approval before it went to Ministers for a decision. Any decision by the MoD would then be sent for approval by the HM Treasury.⁴⁷ Tom Watson MP, the MoD Minister with responsibility for the Defence Training Review, told us that while he could not put a finger on the exact date he would receive the report from Brigadier Nield's Team, he anticipated that it would arrive in October.⁴⁸ However, the Minister confirmed that any announcement on the award of both contracts would be made first to the House of Commons.⁴⁹

Criteria for the Bid

34. The criteria by which the bids are evaluated was described by Brigadier Nield as a highly complex matter which covered seven different functional areas "from command-and-control to training, and training dominates everything with this, through to establishment support and the defence estate".⁵⁰ Those seven functional areas had been divided up into 50 separate individual requirements, each of which would be evaluated using a scoring process. At the end of the process, those scores were aggregated up to give each bid a technical score.⁵¹ Brigadier Nield explained that there were also "a variety of other areas which are pass or fail criteria, like the commercial position, like their financial and pricing position, because this has to be deliverable in banking terms".⁵²

35. The size and complexity of that task was given further credence with the knowledge that the documentation accompanying the Metrix bid had reached 100 feet in length.⁵³

47 Q 65

48 Q 69

49 Q 73

50 Q 72

51 Q 72

52 Q 72

53 Q 48

Separate Bids

36. Several of our witnesses highlighted potential benefits of Metrix bidding for the two contracts and locating them on a single site. Chris Bryant MP believed that combining the two bids would allow for a “step-change difference” in training. Furthermore, he saw a great opportunity for “financial advantages” of awarding the two bids to Metrix.⁵⁴ Jane Hutt AM also highlighted the benefits that could be accrued from Metrix bidding for both packages.⁵⁵ In particular, she noted the benefit of the Red Dragon superhanger as offering great potential to bring those two packages together.⁵⁶ Jenny Randerson AM argued that there could be “significant economies of scale that come through delivering both contracts”.⁵⁷

37. Chris Bryant MP also saw an advantage for the MoD in that the only existing building that would be used would be the “brand-new unrepeatable [Red Dragon] hangar”, while the bid at Cosford would be “looking at refurbishing dilapidated old buildings”.⁵⁸

38. Tom Watson MP, told us that the size and scale of the project was so complex that the MoD concluded that the process was best handled by tendering separate bids for the two programmes. Once that had been done, “strict European rules mean that they will be assessed separately”.⁵⁹ Brigadier Nield confirmed that position. He explained to us that “having chosen that path, and invited tenders on that basis, the MoD would evaluate the bids entirely independently and separately”.⁶⁰ While this is in accordance with EU law it is unfortunate that the Metrix bids were not able to be considered in tandem as potential economies of scale could come into play. Bridagier Nield confirmed that such an approach was not possible. Responding to that suggestion Bridagier Nield said that the MoD had “set the terms in which the bid will be applied and to change that would not just be not fair but against all the rules of engagement”.⁶¹

39. We understand the fact that having decided on two packages, that European Union law prevents the MoD from assessing both Metrix bids together. We share the view of our witnesses that the two bids have the potential to deliver economies of scale and we are disappointed that potential savings in those areas cannot be explored.

54 Q 57

55 Q 9

56 Q 9

57 Q 9

58 Q 45

59 Q 79

60 Q 79

61 Q 80

Audit of the Evaluation Process

40. Brigadier Nield asserted that transparency would be at the heart of the process.⁶² He explained that “throughout that process we have had an independent scrutineer who has been at my right-hand shoulder throughout the whole of this process to ensure that the debate we have had, [...] has been properly and effectively implemented”.⁶³

41. In fact, we were told that the process would be subject to two audit regimes. The MoD had recruited Professor Stephen Molyneux, director of the UK’s e-learning establishment as one strand of that audit process.⁶⁴ To facilitate Professor Molyneux’s audit function, he has had access to key meetings related to the design, delivery, management and support of future defence training. He has also been party to the arguments associated with the allocation of specific points against requirements of the programme. Brigadier Nield explained that although he was a non-voting member, Professor Molyneux had been invited to comment as an expert witness on the delivery of distance learning.⁶⁵ Furthermore, Professor Molyneux had attended meetings at which formal decisions were made and had produced several reports on each of the packages.⁶⁶

42. The second audit function would be carried out by the MoD’s Private Finance Unit. Brigadier Nield described the Unit as being “entirely independent of the integrated project team” and had a responsibility to ensure that private finance programmes undertaken by the MoD were managed effectively.⁶⁷

43. We were told that in addition to the two audits of the evaluations, should the MoD be asked, it would place the evaluations of the bids in the public domain.⁶⁸ **We believe that the MoD should not wait to be asked to disclose the evaluations of the bids. We recommend that once the contract has been announced, the MoD should make public all its data and records on the evaluation process, not only to individual requests but in electronic form on their website. Furthermore, we expect that the reports of Professor Molyneux on the evaluation process to be included in that information.**

62 Q 71

63 Q 72

64 Q 91

65 Q 91

66 Q 91

67 Q 91

68 Q 77

Guarding against bias?

44. David Melding AM, stated that one of the major fears of his All Party Group was that “there will be extraneous cultural considerations, where some of the people in senior positions in the military will say, ‘Wales is unfashionable; it will be difficult to recruit and difficult to get people to locate here’”.⁶⁹ Furthermore, there were concerns that “institutional inertia” and “vested interests” amongst senior members of the military could act in a prejudicial way against the St Athan bid.⁷⁰ Brigadier Nield dismissed those accusations. He had confidence in the rigour of the evaluation process and also told us that in his conversations and briefings with the senior military community he had “sensed none of what you suggest”.⁷¹

45. A further concern was the suggestion that at least one individual in the Ministry of Defence was actively opposed to a “Welsh” solution to the MoD’s training needs. Confronting that claim, Tom Watson MP declared that he had not heard of any such comment but stated that he would be “surprised if a senior military person did say it”.⁷² Brigadier Nield stated clearly that he “could not be associated with any form of comment of that nature”,⁷³ before reiterating the rigour of the process as a defence against such a view becoming policy. Nick Evans from the MoD, agreed that the process for awarding the contract would not allow for such a position to be taken. He reinforced the MoD’s position which was to find “value for money solutions”.⁷⁴

46. Tom Watson MP succeeded Don Touhig MP as the MoD Minister with responsibility for the award of the contract. When Don Touhig MP was the Defence Minister he was pressed on the fact that he had to make an impartial decision while at the same time being a Member of Parliament for an area of south Wales that could benefit from locating the training centre at St Athan. At that time, Don Touhig responded by saying that

“As a Welshman and the minister responsible for the tender process, I have to be seen to be above regional considerations.”⁷⁵

69 Q 12

70 Q 62

71 Q 81

72 Q 92

73 Q 92

74 Q 92

75 South Wales Echo, 28 April 2006.

47. By coincidence Tom Watson MP, a Member of Parliament for the West Midlands faces a similar dilemma. When asked about any similar conflict of interest, the Minister said that

“When I realised I had inherited this project, I thought this is the can’t-win project for a young politician. What I did hear about Mr Touhig when he was responsible for this was one argument to say that this was disastrous for south Wales because he was going to have to give the bid to somewhere else so he did not look as though he was giving a favour. I also heard that it was great news for south Wales because he was going to give it to south Wales because he was a south Wales MP. I am sure the same allegations will be made in some of the more scurrilous parts of this building. All I can say to you is that I shall assess the recommendation and my decision will be based on what the best defence outcomes are”.⁷⁶

48. We welcome the clear statement from the current UK Minister, Tom Watson MP, that his position as a west Midlands Member of Parliament will not affect his decision on the award of the contract and that his decision will be based on what is best for the armed services.

5 Conclusion

49. It is evident that the Metrix bid to locate the new MoD training academies at St Athan in south Wales represents an exciting and important opportunity not only for St Athan but also for the whole of Wales. It is equally clear that Metrix has the unqualified support of all tiers of government in Wales and has attracted a commendable level of cross party support. **We add our support to the already wide support in Wales for the Metrix bid to locate the Ministry Defence training academies in Wales.**

50. **The MoD has assured us that the contract for the military training academies will be based on an objective criteria which has been designed to deliver the best possible solution to the needs of the Ministry of Defence. We give a guarded welcome to that assurance. The proof of the objectivity of that process will not be in the award of the contract, but in the ability of the Ministry of Defence to demonstrate that this was a fair and open competition in which the bids for the contract were evaluated on their merits alone. We have no reason be believe that this will not happen. But should we or any of our witnesses believe that the process was anything other than fair, we will reserve our right to return to this issue again.**

Conclusions and Recommendations

1. We welcome the work being carried out by the Welsh Assembly Government to attract new business to St Athan, and in particular businesses that will continue to nurture the aerospace centre of excellence in south Wales. (Paragraph 6)
2. We are impressed with the high level of support for the bid and welcome the cross party cooperation at all levels in promoting the Metrix bid to locate the MoD's Military Training Academy at St Athan. (Paragraph 32)
3. We understand the fact that having decided on two packages, that European Union law prevents the MoD from assessing both Metrix bids together. We share the view of our witnesses that the two bids have the potential to deliver economies of scale and are disappointed that potential savings in those areas cannot be explored. (Paragraph 39)
4. We believe that the MoD should not wait to be asked to disclose the evaluations of the bids. We recommend that once the contract has been announced, the MoD should make public all its data and records on the evaluation process, not only to individual requests but in electronic form on their website. Furthermore, we expect that the reports of Professor Molyneux on the evaluation process to be included in that information. (Paragraph 43)
5. We welcome the clear statement from the current UK Minister, Tom Watson MP, that his position as a west Midlands Member of Parliament will not affect his decision on the award of the contract and that his decision will be based on what is best for the armed services. (Paragraph 48)
6. We add our support to the already wide support in Wales for the Metrix bid to locate the Ministry Defence training academies in Wales. (Paragraph 49)
7. The MoD has assured us that the contract for the military training academies will be based on an objective criteria which has been designed to deliver the best possible solution to the needs of the Ministry of Defence. We give a guarded welcome to that assurance. The proof of the objectivity of that process will not be in the award of the contract, but in the ability of the Ministry of Defence to demonstrate that this was a fair and open competition in which the bids for the contract were evaluated on their merits alone. We have no reason to believe that this will not happen. But should we or any of our witnesses believe that the process was anything other than fair, we will reserve our right to return to this issue again. (Paragraph 50)

Formal Minutes

Thursday 13 July 2006

Members present:

Dr Hywel Francis, in the Chair

Nia Griffith
Albert Owen

Mark Williams

Draft Report (Future of RAF St Athan), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 50 read and agreed to.

Resolved, That the Report be the Fourth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (reports)) be applied to the Report.

[Adjourned till Wednesday 19 July at Three o'clock.]

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Oral Evidence

Taken before the Welsh Affairs Committee

on Monday 22 May 2006

Members present

Dr Hywel Francis, in the Chair

David T.C. Davies
Nia Griffith

Hywel Williams

Witnesses: **Jane Hutt**, Assembly Member, Vale of Glamorgan, **David Melding**, Assembly Member, South Wales Central, **Jenny Randerson**, Assembly Member, Cardiff Central, National Assembly for Wales All-Party Military Academy Group, and **Councillor Mike Harvey**, Cabinet Member for Regeneration, Tourism and Leisure, Vale of Glamorgan Council, gave evidence.

Q1 Chairman: Good afternoon. Welcome to the Welsh Affairs Committee. Could you begin by explaining the background of your group and its purpose?

Jane Hutt: Can I start by welcoming you and thanking you very much for undertaking this review into the future of RAF St Athan. Clearly, we are very pleased to give evidence together as a cross-party group. I will be giving evidence today as the Vale of Glamorgan Assembly Member, but we believe the future of RAF St Athan, particularly in relation to the bid that is being promoted by METrIX for the defence training academy is something that, cross-party in the Assembly, we have all signed up to because we see this as a huge opportunity in terms of future prospects for a very skilled workforce and for what is a centre of excellence in terms of the aerospace industry here in Wales. It is not just for me, as the Vale of Glamorgan Assembly Member, but it is clearly of significance regionally and indeed nationally, for Wales as a whole and south-east Wales in particular. We see that this is a real opportunity for the Assembly to be engaged on a back-bench level, and you will be hearing from the Minister for Enterprise, Innovation and Networks, about the prospects. We see this as an opportunity when of course there have been many threats and disappointments in terms of the loss of MoD contracts. Again, as a cross-party group the partnership goes beyond the Assembly to embrace the Vale of Glamorgan Council—and that is why we are so glad that Councillor Mike Harvey is here with us today. It is truly cross-party, a truly unified voice. I think we represent a very strong public voice when there has been overwhelming support for the proposals that have been forthcoming as a result of the METrIX bid, which would ensure that the future of RAF St Athan is secured if we are successful—if they are successful and METrIX wins this bid for what is being described as a university for the armed forces.

Jane Hutt: Clearly, we have been part of the wider launch and support. I know you are taking evidence from the M4 Group of MPs. I was fortunate to be able to go to the launch in Westminster, and indeed there was cross-party support at the Westminster level, but it is also about engaging local authorities and other Assembly Members. Clearly, this is something where we have all made representations through our Assembly Members to not only Ministry of Defence Ministers but also Wales Office Ministers. As Assembly Member for Vale of Glamorgan, and indeed because of the disappointments regarding DARA and the prospects, I have been in constant correspondence with the defence ministers, but also on a very positive level engaging with the workforce and ensuring that their views are put forward. Of course, you are meeting with our own Minister, who has a significant role to play in this, because St Athan is in public ownership; it is now in the ownership of the Welsh Assembly Government; and lots of the investment and infrastructure locally by the Vale Council and the Welsh Assembly Government means that we are all in constant contact, and making representations principally to the Ministry of Defence but also through our partnerships in the Welsh Assembly Government. I am sure my colleagues will want to comment on that as well.

David Melding: I think it is very important that we demonstrate cross-party support, and focus on the work the Assembly has been doing. Obviously the support for DARA and developing the project has been very important, but there have been setbacks, and that has taken up quite a lot of time in the Assembly. I think that most of us feel the Welsh Assembly Government has worked very hard to promote various innovations at RAF St Athan. There have been some setbacks, but we see it as giving the Welsh Assembly Government the opportunity to say, “look, there is cross-party support, and a large volume of it, for innovating at RAF St Athan and using that site to reflect the military tradition which goes back before the Second World War. It is very strongly felt in the community at large, and most of us who represent local people find that whenever we go to meetings this point is

Q2 Hywel Williams: Can you tell me what avenues are open to your group to lobby ministers, both here and in Westminster, on behalf of the METrIX bid?

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very, very strongly made to us. Our principal focus is to help the Welsh Assembly Government. No doubt we will be passing on our experience to the Ministry of Defence. We see colleagues in Westminster having principal responsibility for bringing some pressure to bear there, but also to use the work that we have been doing to demonstrate that there is an enormous amount of grass-roots support in the community.

Jenny Randerson: I think it is significant that I am here as an Assembly Member for Cardiff Central. We see this as a project not just of importance in the Barry constituency but one with an importance that stretches well beyond. There is a travel-to-work employment population of 600,000 people within 45 minutes' drive-time, and that includes the population of Cardiff; and there is the academic and training infrastructure to support this development. That is why we see it as of importance to the whole of South Wales.

Councillor Harvey: Our first role is to support our AMs in the case that they make, and we do that enthusiastically. We are also lobbying through the WLGA, and we have their support. We have hopefully demonstrated our enthusiasm and commitment to the project, both earlier on with the DARA proposals and now on the DTR. We have responded as quickly as we can to the need to produce a development brief, which has received unanimous support from the Vale of Glamorgan Council.

Q3 Hywel Williams: What is your main focus: is it lobbying government or promoting the METrIX bid?

Jane Hutt: Perhaps we can go to the METrIX bid, because it is a significant bid. The METrIX public/private consortium has taken advantage of the opportunities that are located at St Athan, and I think that is why they have pursued the bid for the St Athan site. Obviously we see opportunities for the future of St Athan, but we have also been convinced by the strength of the METrIX proposal. If we look at that, we are talking about an investment of approximately £14 million over 25 years. We are talking about the creation possibly of 1,500 direct construction jobs during the building of the project, of the academy, and creation of 5,550 permanent jobs—4,000 on site and 1,500 off-site; and a training population of approximately 10,000. What is so exciting about the bid is that in terms of the opportunities to have both parts of the package on the St Athan site, there are huge economies of scale, and the site is in public ownership. This must make sense to the Ministry of Defence. We have been very convinced by the strength of the METrIX bid. What is interesting, as David has said, is that they came to St Athan recently and held an exhibition over a period of a few days. Over 500 people visited that exhibition. We have held a number of events at town and community councils, which have all had presentations. Indeed, we must pay tribute to the role of local press and broadcast, because local newspapers have taken this up very vigorously, and the South Wales Echo, to mention one, had over 600

cutting out the coupons saying, “do you support this bid?”, and there were equal numbers of hits on their website. There has been such strength of support and backing for the METrIX bid. I have to pay tribute to METrIX; they have seen that they must engage the community at every level, and that is what they have done. We feel that the METrIX bid is the best bid for the MoD in terms of the defence training academy, the tri-service; but we feel it is the best bid, of course, because it is the best bid for Wales and RAF St Athan.

David Melding: It is very important that we emphasise the Welsh dimension to this as well, which is part of the question. There are obviously wider considerations in making this decision, but, as one of the home measures, I think people will want to make a solid contribution to the defence of this country, and that in part has very much been associated with work at RAF St Athan. We have had some disappointments, in terms of the loss of MoD contracts, and we feel that it is very important that the MoD does remember that there is a question here in relation to the defence of the United Kingdom, to ensure that all the home nations are fully contributing to it; and this would be an ideal way of furthering that for the next generation. Of course, the bid has to be technically robust, and we believe it is.

Jenny Randerson: One of the issues in establishing a project like this is developing the capacity. One of the great strengths of St Athan is that that capacity is largely already there because the site and surrounding locality were previously used by a working population of over 10,000 until very recently. You do not have the steep curve of building up the capacity for the future. If you look at it from the point of view of infrastructure, you have fast road access to the M4—30 minutes—with a commitment from the Welsh Assembly Government that they will be upgrading that road. It is only four miles from Cardiff Airport, and there is a new rail station with a fast link to Cardiff that has recently been opened. The infrastructure is there and capacity is there; and there is already the capacity established within the local and further higher education sector. For example, Barry College has a dedicated aerospace engineering centre at Cardiff Airport; so that expertise is already in the locality.

Q4 Hywel Williams: Have you had any feedback from the MoD on the METrIX bid? If you have had any, what has been the nature of that feedback?

Jane Hutt: Clearly, they are assessing the bids, and we have made our representations. We know that they have come down and visited the site and the area, and I am sure they are very well aware of our support; indeed, my colleagues have expressed again the opportunities in terms of the infrastructure that is provided; and so we hope that is all feeding into favourable consideration of the bid.

Q5 Nia Griffith: Can you explain a bit how you have worked together with the M4 St Athan Group?

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Jane Hutt: As I said earlier on, I was involved in the launch of the METrIX bid in Westminster. It was very pleasing that it was an MP, Chris Bryant, who is not a Vale of Glamorgan MP—I know John Smith is here with us today—but the point about that was to see that this was not just about Vale of Glamorgan; this was a south-east Wales—in fact the M4 corridor, because at that launch there were many other MPs from the south-west of England, and stretching through to your constituency, Llanelli. It is such a big project for the whole of south-east Wales and south-west England. We have liaised as a cross-party group, obviously as any cross-party would liaise, but principally Chris Bryant came down only a few weeks ago to a launch that we had here. I think that David was at that launch and other Assembly Members who were concerned to support it. I think it is a very fruitful relationship with the M4 Group. As David said earlier on, this is a decision for the MoD, and so our Westminster colleagues, and John Smith in my constituency, are really in the lead in terms of taking this forward.

Q6 Nia Griffith: Councillor Harvey, how does your council feed in to the process?

Councillor Harvey: We feed in at every opportunity we can. We have attended meetings with AMs and MoD officers who came here recently to meet us. We have met with representatives of other local authorities. We have met with Barry College. We take every opportunity we can to promote this because we believe it is the best offer of placing the DTR because everything can be provided on one site. We take whatever opportunity we can, as well as taking the initiative in infrastructure matters.

Q7 David Davies: Can I ask Councillor Harvey and perhaps the local AMs how important RAF St Athan is to the local economy of the Vale of Glamorgan, and what is the impact of the withdrawal of DARA on the local economy—to any degree?

Councillor Harvey: The impact has been able to be absorbed because it has been a slow run-down over a period of time. Obviously, there is an impact, if you take money out of the economy and you take work away. We have been able to cope with the situation as far as possible. Barry College has had to re-adjust their training because the number of trainees in DARA has diminished. Clearly, we see it as being positive in the future. We see this bid replacing that loss in the economy and it being a motor for economic growth not only in the Vale of Glamorgan but in the sub-region and the Welsh economy as a whole. We do have quite a cluster of aerospace businesses in South Wales, and this will help us maintain and grow the critical mass we need to have a sustainable, expanding aerospace industry.

Q8 David Davies: Have you seen a big drop in footfall in shops and that sort of thing? Has it had an impact on local businesses?

Councillor Harvey: I think it was inevitable that there has been that sort of an impact, but anything to do with retailing is in such a state of flux that it

would be difficult to identify it, because we have new supermarkets and Barry town centre itself has been hard-hit, but over a long period of time, by the change of industry. In my own ward we have the famous Culverhouse Cross, which is a magnet to take away trade from town centres. It is hard to identify separately the impact of the slow run-down of St Athan.

Jane Hutt: Perhaps I can follow that through. Thank you very much for your question, David. I think we should look at this in terms of St Athan and the history and traditions of St Athan. In fact, David Melding mentioned earlier on that there was a time when the RAF had personnel of 14,000 on site; so we have seen a change in terms of reduction of the RAF presence. In years past we have seen and welcomed and then said “farewell” to the Welsh Guards and now we have special forces at St Athan. However, alongside the disappointment of the loss of the MoD contracts and the impact that they are having on DARA, we have had that proactive engagement of the WDA and now the Welsh Assembly Government in developing and securing civilian contracts. ATC Lasham now has up to 300 jobs. We have always seen the St Athan site as a site of the developing aerospace industry, so with the loss of MoD particularly they are seeking civilian contracts, and, as I said, there are 300 jobs coming through that route. Also, DARA is working hard now in terms of delivering the contracts that they have got. We think it has been disappointing and there are threats, and there are huge challenges; but we have a world-class workforce there now. I have mentioned working very closely with the trades unions: they are very keen on the METrIX bid because they see new opportunities coming forward in relation to their jobs and skills. It is going to be a time of transition, but we do feel that because we are fully engaged in working to get the civilian contracts alongside securing this new bid, we can safeguard and create far more opportunities for the future of St Athan.

Q9 Nia Griffith: Can we turn to the bid itself? It is obviously a competitive bid, but perhaps you can tell us a bit about the strengths of the METrIX bids.

Jane Hutt: Principally, the METrIX bid can encompass both packages. There are two parts to the MoD contract in the defence training rationalisation, as you know. The fact that METrIX is the only one that covers the two parts of the package is very important. Looking at those packages, we are talking about aeronautical, electromechanical and communications IT in the first package, and logistics, admin, security, language, intelligence and photography in the second package. The METrIX consortium saw the potential of St Athan; and the fact that we had already invested in the super-hangar, as a result of Project Red Dragon, showed that there was a real opportunity to bring those two packages together. That is a very strong feature of the METrIX bid. The other key features are a very strong public/private partnership in terms of training consortia and the links to the consortia members, who are related and

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very engaged in the defence training industry already—world-class. This is where the bid itself—and it will obviously be tested, and is currently being assessed—has every element that you need deliver: cost-effective, economical, public ownership site, in an area that is used to that strong on-service provision in the community. An important part of the bid is the strong support. There has not been a voice of dissent at all in all of the weeks leading up to the public launch of this bid. It has been universally supported locally. It is absolutely key. I would say that if the MoD saw that there was some controversy and potential objections—we have not seen any of that. The Vale of Glamorgan planning brief went through—not just the cabinet but the whole council—and the community town council is behind it. It is very important that public support is demonstrated alongside the technical delivery and the elements that speak for themselves in terms of the bid. You have got everything: you have the technical, the public, the partnership, and the cross-party support, which all bode well for the bid.

David Melding: I would add that the consortium is such a strong one in terms of value for money and delivering this major project, that we are very confident it is the best option. It is very flexible because you are talking about the next generation of military training and it does need to be bespoke and responsive to the very quickly-changing demands. We all know that over the last 10 or fifteen years, since the end of the Cold War, we have had different defence requirements, and we have seen how massively defence requirements have changed. I was particularly impressed by those aspects of the bid.

Jenny Randerson: As METrIX is the only consortium bidding for both TDR contracts, they are able to deliver a fully-fledged in-service defence training for the UK—uniquely able to deal with that—with of course significant economies of scale that come through delivering both contracts. It is the only location in the UK to enable the local DTR project to be undertaken within one self-contained site, on land within public ownership. The public ownership of that site is a significant thing because, as it is owned by the Welsh Assembly Government, you have that guarantee there of future use of the land and intent and so on. You have also got a mixture of the most up-to-date methods in terms of training within this bid. You have a very high-quality bespoke environment, and purpose-built facilities. You have also got the ability therefore for the MoD to match cost to future demand, whilst delivering the training within the very best facilities and in an excellent environment. We have already referred to the extremely good infrastructure links. You are building on the military links that David mentioned. That means that you are freeing up military trainees to the maximum extent to enable the release of resources back to the front line. You have the duty of care very firmly at the heart of the solution. As well as excellent value for money, you have a commitment that there will be protection of the environment, through use of local, sustainable and recycled materials wherever possible. That is an

important issue. There is also a commitment to maximise energy efficiency in design. Those are key issues that we should be addressing at this stage.

Councillor Harvey: You asked about the bid; it is of course in competition, and according to competition theory all organisations competing on costs and price and standards of quality and thirdly image—in the face of cost and price, because it is all on one site it should have the unique selling point of having the best economies of scale. In terms of standards and quality, you have the proven quality of the workforce, historically inherited from the DARA operation, and still largely resident in the community; you also have a superb quality of life in the location; where you are next to the sea, with nice beaches, and a short ride to the mountains; and, if it is your wish, you have got the capital city nearby with all the thriving life you might want to enjoy there. All in all, the image of the location is first-class, and we have the unique selling point of the economies of scale delivered by this one bid, which other bids are not providing.

Q10 Hywel Williams: METrIX are coming forward with two projects to be based at St Athan. What would be the effect of just one, perhaps the smaller one?

Jane Hutt: Obviously, we are very hopeful that the two that we have just described—the opportunities through the economies of scale and the value for money and investment in one site for the two packages. Clearly, if there were only one achieved, while we would very much welcome that, we hope for two. Clearly, the first package is very closely linked to the work that has already been undertaken on the aerospace site, and that is a very important feature in terms of aeronautical opportunities, in terms of the training academy and communications. However, we hope for the two—and the first I think around the point I have made very clearly.

David Melding: We hope that there will be an objective robust decision. Frankly, if I can be political, some of us locally feel that that has been lacking in some of the considerations that have been given to develop at DARA and St Athan. The local community feels this quite strongly sometimes, so I do hope the MoD will approach this in an objective and robust fashion. We are very confident that if that happens, this bid will win.

Q11 Hywel Williams: What would be the impact in Wales if METrIX failed to win either of them?

David Melding: I said earlier that Wales is one of the home nations that must contribute to the defence of this country, and the next generation training is essential. It is important that that happens, but we accept that this has to be a technically robust bid, because you are not going to win it otherwise; but there are considerations that do come into play. Wales has a very proud military tradition in supporting the defence of this country and abroad, and we want to go on doing that. Traditionally, RAF St Athan has been one of the major ways of providing that input. If this bid is not successful, then a very great opportunity to secure that for the

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next generation will be lost. It would have a major impact on the morale of people in Wales as well as being an opportunity lost in terms of economic development.

Jane Hutt: I cannot add more to what David has said in terms of the impact that this would have. I would say that we have already been working to develop the civilian site as a centre for aerospace excellence, and that pre-dated the DTR in fact. We were working alongside DARA, as WDA and Welsh Assembly Government took over ownership of the site, and in terms of the aerospace industry Wales features very strongly in that—and I am sure the Minister following us will be elaborating on that. We see St Athan as a centre for excellence in terms of aerospace, but it would be a huge lost opportunity if the METrIX bid were not successful because of what we are developing in terms of civilian contracts and the links that have been described to the training and further and higher education in the aerospace industry in south-east Wales, which are key.

Councillor Harvey: If we were not to get it, it would definitely be a lost opportunity, but there would be no alternative but to pick up our efforts on all the other 20 or 30 economic regeneration projects that we have in hand, which are there to be developed. They would hopefully fill a gap; but there is no denying it would be a loss if the project did not go.

Q12 Chairman: We are coming to the end of this session, and you have been very objective and comprehensive in your evidence. We have been very struck by the unanimity you have brought to the evidence session. What would you say is missing from the evidence thus far in terms of promoting Wales to the Ministry of Defence, in the context of me saying to you: “Well, the Ministry of Defence might say, ‘we are not a job creation scheme’”? That would be a very provocative thing for them to say—I am not saying they are saying it, but it is something that is in the back of one’s mind. What would you say is special about what Wales can offer in terms of a new military academy that is beyond what you have already said?

David Melding: I do not think it is beyond what we have already said, but one of our major fears is that there will be extraneous cultural considerations, where some of the people in senior positions in the military will say, “Wales is unfashionable; it will be difficult to recruit and difficult to get people to locate here.” We know from Wales’s record in attracting inward investment and development, and its military tradition, that people do come here. Many people stay here. We have many retired military personnel here in the Vale of Glamorgan. We do have something to fear in that the robustness and the technical merit of this bid may get overlooked to some extent by those that feel there are traditional parts of England where the military are based, and that that should continue. We do not think that would be a fair consideration. We feel this bid deserves to be fully and objectively considered.

Jenny Randerson: I thought that the issues I referred to gave a very clear economic and efficiency case for this, but if you are looking for that extra something

that the rest of the other bids cannot match, I would say the partnership of the Welsh Assembly Government. I alluded to the partnership and commitment when I referred to the fact that the site is in public ownership and is owned by the Welsh Assembly Government. I think you have a unique partnership there between two separate governments, two tiers of government if you wish to put it that way, which goes alongside the partnership with local councils. The other thing that is worth mentioning, which we have not referred to so far, is the other local authorities in the area that have been very strongly brought into this. I was discussing this with the leader of Cardiff Council only last week, and they are as enthusiastic about it as the Vale Council is. There is a commitment at every level of government, and you have got the very solid commitment of the Welsh Assembly Government.

Q13 David Davies: All of us around this table obviously hope that it comes to Wales, but are you saying that the Ministry of Defence should judge this by criteria other than value for money, or are you actually concerned that the Ministry of Defence might not make value for money the main consideration and might feel some sort of institutionalised bias towards different parts of the United Kingdom that may have traditionally had more connections with the British Armed Forces? I am not sure which of those scenarios you are concerned about.

David Melding: We want an objection robust consideration of the case. There are some barriers there, we feel, traditionally. This may be a misapprehension on our part and we may be wrong and you can dismiss it, but there are concerns about this. We are very confident that this bid is the best bid. You are quite right in your implication that we cannot accept favours, and we should not ask for them.

Q14 David Davies: You want a level playing-field.

David Melding: Exactly.

Jane Hutt: I am delighted that my colleague Jenny Randerson said that the extra ingredient that we can offer is the partnership of Team Wales—the fact that we have the Welsh Assembly Government that already has secured ownership of this site, and has already been proactive in developing Wales; and this part of Wales is a centre for excellence for aerospace. It is very much an objective and robust consideration that we are expecting—of course a level playing-field, David—but we have that ingredient, which is a huge plus as far as we are concerned. I think it places us in a very different position than if we were looking at this bid 10 years ago before we had really been able to build on the opportunities as a result of this partnership. I am sure that our colleague from local government would acknowledge that as well.

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Councillor Harvey: I think that there are a lot of very well-trained and qualified managers in all the companies that are a part of the METrIX bid, so they would not want to hear any lectures from me on how to compete, but I think that we have to compete in every part if we are going to win the competition. I have already mentioned the price and cost aspects and the quality and standard aspects; but the question has focused on the image aspects, and those should be concentrated upon. Speaking from my experience, when I came to live here 40 years ago, I was told that coming to live here would be the

graveyard of ambition, and so it has proved to be: I have never wanted to move away since! I think it is the image factors that should be focused upon if there is a problem in that dimension.

Chairman: That has been very helpful, and your observations in the last five minutes have focused our minds on the kinds of questions that we will be posing in days to come to the Ministry of Defence. The opinion of this Committee mirrors your feelings that what we want is robustness, fairness and objectivity. We will be expecting nothing less from the Ministry of Defence. Thank you very much for your evidence.

Witnesses: **Andrew Davies**, Assembly Member, Minister for Enterprise, Innovation and Networks, and **Mr David Swallow**, Director of Integrated Delivery, Welsh Assembly Government, gave evidence.

Q15 Chairman: Welcome to the Welsh Affairs Committee once again. Would you like to introduce yourselves?

Andrew Davies: Andrew Davies, Minister for Enterprise, Innovation and Networks. I am accompanied by David Swallow, who is Director of Integrated Delivery in my department and who has taken the lead on aerospace particularly in terms of supporting the METrIX bid for the DTR.

Q16 Chairman: Can I begin by asking you questions about investment at St Athan? St Athan, as you know, has received a significant amount of investment under the Red Dragon Project, which culminated in the building of the super-hangar. Can you give us some details on how that project was put together?

Andrew Davies: Certainly. We have a long-term vision for developing an aerospace business park at St Athan. We saw a huge potential, given the importance of the aerospace sector in Wales. The UK aerospace sector is second only in size to the US, so it is very significant. We have 10% of the UK aerospace market but in a very dynamic part of that sector, the maintenance repair and overhaul, so-called MRO, we have something like 40% of the UK market. British Airways has three MRO facilities; GE just up the road at Nantgarw have their engine servicing department and have just landed a £4 billion servicing British Airways' engines. We have huge capacity and huge expertise in this area, and we can see a real synergy from developing capacity at St Athan, in conjunction with the MoD, particularly developing DARA's expertise. The strategy was two-fold: to build on the existing defence work at St Athan and obtaining critical mass there, and building on that to develop the rest of the aerospace business park, particularly around the civil aerospace sector.

Mr Swallow: The Minister has outlined that it was critical that a new home was found for DARA. They were not able to operate efficiently and effectively in their existing premises. This was intended to be a win/win for both sides: DARA needed a new facility to maintain the airfield—and paying for the upkeep of the airfield obviously costs money—and therefore

a partnership between ourselves and the MoD was a very sensible thing to do. Of course we all know what happened: a decision was later taken on DARA, but it is important to recognise that possibly St Athan could not have been maintained as a vital facility in South Wales if we had not entered into those arrangements.

Q17 Hywel Williams: What is the relationship between the UK Government, yourselves and the Welsh Assembly Government and WDA, as was, on this project?

Andrew Davies: I think the relationship has been very productive. The very fact that the MoD made a very significant investment into Project Red Dragon and development of Red Dragon demonstrates that we had a very productive relationship. Clearly, the decision the MoD made later was something we said we thought was wrong; but nevertheless it was a good relationship. I think it still remains the case. Particularly, obviously, as we may touch on later, the defence training rationalisation project—and the METrIX consortium is bidding for that. Again, we have had a pretty good relationship. I do not think that if the relationship had been bad we would have had the investment in the first place.

Q18 Hywel Williams: The Defence Select Committee criticised the lack of joined-up government between the UK Government and the Welsh Assembly Government on this project. I think the word they used in one of the paragraphs was that the decision was "incomprehensible". How do you respond to that criticism?

Andrew Davies: Clearly, it was a decision made by the MoD regarding the DARA business, or the role that work on fixed-wing plays. I am on record as saying that I thought that was a wrong decision, but nevertheless we need to move on and continue to build and attract in, as we have done already, significant investment into the bigger project, which is development of the aerospace business park itself.

Q19 Hywel Williams: So you see no hangover from that MoD decision—that there would be no effect on any future investments, crucially?

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Andrew Davies: No. In fact, I think it was just over a year ago that we could see the opportunity for St Athan in terms of the DTR project. David has obviously been hugely instrumental in attracting the METrIX consortium in the first place to consider St Athan. It was only just over a year ago that we managed to do that and take it from their initial interest to basing virtually the whole of their project around the St Athan enclave. Our view is that we felt it was the wrong decision, but we needed to move on, and we have done.

Q20 Hywel Williams: As a matter of information, the Defence Select Committee's report stated that the project will cost between 90-104 million, and the breakdown that they gave was that MoD would be spending 43.9 million and the WDA 16 million. Can you give us a latest report on that spending? Is the proportion the same?

Andrew Davies: Of course. One of the confusions that everyone gets here is between the Red Dragon Project and the St Athan Project. Generally, MoD have referred to Red Dragon generically as St Athan, whereas we see Red Dragon as purely the DARA super-hangar. Those figures that have been presented from the Welsh Assembly Government financial department are with respect to the wider aerospace St Athan development. Obviously, we bought the land from MoD. We bought other land and have invested in infrastructure. I think that is probably approaching 19 million today, but that is what we would spend as part of the regional decision to go ahead with the aerospace St Athan development.

Q21 Nia Griffith: Can we talk a little about the effect of the withdrawal of the DARA contract: with that withdrawal what work could be done at St Athan?

Andrew Davies: Clearly, one of the biggest assets is not so much the land or the hangar; it is the quality of the workforce. What is significant is that when the decision was made by MoD about the work being taken away—it may sound perverse but it raised the profile of St Athan as a huge facility, not least of which, as I say, is the quality of the workforce. I think David was at an aerospace conference in Germany at the time, and there was a huge interest on the back of that because obviously the aerospace sector, whilst a global industry is relatively small, and most of the key players know each other. Once it became known that it would happen there, there was a significant increase in interest in St Athan as a place to do business. We have already been successful in attracting ATC Lasham and TDS to St Athan, and there has been a very significant amount of commercial interest. Unfortunately, for commercial confidentiality reasons we cannot say what that is, but David has taken the lead on this and can give a fuller answer.

Mr Swallow: I really would stress that the level of interest in St Athan in the aerospace sector is very strong. We are in a very interesting situation where we do not at this stage have enough buildings that could accommodate large aircraft to attract the companies that are interested in coming to St Athan.

We have one or two quite serious negotiations currently in hand at the moment where we are looking to build new buildings, and so from any perspective, if you could see the list of inquirers we are currently talking to you would share our optimism for development.

Q22 Nia Griffith: Are you saying that you could cope with those inquiries if you build extra buildings?

Mr Swallow: Yes. There is a timing issue here that is unavoidable: we have an absolutely fantastic aerospace facility, the Red Dragon super-hangar; but DARA are operating there, and they are operating there for a period of time. There is another building called Twin Peaks, which they are building to attract ATC Lasham into. They are operating from there. There is a timing issue, and of course if we were successful in winning the Defence Training Review then we would have a decision on that hopefully this side of Christmas. We are obviously reserving land for that development. We could not allow companies to take buildings in an area where in a year's time we are going to say, "we need that back" for the Defence Training Review. It is really an issue of timing. We have other additional land, in addition to what we need for the Defence Training Review, to develop aerospace; and that is what we are talking to these companies about.

Q23 Nia Griffith: Is there a risk of losing this work if the timing does not work out?

Mr Swallow: I do not think there is a risk of losing this work because the companies we are talking to obviously understand that they are looking for new facilities and those have to be built. However, we obviously have to manage the timing, as anyone does, when we have inquiries of a varying nature. There is always an element of pieces on a chess board with a major development like this, but we have a very clear understanding of requirements, with a number of plans in place and how to accommodate the different moves, depending on the decisions on the Defence Training Review. I do not think it is a question of losing anyone. All I am simply explaining is that there is a time lag; you cannot move companies into buildings, which you do not have at the moment; you have to go through the negotiation phase and planning consent, and build them. The list of inquirers at the moment is very sound.

Q24 Nia Griffith: Can you tell us briefly about the actual reduction that there was in the level of work and the workforce on the announcement of the loss of the DARA contract; and to what extent do you think that that can be replaced? I know that you are obviously dealing with something that is still up in the air.

Mr Swallow: The DARA employees, when we became involved, were about 1,800 in total. There have been two decisions. The first one was withdrawal of the Harrier work, which was responsible for about 550 job losses; and then the withdrawal of the Tornado work, which will bring the workforce down to around 350 we understand,

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which is the workforce which needs to be employed on the VC10 maintenance work that we hope to retain in St Athan. That is something like almost 1,500 jobs. It is probably important to point out that not all of those are aerospace engineering jobs; they are not key engineering jobs. By April 2007 the final Tornado work will leave St Athan, so that is the scale of reductions over a two to three-year period. What is most important about that, quite frankly, is that those are key skills which it is vital to retain in this area. The actions that we are taking to retain those skills, bearing in mind that aerospace companies are very keen to employ those people because there is a world-wide shortage of those skills—we have a very big attractor to the area in addition to the St Athan facility itself. We have a lot to sell and a lot to offer. Equally, if we cannot quickly start to bring those jobs in, then there is a danger that people will go elsewhere. Having said that, interestingly when ATC Lasham moved into St Athan, which was the back end of last year, we were absolutely inundated with expressions of interest from Sandwell aerospace engineers, some of whom had already moved to jobs in Bristol or even Toulouse. We had their wives coming on the telephone and saying, “look, if he could work back in South Wales, we would love to do that if there is an opportunity to do so”. I think we have a good opportunity to retain and attract back those skills. That is the key issue for us. There is urgency. ATC Lasham is building up about 300 new jobs, so that is 300 back; and most of those we expect will come from this area. The inquiries that we tantalisingly talk about but cannot mention any company names—they collectively run into quite a few hundred potential jobs. We are well on the way. If we can land at least one of our inquirers, we are well on the way to building back up. It is important to recognise that DARA engineers are military-trained engineers. In overall terms, work on military repair is declining; that was always the case and therefore part of our plan was always to be able to transfer these skills into the civil arena. The fact that we are talking to a number of civil aerospace companies is very good news indeed for the future, without in any way undermining the important position that, from the MoD decision, we find ourselves in.

Q25 David Davies: Obviously everyone welcomes the Special Forces Support Group decision to locate there. Can you tell us something about how they are going to be housed and what the impact is likely to be on the local economy in terms of jobs and wealth created?

Mr Swallow: They will be housed in the existing West Camp at St Athan, which is an area that was retained by the MoD. The Welsh Assembly Government has no interest in that area. That area was originally retained to house two battalions, so there is still space there for another battalion. The Special Forces Support Group is obviously an elite unit. One of the things it does is to raise the profile of St Athan; it gives it a credibility in that such an important unit is being housed there. It is a very

important development in terms of how the MoD more generally might look at St Athan and its potential.

Q26 David Davies: The impact you would say would be quite positive as far as the METrIX bid is concerned.

Mr Swallow: Possibly, yes. In terms of pure economic generation, I have no reason to suggest that it is any more or less than when the Welsh Guards were there; but it adds a certain factor of credibility for St Athan; that if it is good enough for the Special Forces Support Group, then that bodes well for it. I think that any more than that is speculating.

Q27 David Davies: Presumably, some of those special forces will be making use of some of the training facilities anyway if the METrIX bid took off and—

Mr Swallow: I am sure that is the case. I apologise if you already know this, but with defence training we are looking at second and third-level MoD training across all three services; so all parts of the MoD would pass through this development. Obviously, that is one of the reasons we are so interested in trying to attract it here. In that sense, they would be no different to any other unit; they would be popping over the fence to do their training, as it were.

Q28 David Davies: When will the Special Forces Support Group move in and officially—

Mr Swallow: The reception parade took place the week before last. They have been here about four or five weeks, so they are fully up and running as of a fortnight ago.

Q29 Nia Griffith: Obviously the METrIX consortium represents a fantastic opportunity for the future of St Athan. What exactly has been your involvement in the consortium to date?

Andrew Davies: As I said earlier on, the initial contact was David and his team, and on the basis of that initial contact they introduced the facility and we took it from that initial contact right through to the METrIX consortium—the large majority of their bid for DTR around St Athan. David is now heading up a dedicated team, Team Wales, which is not just David from my department, obviously, but also people from the Department for Education, Lifelong Learning and Skills, and the public sector generally, including a very great deal of support from the Vale of Glamorgan Local Authority. Once again, David may be able to give you more detail.

Mr Swallow: The first thing that is important to stress is that the Welsh Assembly Government is not part of the consortium. It is a commercial bid by METrIX. Our role is, in one sense, purely as landowner because obviously this activity will take place on land that is in the ownership of the Welsh Assembly Government; so there is a relationship there. Clearly, from an economic/regeneration/investment/training point of view it is a very important opportunity and we are certainly very supportive of it. I suppose, as with any new potential

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investment into Wales that fits with our strategies, we would give our support, but we do not have a legal relationship with METrIX. I will have to be careful that I do not go deeper because there is obviously a competitive commercial bid that is running at the moment. Our role primarily, in legal terms, is one of landowner and making the land available for bids to take place.

Q30 Nia Griffith: Does that mean that the Welsh Assembly Government in any way is able to contribute funds to the proposal or support it in other ways?

Andrew Davies: Obviously, St Athan is in a non-assisted area, so we cannot give financial support. The support is, as David said, that we would see it as an inward investment project and so we are able to give legitimate support, identifying issues such as big training needs and working with colleagues in the Department for Education, Lifelong Learning and Skills, to identify what they are; working with the METrIX consortium to identify the schools, colleges and universities that can help in that provision. Clearly, there are issues about surface access to St Athan, particularly from the motorway, and looking at areas where we might be able to work with the METrIX consortium to improve road and rail access. It is giving logistical support like that rather than financial support.

Q31 Nia Griffith: Obviously, it is a competitive situation and METrIX will be competing against other contenders. What are the main strengths of the METrIX bid, in your view?

Andrew Davies: That is a very important consideration. You are talking of over 4,000 jobs and a significant number of trainees and students—7,000-10,000 people—so that would have a very significant economic impact. Something like £50 million per year will be going into the Welsh economy. There are the other advantages it would have in terms of profile, the impact it would have for example on aerospace and the boost it would give to colleges and universities and helping us to achieve critical mass in some key areas. We also think it is the best deal—and I said this when I was supporting the METrIX bid launch in the House of Commons—not only for Wales, but we also felt that Wales was good for defence for the armed forces. The quality of the solution that the METrIX bid will provide will give a qualitatively different training support to the three armed forces. That is why we have supported the METrIX bid.

Mr Swallow: Clearly, we only have limited information about what the other bids are, and we should focus on our bid and not be too concerned about the others. One of the key things is that we understand that the St Athan site could accommodate the whole of the training contract in one location, and there is clearly potential for economies of scale and the ability to create a single environment for training. The environment of St Athan is very attractive due to partly where it is and partly because of the long military heritage around St Athan. The MoD would be coming to a location

that is used to having these types of facilities. I am sure some of the Committee will remember when St Athan hosted something like 12,000 or 14,000 trainees probably only 15 or 20 years ago, so in one sense this is putting back what was always there. I think the capacity of infrastructure accommodates something of this scale and there are historical connections and other quite significant things.

Q32 Hywel Williams: You have already mentioned economies of scale. METrIX is the one consortium bidding for both projects. Would you say that the economies of scale there are crucial for METrIX's success?

Mr Swallow: It is impossible to say. I have absolutely no knowledge of what the financial detail may be of that kind of thing. One of the important things about putting the two together is the environment that one creates. You create a purpose-built environment. I know the MoD is looking for a step-change in training. This is a once-in-a-lifetime opportunity to create a purpose-built environment, and that is one thing that it seems to me St Athan can offer.

Andrew Davies: In one way we are looking on this as an inward investment, as I said; and one of the points we have made to inward investors is that the quality of workforce in Wales is second to none. Also, the attrition rate, the turnover of staff, is very, very low. If you look at any industry, whether manufacturing or the service sector, the turnover of staff here is very low, and that is a very significant factor for in this case the MoD.

Q33 Hywel Williams: You have already mentioned the advantages to St Athan and Wales in general if METrIX were successful. Looking at the downside; if it were successful only on one project, or perhaps neither, what would be the knock-on effect for St Athan?

Andrew Davies: We would hope we would get both, but obviously either project would be very welcome indeed. Obviously, getting neither of the packages would be regrettable, but we are looking at it upon the basis that we think METrIX is the best one and we will continue to support it.

Mr Swallow: I will just repeat one of my earlier comments about our optimism with regard to the aerospace development in that we have plans for every situation. We know exactly what we will do in every situation. We will have a lot more land for aerospace if we do not win any of the packages. Regardless of that, we remain very confident about the aerospace opportunity and certainly from my perspective we have a very big opportunity to own something like 1,300 acres in such a strategic location. This is a real opportunity and whatever happens as the outcome of the decisions I can assure you we will have plans and proposals and continue our work to attract new employment into the area.

Q34 David Davies: What representations have you made to the MoD about the METrIX bid?

Andrew Davies: The First Minister and I have had a series of meetings, conversations, exchanges and correspondence in terms of saying that in our view

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the METrIX bid is the best bid not only for Wales but it will be good for the MoD and the armed forces.

Q35 David Davies: Have either of you or the First Minister been able to meet directly face-to-face with ministers in the Ministry of Defence?

Andrew Davies: I understand that the First Minister has met the Armed Forces Minister. I have certainly had meetings and conversations with Wales Office ministers as well. I have written to MoD, supporting METrIX.

Q36 David Davies: The Welsh Assembly is quite rightly taking the view that they want to support this bid. How do you think you are going to be able to work with the MoD and UK Government to achieve it?

Andrew Davies: I think we were very pragmatic. As I said, I disagreed with the original decision about the Tornado work not being at St Athan. However, the bigger prize actually was being able to attract even more aerospace business into St Athan. We identified the DTR and we went for that opportunity as well, and we will continue to do so. I see my role, as Minister, to make sure that we get the best deal we can for all the people of Wales. That is why we are backing the METrIX bid.

Mr Swallow: In all fairness to MoD, we worked very closely together, both before and after the DARA decision. They supported the development very strongly. We meet regularly and we have a steering group, when ATC Lasham came to St Athan it involved them moving some of their aeroplane maintenance work out of the Twin Peaks building at short notice to enable ATC Lasham to come in, and they were very accommodating. From my perspective on the ground, relationships remain very strong, and we are still working very strongly together. It is important to recognise that that original vision—the MoD is still working with us.

Q37 David Davies: Do you know if any of the other regional development bodies within the UK are lobbying the Ministry of Defence in a similar way perhaps to the Welsh Assembly but for other bids for their own reasons? If that is the case, do you know whether or not the Welsh Assembly, the Welsh Assembly ministers, are gaining the same access and having the same number of meetings with Ministry of Defence officials as representatives of other regional groups that may have a different interest?

Andrew Davies: I cannot really comment whether there is any lobbying on behalf of alternative bids, but, clearly, I am confident that there will be a level playing-field and that the MoD will be making a decision on the robustness of the business case. That is something we fully expect the MoD to do and are quite confident that they will.

Q38 Chairman: In your communications with the Ministry of Defence, the Welsh Assembly Government has obviously been asking for assurances about fairness and transparency. What evidence do you have that this will be the case?

Andrew Davies: Certainly the way the whole thing has been dealt with by the MoD's project team gives me confidence that the bids are being assessed objectively and on merit. David may want to give more detail because he deals with them on a day-to-day basis. We have said to the MoD that we think the METrIX bid is the best one there is; that there is huge capacity; the fact that the MoD has invested significant amounts of money into the hangar and obviously created a facility which we think will be part of the solution for the DTR bid. If the METrIX bid was not being taken seriously, I do not think we would have got this far. Certainly, all the evidence is that it has been done very objectively.

Mr Swallow: Yes. I know that there is a very large evaluation group within the MoD and that this has been scored on an objection basis against criteria; and there is a huge amount of work going on. It is a huge, colossal task to evaluate this. I have assurance—from what the Minister has said—from my experience the work that they are doing indicates that they are undoubtedly taking things very seriously indeed; with £15 billion investment they have to take it very seriously indeed. I feel confident from the discussions I have had that they will do this in an objective way.

Andrew Davies: I believe you will be meeting MoD ministers as part of your work, and I am sure they will give the same assurance.

Q39 Chairman: I am reassured that you are reassured! You will also be reassured by the fact that although the Secretary of State for Defence has it in his gift to take the decision, the process will need to be reassured or give reassurance to the Treasury. Can you say something about that and how pleased or reassured you are about the fact that the Treasury will be part of the process?

Andrew Davies: I think that is a very significant factor. Clearly, the METrIX bid is a more radical approach than maybe the other bids for DTR; but it is clear that both the Treasury and the MoD want to have a step-change in the way that defence training is delivered. They are clearly looking to get increased value for money, as well as a better outcome. All the indications are that the METrIX bid presents quite a radically different approach; and I am confident that is an approach that the Treasury would value.

Mr Swallow: The METrIX bid is very much based on best value and achieving the vision the MoD have for a 21st century training environmental and achieve the best-value solution.

Q40 Chairman: We were very impressed by the strength of feeling and the quality of evidence given by your Assembly colleagues earlier today and by not only the range of their evidence but the way in which they emphasised the quality-of-life issues that the bid has. Would you like to add to that yourself and explain why you think Wales has a special contribution to make?

Andrew Davies: I am not surprised that you had that clear message from my colleagues; there is very much a bipartisan approach, and all-party support. As I said at the METrIX bid launch in the House of

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Commons, it is not just about what is good for Wales, but it is about what is best for the MoD. I mentioned earlier on that the quality of the workforce is second to none, and you can get that testimony from manufacturers and inward investors generally that are involved with the service industries, that the quality of the workforce is second to none. There is a very low attrition rate of staff, but over and above that the quality of life in Wales is also second to none. There is very beautiful countryside and a very good education system, with access to leisure facilities such as the Millennium

Centre and the Millennium Stadium. The quality of life is second to none, as I say. There is access to London, which is only two hours away, with very good service links; and increasingly there are good links by air from Cardiff Airport. The whole offer in terms of an inward investor is quite unique. It distinguishes it from any other.

Chairman: Minister and Mr Swallow, thank you very much for your evidence. It has been extremely helpful to us and will certainly help us in framing our questions to the Ministry of Defence when they come before us shortly.

Taken before the Welsh Affairs Committee

on Tuesday 23 May 2006

Members present

Dr Hywel Francis, in the Chair

Mr Stephen Crabb
Mrs Siân C James

Mr Martyn Jones
Albert Owen

Witnesses: **Chris Bryant**, a Member of the House, and **John Smith**, a Member of the House, M4/St Athan Parliamentary Steering Group, gave evidence.

Chairman: Good morning. Mr Stephen Crabb wishes to declare an interest.

Q41 Mr Crabb: Yes. The Chairman has indicated to me that I have to put on record that I am a Vice Chairman of the Parliamentary Steering Group for the M4/St Athan's bid. I sit as an impartial member of the committee this morning.

Chris Bryant: There is no pecuniary interest involved in that, I assure you.

Q42 Chairman: I should also put on record that generally speaking there is cross-party support across the whole of South Wales and beyond for the Metrix bid. That ought to be placed on record as well. Could I begin by asking you, for the record, to introduce yourselves.

Chris Bryant: I am Chris Bryant, MP for the Rhondda. I am the Chairman of the Parliamentary Steering Group we set up to try to drive forward the support for the bid across Wales and further than that.

John Smith: I am John Smith, Member of Parliament for the Vale of Glamorgan. I am the Secretary of the Steering Group. I am a member of the Defence Committee. I was a member of the NATO Parliamentary Assembly for eight years and Chairman of the Departmental Defence Committee within the Parliamentary Labour Party and a former member of the defence team.

Q43 Chairman: Could you explain the background to the group, its membership, and also the reasons for its establishment?

Chris Bryant: Very simply, we are a group of MPs. There are similar groups in the Welsh Assembly and to gather local authority support. We are a group of Members of Parliament from all four political parties represented in Wales. I think nearly every MP in Wales, who is not a minister and is therefore precluded from taking a view, is giving their support to our group. We also include Members stretching into England because the whole idea of setting the group up was that we wanted to show that there is very strong political support across ideology, across different kinds of constituencies, both rural and metropolitan, both north Wallian and south Wallian, valleys and cities, and stretching into the

work zone of England as well because we believe that that support will be an essential part of delivering the outcomes that the MoD needs.

John Smith: I certainly thought that it was vitally important that this campaign be seen as a much broader campaign than just a Vale of Glamorgan campaign, and that is why I was delighted that Chris Bryant offered to take chairmanship of the group and lead the group. That does illustrate that the benefits from this investment go far beyond the Vale. It is very important that I did not want it to be seen as some sort of *quid pro quo* for recent disappointing decisions about DARA. I think that this whole issue should be determined on its merit and its merit alone and on what is in the best interests of the Ministry of Defence. I thought that the best way of doing that was to have an all-party group that extended right across Wales and into England.

Q44 Albert Owen: As you indicated, I am one of those that is a supporter of the Welsh bid and of the group. What avenues do you believe are open to you to lobby ministers on behalf of Metrix?

Chris Bryant: In a way, I feel that is a trick question because I do not think we should be lobbying ministers. I think ministers should make the decision that is in the right interests of the MoD, because that is in the interests of every taxpayer across the whole of the UK. We believe, quite simply, that we have the best bid for the MoD. I know you have looked at some of the background yesterday already, so you know quite a lot of the detail about the bid. I think one of the points that we would make is that this is a real opportunity for the MoD to advance in an enormous step change its training provision across all three services. There has not been much tri-service training in the past. There were significant changes a few years ago at Shrivenham when some of the training in some of the MoD started to be done together and people are beginning to see the advantages of that there. To do that in logistics, IT, engineering, even in things like photography and languages, will not only save money for the MoD but it will also mean a dramatic change in the way that it is able to deliver training. As somebody who represents a seat that produces a large number of young men and women into the Armed Forces, I know how important that training is. Everything that we can do to improve that is for the better. I think John and I wholeheartedly support the process

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that the MoD is going through. We think that it will end up saying very clearly to Ministers that this is the best bid for the MoD, for the Armed Forces, and therefore for Britain. It is not about politics.

Q45 Albert Owen: May I push you a bit on that? Other areas would say exactly the same. The question really I am asking is: why have you formed the group and why are you arguing so strongly? I understand what you have said in your response, but other areas could say that too. What is best for Wales from this bid?

Chris Bryant: Other areas can say that they have got a good bid. Cosford is the main exemplar. There nobody is bidding for both contracts, apart from Metrix to be based in St Athan. The advantage of that for the MoD is, first of all that you are building new from scratch. The only bit of building that we would be using that already exists is the brand-new unrepeatable hangar, which will be essential to our bid, whereas in Cosford they are looking at refurbishing dilapidated old buildings. I think that provides a real difficulty for that bid. On top of that, you have the significant financial advantages of bringing the two on to one site because it releases land all around other parts of England, which the MoD might well want to be selling for other purposes, not least for housing. That has economic advantages to the MoD. Also, as I understand it, the Army is intrigued by the idea of putting up a super garrison based at Cosford. That seems possibly a good idea to us. That is not an option that would be available in terms of St Athan.

Q46 Albert Owen: To John Smith then, from what Chris Bryant has said, lobbying Government is being done, but do you see your aim as a group primarily to promote the lobbying of Government or promoting the bid?

John Smith: It is both. The lobbying that has taken place has been purely arguing on the merits of the Metrix bid, having looked very closely at what the Ministry of Defence has set out as its specifications and terms of reference, for this major change in military training provision. We have argued consistently at every level of Government that this offers the best solution for the military, the best value for money, and the best location for such a site. Since the Strategic Defence Review in 1998, we have seen a radical transformation right across the military. We have seen a transformation of military structures to meet the new security threat, the post Cold War security threat, with restructuring of regiments and squadrons and sea groups. We have seen a radical transformation of logistics, the support for the three services, many of them brought together. We have seen new platforms: the Eurofighter, the Joint Strike Fighter, the large carrier for the Navy, and the light land vehicles for the Army—a huge transformation and change. The one area where we have not seen that change is in a radical transformation of military training. By and large, we are providing phase two, that is skills training, across the three services in legacy facilities, Cold War facilities. They have been excellent, I have

to say, but that is not what the military needs for the twenty-first century. We need flexible, modern training using modern media, modern technology and a new student-centred culture. It is important, we believe, that that can only be provided on a new build, greenfield site introducing a new culture. That is why we think we have a very strong bid.

Q47 Albert Owen: You have indicated the strength of promoting the bid, what the group stands for and how it lobbies. What has been the feedback thus far from the MoD?

Chris Bryant: We have not been speaking directly to the MoD. We have been making sure that ministers know what we are up to and know the level of support and the unique aspects of what we are able to provide at St Athan. One of the other cultural things that we are able to provide is that South Wales has always been an enormously supportive environment for the military. That is not just in terms of the large numbers of Welsh men and women who go into the Armed Forces, an almost 50% higher proportion than we are a proportion of the population, but also there has been a general acceptance of the military. That means that we would be able to provide a key thing to this training, which is a strong military ethos in a community that is wholly supportive. We have been doing some work with the local community. You would normally expect a certain amount of opposition against a development of this kind. We have had 99.5% response in favour. You might say, "Oh, well, that is bound to happen because we are talking about a £14 billion investment in the South Wales economy. We are talking about jobs. We are talking about revitalising areas of an economy stretching all the way across from West Wales to Bristol and beyond". I had expected to be within the 80-85% figure of support; we are at 99.5%.

Q48 Albert Owen: I take you back to the question with regard to the MoD. Do you think you should be approaching the MoD to get their feedback so that you can perhaps adjust the strategy?

Chris Bryant: No. There is an integrated project team which, under a brigadier, is going through the whole process of assessing the two bids. All the documents that we had to provide for our bid reached 100 feet. We are talking about a 25-year contract, every single element of which has to be analysed. That is what they are going through now. We believe that it is right for the MoD to assess that on financial and training criteria, and not on any political considerations and that it would be wrong for us to interfere in that process. We know that Metrix are talking on a daily basis to the MoD and we talk on a daily basis to Metrix. Our job is to raise support for the bid locally, nationally across Wales, and to make sure ministers understand the unique aspects of our bid.

John Smith: We have not lobbied the Ministry of Defence. We have sought assurances that the evaluation process will be robust, fair and objective. That is really what we are arguing for. We are confident that if the process is objective, then our

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scheme will win on merit, based on what the military wants, how much it is going to cost the taxpayer, and where the best location is. In that sense, we think direct lobbying to the Ministry of Defence in fact could be counterproductive. You would only seek to do that if you were not absolutely confident that this consortium of excellence was not in a position actually to deliver what the Ministry of Defence wants. This puts together one of the biggest training providers in the world with a tried and tested track record. It puts together one of the great innovators, QinetiQ, working in partnership with Government over many years as part of Government and as a private company, and that is led by an individual who has a track record of delivering to the MoD some of the transformational changes I was referring to earlier. So we are confident that that lobbying is unnecessary.

Q49 Albert Owen: I understand the confidence that you have and you are obviously displaying that today. I share much of that confidence. What worries me is that if there is a fight and they are both even, then that lobbying to the MoD might make a difference. I would suggest, although I have heard what you have said, that you make that bid either through yourselves or through Metrix, who are liaising with the MoD. There are two other points. Chris Bryant said in his opening remarks that this is about all of Wales, beyond the environment of the Vale of Glamorgan, for example. Do you see any links between the civil aviation industry in Wales and indeed in my own constituency RAF Valley which have the skill base there so that they can be satellites?

John Smith: Absolutely, and we have embedded skills, high quality skills, in this community. There is a long tradition, for example, of aerospace activity. We have the British Airways maintenance facility, aerospace facilities in Llantrisant, General Electric right across the South Wales valleys, and of course direct links with North Wales and the Airbus and Broughton. We have local colleges that have a history of excellence in providing engineering skills. Barry College of Further Education has an aeronautical engineering department that used to support the DARA apprentices and the RAF apprentices before that. Swansea University has started a degree in aeronautical engineering, and they have provided software for the design of the new generation of Airbus aeroplanes. Oh, yes, we see this as an all-Wales network of support for a centre of excellence in military training. A large chunk of that will be aeronautical engineering.

Chris Bryant: We have the skills that they need in Wales. That is very clear. There is a whole range of industries, both in South Wales and around the whole of Wales, which will contribute absolutely essentially to making this work. Whether you are talking about Oshkosh building tankers which are being used by the armed forces around the world, about General Dynamics making BOWMAN, bits of ejectors seats being made in Llantrisant as well, there is a whole congregation very close to St Athan and then, as well as that, you have elsewhere in

Wales and in the south-west of England additional skills. We know that there are people who have been working at St Athan recently who have gone to work further afield. In fact some of them have gone to Germany where their skills can be used at the moment and they would be desperate to come back. We also know that the Vale of Glamorgan is a very attractive place for people to relocate to. An important point is that some of the people who will be providing some of this training will be people who will be relocating from England. Sometimes we do have to change perceptions about Wales. Somehow people think it is a very long way away. We have done all the distances. St Athan is exactly the same distance from Whitehall as Cosford and it is closer to many other important MoD sites than Cosford is. We all know of course that we need to make sure that everybody else in the MoD, ministers as well, know that the Vale of Glamorgan is both a stunningly beautiful area and that it has great access links to the rest of the country, both air, rail and road, and it has at least two and a half great cities on its doorstep.

Q50 Albert Owen: I am very pleased that you speak about an all-Wales bid. When you talk about distances, Anglesey is only 20 minutes away by air, as is north-east Wales and Broughton. I know the skills need to be maximised.

John Smith: The planes will fly straight into this facility—there is an airstrip on the facility—or fly to Cardiff International Airport, which is within a four-mile radius.

Chris Bryant: There is a strong possibility, though this is not part of the consortium at the moment, that some of the building work would actually be done by other contractors from North Wales, that those that have already been building some of the other MoD prefabricated buildings may well be involved in the bid as well.

Q51 Albert Owen: You mentioned the link with further and higher education establishments. That is important. One of the issues in a previous inquiry we had into manufacturing was that we need to get into the schools pretty early so that the youngsters have a career path. In talking about cooperation, do you work closely with the National Assembly All Party Group, which gave evidence to this committee yesterday?

Chris Bryant: Absolutely, and I think again we have been talking about the unique aspects of what we have to contribute but one of the exciting possibilities that going to St Athan gives the MoD is that you have local authority, Welsh Assembly and parliamentary colleagues all working on an extremely united basis. In terms of planning decisions and making for swift processes, we think that is a significant advantage.

John Smith: It is very much so. This is a private/public sector partnership. One of the unique features about our bid is the cooperation at every level of government. We can effectively underwrite delivery of this facility over the next 20 to 25 years. That allows us to do two things. One is to change as demands from the MoD change over that very long

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period of time. Those members of the committee who are familiar with defence issues will know that the biggest single problem we face is rapid change in requirements and the ability to be agile, responsive and flexible. We are able to do that over time in terms of the level of provision the MoD wants and its cost over a long period of time and, just as importantly, we are able to change that to meet the training needs of the Ministry of Defence. We have huge skill shortages in key areas: logistics, engineering, medical support, information technology and intelligence. That is a large capability gap that can only be met by this new training environment. By working together, we are able to provide it.

Q52 Albert Owen: To summarise on the partnership with the Assembly All Party Group, you regularly meet and discuss this issue with one voice?

Chris Bryant: Yes.

Q53 Mrs James: As an M4 MP, I am very supportive of the bid. As local Members of Parliament, what is your assessment of the withdrawal of DARA from St Athan and the wider effects of that?

Chris Bryant: I will go first but John has more immediate knowledge. The reason I wanted to take part in this steering group was because I know, as MP for the Rhondda, that there are lots of people in the Rhondda who work at St Athan or have worked at St Athan in the past, or for that matter have been working at GEAE in Llangernyw and were laid off after September 11th with the decline in the buying of aeroplanes in the United States of America in particular. So I know that there is that skill base. I also know that there is an economy that wants the work. Many people want those opportunities and they have the skills. My constituency secretary's husband was not the only persons disappointed by DARA going but that is why I want to make sure that we bring this investment to South Wales. It would make a dramatic impact.

John Smith: An important point has been made and that is that a lot of the travel to work area to St Athan to DARA was north-south and not west-east, coming very much from the valleys immediately above the Vale of Glamorgan. There is no question that my disappointment with the loss of jobs at DARA is on record and my belief that the decision was a wrong decision is on record. I have to say that was a wrong decision in terms of what is in the best interests of the military, not in terms of the loss of skilled jobs in my constituency, as bad as that is. Members of the committee may be surprised to hear that managing the contraction of jobs at RAF St Athan has not been as bad as we at first expected, largely because these skills are so sought after. A lot of people have been able to relocate and provide these skills elsewhere. The relocation of the fast jet work to the east of England has resulted in the recruitment of people in my constituency going somewhere else to do work that they were already doing. We have skilled engineers commuting to Toulouse to work on the Airbus. The really worrying impact of the decision to transfer this work

by 1 April next year is the loss of this highly skilled base to the Welsh economy. That is a huge loss in fact. What we need in Wales is high value-added employment. We need state-of-the-art industry and technology. We already have a head-start in aero engineering in the private sector in North Wales and in the Ministry of Defence sector in South Wales. The new training academy, because it is in part aeronautical engineering based, will present Wales with a huge opportunity to re-use those skills and expand them. The biggest loss, in my opinion of the result in DARA is the loss to the Ministry of Defence in terms of future efficiency, value for money and debt support capability.

Q54 Mrs James: Certainly the reason I have become involved is that I have had people in my constituency lobbying me. They worked in DARA and have much regretted the loss of those high skilled jobs. St Athan has already won the contract for the Special Forces Support Group. While I am sure you welcome this development, what level of new activity do you think is needed to replace DARA?

Chris Bryant: For my money, this is not about replacing DARA; it is about an opportunity to the MoD to provide a step-change in its training and to get the best value for money and best quality of training that is possible. I know the impact that this will have on the local economy because it is not just about the specific people who are employer there in the range of 5,500 or maybe up to 6,000 people; it is not just about the people who would be employed building the thing, something in the region of 1,000; it is about all the money that those people then go on and spend in the wider economy, in shops and all there rest of it. We also know that we have the infrastructure, in terms of education and the health service and so on, to be able to provide for that influx of people because we know that there has been that number of people working there before. For my money it is not in any sense about replacing DARA but I do not see that the decision about the Special Forces going there is any kind of sop. I know that some people have been a bit cynical about this and said, "Oh, we have got to give them this". I am not interested, for that matter, in the MoD suddenly saying, "We have been told it is six of one and half a dozen of the other, so I know what we will do: we will give half to Cosford and half to St Athan". I believe that it is in the MoD's best interests to bring both contracts together at St Athan. The only place they can bring them together is St Athan, and that is what they should do for their own purposes. There is one tiny thing that would bring as an added benefit to Wales if we do that. At the moment you may know that part of the bid is a large provision of leisure services outside the perimeter fence, and so therefore available to the whole of the local community. If we only have one of the two bids, that does not amount to the necessity for having a swimming pool. If we have both, then there is the strong likelihood that we would have to have a swimming pool. If we had a swimming pool, it would be there in time for the 2012 Olympics and could very well be a very good

training camp a year before the Olympics, again reinforcing that whole strength of the local economy in South Wales.

Q55 Mrs James: I am very much for the wider economy along the M4 corridor.

Chris Bryant: Absolutely, and there will be people working St Athan but who will be living in Swansea, Llanelli, Treorchy, Bristol and the rest. There will be people coming to bring their specialist skills from North Wales and from further west.

John Smith: In my opening statement, I sought to make it absolutely clear that I did not want to see this as a trade-off for jobs lost in a typical political fudge. I want to see the right decision taken, and the right decision for the Ministry of Defence, my primary concern in this matter. RAF St Athan was the largest military base in the United Kingdom at 1000 acres. The Special Forces Support Group moved in; that is not additional forces but replacing the previous regiment, the Welch Guards. The numbers are roughly equivalent. We could still accommodate the two academies, the two packages, for the total DTR bid on 600 acres of St Athan and we would still have 200-300 acres available to continue to develop the aerospace park. It is that synergy that makes it so attractive. You would have young men and women who are the cream of British youth, because most of them would be going to the academy shortly after doing their initial training, their initial square-bashing. They would come in to an environment where there are Special Forces on the one side and aerospace industries which we have already attracted (ATC Lasham and others), so that there would still be that activity and a state-of-the-art, brand-new facility. I do not think you could offer the young men and women of this country any better start to their military career, especially when you bear in mind that a big problem we face is not just the recruitment of young men and women in this country into the Forces, but the retention and quality of life issues for those youngsters. The duty of care is huge and it is much better to provide it in this facility. My simple answer is that we have plenty at St Athan to meet all the requirements.

Q56 Mr Crabb: I think you have already summarised very persuasively the major strengths of the Metrix bid. In terms of helping the committee understand a bit more about the Metrix brand, can you describe briefly who the major partners are behind the consortium, what their unique contribution will be and whether they are engaged at all already in the Welsh economy; do they have knowledge of the Welsh economy and the distinctive characteristics of Wales?

Chris Bryant: Before that, there is one other element of the impact on the Welsh economy and, for that matter, the Welsh workforce that this will have. We are talking about highly skilled jobs. Many of the skills are transferable skills that could be used in the civilian environment. When you are talking about communications (mobile telephony, mobile communications, IT, engineering, logistics, even photography) these are all elements which people

can then take on afterwards. The days when the military could take somebody in, use them for a few years and then, once their body was not working well enough any more, chuck them out, with all the social problems that leads to, and we know historically there have been for far too many British veterans, are long past. The constructive use of people both while they are full-time regulars but also then perhaps when they become reservists or whether they join the TA afterwards will have a significant impact on the skills level across the whole of the economy. If a young man or woman in the Rhondda going to school thinks that developing their IT skills for use in the military be a really sound career move for them, then I think that that double gain for everybody. Metrix is a consortium that includes some of the biggest players in their respective fields: Raytheon, the world's biggest provider of military training; QinetiQ, and I am sure all members of the committee already know that it is the part of the MoD that has recently been privatised and I think has an extraordinary reputation for innovation and imaginative investment decisions; Land Securities Trillium, which is the largest owners of development land in the UK. Just getting those three round the table has been interesting. When you add the educationalists on top of that, Nord Anglia, the Open University, City and Guilds and then some of the people who will be providing the service to make sure that the buildings work and all the rest of it, Sodexo and others, it makes for a very important and almost unique consortium.

Q57 Mr Crabb: Can you describe in a bit more detail what you think the consequences would be if the bid was successful in attracting only one part of the package and not both options together but just perhaps the smaller option? What would be the consequence for St Athan?

Chris Bryant: It is important to say, first, that the two contracts, for European regulatory reasons, have had to be kept at the moment separate. So the consortium itself is not able to argue the case for combining the two together. We can because we can see the significant advantages. In terms of economies of scale, if you really want to change training provision in the MoD across all the services, you can only do that by binding it together and creating a new training culture which is very hands-on. It is about being in the classroom, talking about a military aircraft and how it works, going out to the military aircraft in the hangar and then going back into the classroom, all in purpose-built, brand-new facilities. It is only if you are able to deliver that across the whole swathe of the two contracts that you will really be able to make that step-change difference in the MoD, we believe. We also believe that there will be financial advantages.

John Smith: I reinforce that point. We do not really want to consider just winning one package and not the total of the packages. As I am sure the committee has gathered, we are convinced that combined this is a unique opportunity for a step-change in the provision of military training in this country. We could accommodate both and/or either of the

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academies. It is a 600 acre development for the two academies. It would be roughly a 350 acre development for the larger one, the School of Aeronautical Mechanical Engineering and Computing; it would be roughly a 250 acre development for logistics, languages, photography, military police and security. We could still accommodate other developments within the site. We can accommodate those options. We think it would be wrong at this point to argue for either one because we think that one of the biggest strengths of our bid is, as Chris has said, that we are the only bidders that can offer a single site solution and the huge economies of scale which come with that.

Chris Bryant: It is worth saying that this consortium did not come about because somebody who happened to live in St Athan said, "I want to get a great big contract. Come here". It happened because somebody spotted an opportunity and went and looked at every single possible site in the UK to decide which was the best, and decided on St Athan. That is where our consortium springs from, and that is where I think the strength of our argument springs from. We have looked at everywhere else and we know that St Athan is the right place.

John Smith: The Chief Executive of the Metrix consortium is Mike Hale, who was the Chief Executive of Admiral and, as I have said, he has a track record of delivering for the Ministry of Defence on time, within budget and to the standards required—so both bids.

Q58 Mr Crabb: Are you satisfied that the local authorities adjacent to St Athan are undertaking all the necessary planning work they will need to do, assuming that both bids are successful, in terms of impact on the local housing market and the local jobs market? There would be not just highly skilled jobs on site but there would also be a requirement for a large pool of semi-skilled and lower skilled jobs, in terms of catering facilities, management cleaning and that kind of thing?

John Smith: That is a very important question. We have the total support of the local authority, which is the statutory body for planning and economic development. They produced the planning brief that has not only been passed by the cabinet of the Vale of Glamorgan Council, but it has been passed unanimously by the whole authority. That gives us a huge advantage again, because it means that many of those planning and infrastructure considerations have already been addressed by the body that will be responsible for delivering them underwritten by the Welsh Assembly Government. We are not going to have problems with green belt issues or planning issues every time a new building needs to be built, or whatever. It is very important that not only do we have the backing of the local planning authority but we have the backing of all the committee councillors in the Valley of Glamorgan in the immediate vicinity of the area involved. When Metrix went out to consultation, having displayed their public plans a fortnight ago, the local response was overwhelming and unanimous. Where those issues could become

problems and challenges in other circumstances, for us in St Athan, the Vale of Glamorgan and South Wales, they will not be.

Q59 Mr Jones: By way of summing up really, colleagues, how best do you think Wales can be promoted to the MoD as the site for the new military academy?

Chris Bryant: When we were first considering this in November/December last year, I suppose it is fair to say that we were slightly conscious that some West Midlands MPs were making quite a bit of fuss about Cosford. I think it would be fair to say that, would it not? We have seen a bit more of that this week as well. We were keen to make sure that if any ministers in the MoD had a Cosford chip on one shoulder, they at least had a St Athan chip on the other shoulder. I guess we all know that sometimes we have to abolish some myths about working in Wales. We have to make sure that some of the people who make the decisions in Whitehall fully understand quite how things are. For instance, one person at one point raised the point: would there be any skilled workforce in South Wales? Then I reeled off the list of the businesses in Wales that are already engaged in precisely this kind of work. He said, "Oh, so there is actually quite a hub of engineering and aeronautical businesses already?" "Yes, there is". We have been trying to overcome some feelings that Wales is a very long way away. There is a whole series of things like that where I think sometimes we do have to push hard to make sure that we are on level pegging. I think that over the few months we have done quite well at that. I do not know whether you yourself have had an opportunity to see the video presentation that Metrix has put together. It is extremely impressive. We have shown that to the previous Secretary of State for Defence and the previous minister who was in charge. We have every intention of making sure that the present Secretary of State for Defence and the Parliamentary Under-Secretary see that as well. To some degree, the vision that we have seen and we know about cannot quite be imagined until you see the picture of the whole of the site redeveloped almost as a new city/town with real military presence. That does not mean lots of people standing on corners with guns. What I mean by that is that the buildings have a presence about them and anybody in the military would feel proud to work in and from them. We also have plans to re-site some of the military museums, which are presently with other training sites around the UK, and bring them together into one military museum. I think quite a lot of people in South Wales would like to visit that kind of museum, not least because there is that really strong support for the military in Wales.

John Smith: It is simple. If you look at what the Ministry of Defence say they want and at the Strategic Defence Review, that is to say what they have been wanting for some time—freeing up resources on the front line, a reconfiguration of our resources and our forces, especially our human resource to meet the very dangerous and unpredictable challenges that we face throughout

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the world—I think St Athan offers the military the product they say they require in terms of training. It is not legacy training but a new culture. I think we offer the price and that, put together, our bid is far and away more economic with the economies of scale. Finally, location: we have already mentioned that we have countered some of those views and they are views I came across in a previous incarnation some years ago when I was responsible for trying to attract inward investment into South Wales from London and the south-east of England. I am fully aware of some of the misconceptions and misgivings, but we were able to produce information showing access from Land Command, Sea Command, MoD Whitehall, Strike Command and Abbeywood Defence Procurement logistics. It is far easier to get to us than it is to get to some of these other locations but I think there is this added dimension. I think we win on all those three points. Let me declare another interest. I am an ex-serviceman. I joined as a young lad back in the 1960s. I was first posted to Swindon in Lincolnshire, and it was a cold, freezing, wet day. I arrived there with a few bags, a little bit lost, very young, and we had the most disgraceful surroundings. I was put in a barrack sharing with 20 other individuals I had never met before. I was stuck in an iron cot to sleep in with a hard mattress. It was a real shock to me in those days. Times have changed. If we want to attract the high quality youngsters to do the skilled work in the digital battlefield of the future, not the analogue battlefield of the past, we have to provide the environment. Where else in the United Kingdom can we say to young serving men and women that you can go surfing in the morning, mountaineering in the afternoon in the Brecon Beacons, and you can socialise in one of the most vibrant and fastest growing cities in Europe all in the same day? I do not think there is another place in the country where you can do that. I think we will have greater success in both recruiting and retaining these young men and women if we choose St Athan.

Q60 Mr Crabb: I have one final question. Have you picked up any intelligence on how the relevant regional development agency for the Cosford bid might be supporting them and helping them make the case for their own bid and promoting them to central government? Do you feel that the Welsh Development Agency have the skills of our own development agency to support this bid?

Chris Bryant: The WDA has been very supportive. Indeed, so much so that some people supporting the Cosford bid have complained of foul play. We would make it absolutely clear that we do not expect the Welsh Assembly to provide any form of state aid at all, which would of course be illegal under European rules anyway. What we are able to provide, by virtue of our governmental structures in Wales, is a swift process. We are able to ease the process of bringing this to be, which is why we are so confident. That of course in itself provides some economic financial advantages to us. It is not because we are having money pumped into us from some illegal state subsidy; it is because the Assembly,

working now with the properly integrated WDA and with ourselves and with the local authority in the Vale of Glamorgan, is able to deliver in a way which I think is much more difficult to achieve in England.

John Smith: The only thing I would like to add is that I think we should recognise the role of David Swallow, who has fronted the WDA bid and the initial contacts with Metrix to try to get them interested in this whole project. I think we should be proud of what he has done.

Chris Bryant: Yes.

Q61 Chairman: Could I ask the last question without labouring the point? I have listened very carefully to what you were saying about fairness and transparency and the process. Have you had assurances from the Ministry of Defence that the process will be fair and transparent?

Chris Bryant: Ironically enough, we had arranged for a meeting because we are absolutely certain that at some point in this process the Treasury will take a significant interest. We are not going to be spending 14 billion without that being true. We had made initial contacts as part of our soft lobbying, Mr Owen, that we have been engaged in to go and see Des Browne when he was First Secretary at the Treasury. We had every intention of still seeing him but in his new capacity. I have spoken to the new Parliamentary Under-Secretary, Tom Watson. I know some people were anxious in Wales because they thought that having had a Welsh minister in charge of the original decision and now going to a West Midlands minister, somehow or other this would disadvantage us. The minister has made it absolutely clear to me that, as far as he is concerned, he will make sure that the MoD gets the best deal for its money and the best training for its money. That is precisely the language that we have been hoping for from any minister, and we are very grateful to know that Don Touhig is now a very enthusiastic supporter of the Metrix bid.

Q62 Chairman: That implication of what you have just said is that, whilst the Secretary of State for Defence will have the apparent final decision, you are reassured that the Treasury will have a major role in the process?

Chris Bryant: No, I do not. I am very confident in the MoD's own processes. You can have lots of questions asked in the House of Commons and much paid for editorial in West Midlands' newspapers but, in the end, if the quality of the bid is not sufficient to deliver it, then you will not win. We believe that what we have been trying to fight for is an open transparent fair process that simply looks at the merits of the case. We think, we may be proved wrong, that that will deliver for St Athan for the simple reason that we believe that we have the best bid.

John Smith: I would agree with all the points that have been made. We received an assurance from the previous Secretary of State that the bid will be open, fair and robust. I received assurances on the Floor of the House that the bid will be open, fair and robust. We have received numerous assurances from MoD

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officials that the process will be open, fair and robust. However, I am a bit of an old lag. We are dealing with the Ministry of Defence, which is a huge organisation with a lot of vested interests within the military. We know that the history of Ministry of Defence procurement has not been entirely satisfactory over many decades now. My point is that the MoD and the military top brass in particular are quite capable of making the wrong decision. I was speaking to a former Minister of Procurement back in the 1960s and explaining how confident we were about the bid. He reminded me that many good ideas were littered with the machinations of the military top brass. I think there is a slight concern, Mr Chairman, but I think it is a concern that it is worth registering, of what you might call institutional inertia. Remember, the military is a very large bureaucracy and quite capable of defending its position, the RAF in particular in this case. When we propose the sort of transformation that the MoD wants for training, I have no doubt in my mind there will be certain individuals who will not want to see such radical change and they will want to retain legacy provision, which has been excellent in the past but it is not what we need for the future. I am confident, from the assurances that we have received, from the campaign the M4 group has run, and most importantly of all from the strength of our bid, that on this occasion the right choice will be made.

Q63 Albert Owen: Notwithstanding the merits of the bid but on the theme of fairness, do you not agree with me that we need fair funding across the United Kingdom when it comes to military expenditure and that Wales in the past has missed out to other nations and regions of the United Kingdom?

Chris Bryant: My simple point is that Wales is roughly 6% of the population and we produce 9% of the Armed Forces. There are five lads in my street in Porth in Rhondda who are in the Army. The latest survey done by the Coalfields Regeneration Trust

showed that the preferred career for a young person in a former mining constituency is the Armed Forces. For me, there is an element of fairness about that, that it would be only fair for Wales to get its fair share of that expenditure, but also that in itself delivers for the MoD in terms of recruitment and retention. It has been shocking how few of our forces have been based in Wales when we produce so many of our forces. That is why I think this will make a significant step-change difference.

John Smith: The figure of 6% of the population being 9% of the military is the highest proportion *per capita* of recruitment. The largest absolute number of recruits actually comes from the West Midlands. We know that the Army is very keen to locate the super garrison in that region. Of course, any sites that become vacant would be very attractive facilities. So there would be back-fill if our decision was reached, but we have nothing like 6% of the defence industry investment in Wales. I think that is a very real issue for two reasons: one is fairness; the other is that I do not think it created a healthy situation when the Ministry of Defence reduced the footprint disproportionately of military assets and personnel. I do not think it is healthy not to have the military embedded in the community right across the UK. You get much more support for what our military does by ensuring a good spread of assets and facilities. They still have some of the highest approval ratings of any other professional group in the country, but they are declining slowly. That is one reason and I think that is one way to address this. However, I still believe, at the end of the day, that the argument we should be using for the Metrix Consortium bid is that it is the best for the Army, Navy and Air Force, and let us stick with that.

Chairman: Thank you very much for your very comprehensive evidence. It will certainly help us not only in preparing our own report but also in preparing our questions for the Ministry of Defence who are about to give evidence to us. Thank you very much, gentlemen.

Taken before the Welsh Affairs Committee

on Tuesday 13 June 2006

Members present

Dr Hywel Francis, in the Chair

Mr Martyn Jones
Albert Owen

Hywel Williams
Mark Williams

Witnesses: **Mr Tom Watson**, a Member of this House, Parliamentary Under-Secretary of State for Defence, **Brigadier Geoff Nield**, Defence Training Review Integrated Project Team Leader and **Mr Nick Evans**, Director General Management and Organisation, Ministry of Defence, gave evidence.

Q64 Chairman: Good morning, *bore da*, may I welcome you all to the Welsh Affairs Committee. Could you introduce yourselves for the record?

Mr Watson: My name is Tom Watson, I am the new Under-Secretary of State at Defence and I shall allow my colleagues to introduce themselves.

Mr Evans: Nick Evans, Director General Management and Organisation, Ministry of Defence, responsible for change and efficiency issues.

Brigadier Nield: Brigadier Geoff Nield, Defence Training Review Integrated Project Team leader.

Q65 Chairman: May I begin by asking you when the final decision will be made on which bids will be successful?

Mr Watson: May I, just by way of an opening, say thank you for inviting us this morning? You will now that we are half a new team at the MoD. I am less than a month in, so I am hoping that Brigadier Nield will be able to talk to you about the technical aspects of the bid this morning. I just wanted to tell you that the new team, and this comes from the Secretary of State, are committed to Wales in terms of defence support and perhaps in the process of our questioning I can highlight some of the issues that we want to bring your way. On the actual timetable, I am expecting a recommendation on my desk in the autumn. Perhaps Brigadier Nield you would like to talk about some of the dates that you have in your project path.

Brigadier Nield: On the evaluation process, you will be aware that we received bids from four consortia—and I use Metrix in the context of bidding for two separate packages—in October/November last year. That evaluation process is concluding now. We are in the last throes of that particular business and once we have board approval, that is my Evaluation Project Board, all of that work will be drawn together in a business case which will go through the internal MoD approvals' process and arrive with the Minister, we hope, in the early autumn. It then needs to be approved by the Minister and subsequently by the Treasury before, we hope, an announcement later this year.

Q66 Chairman: Could you be specific and tell us how the project is being managed and what direct role you have in the process as a minister?

Mr Watson: The recommendation will arrive on my desk. If we talk about management, this is the guy who is managing it, but I shall give it the sign-off on the basis of the objective criteria that have been assessed by the project team. I think what you want me to say Dr Francis is whether I shall be as fair-minded and objective as possible and the answer is yes.

Q67 Chairman: Can you be a little more precise and say whether it is you that will have the final decision or the Secretary of State?

Mr Watson: It is always difficult in politics to speak with any precision. The responsibility of the department rests with me, but, as you know, across Government this is a very big project. I am sure that other members of the Government will want to look at my decision, but the decision rests with me.

Q68 Chairman: You have not mentioned the Treasury and Treasury ministers. What role will they play in this?

Mr Watson: I should just say that I am the first point of call. When I am satisfied that the project has met all expectations, I shall then write to the Chief Secretary, who will analyse it from a Treasury perspective and of course they have the right to veto the project if they do not think it adds value to the taxpayer.

Brigadier Nield: In parallel with that I of course have discussions with Treasury officials. So when we are in a position and the evaluation process and our internal business case is mature enough, I take a number of papers and I have discussions with Treasury officials. To be honest, we have been having discussions with Treasury officials since the beginning of the programme at various key milestones, so before the invitations to negotiate were published a year and a half ago we had to have the endorsement of the Treasury there. This is a process whereby we need to be transparent that we have applied the rules of procurement satisfactorily, that we have evaluated effectively and that we are providing or have selected preferred bidders on the basis of a sound evaluation process which provides value for money for defence. Those are the issues that we end up discussing with Treasury officials, to allow them in due course to brief the Chief Secretary.

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Q69 Chairman: To sum up then, in terms of the process, could you give us a rough idea when in the autumn you will have the final decision?

Mr Watson: I am afraid I cannot because it has not landed on my desk yet. I would expect around October, but I do not want to be held to that.

Q70 Chairman: Do I get the impression that there has been a little bit of slippage?

Mr Watson: No, I do not think so. Autumn has always been the date and of course if and when I am convinced that the project is in good shape, the Treasury then will decide how long they want to take to review it.

Q71 Chairman: You talked about transparency. How would you define transparency to the Committee in the context of this bid?

Brigadier Nield: It starts from the very outset, from the evaluation process that we are undertaking. I am quite clear that the majority of the papers that my team and I are drafting at the moment will at some stage probably end up in the public domain because this is such an important issue, one in which so many regions of the country have shown an interest. I have no doubt that there will be that request at the right moment. Every single decision, every single individual mark in the evaluation process has been captured very closely with that possible prospect in mind. We have undertaken the most rigorous evaluation process. Would it be helpful if I talked through elements of that?

Q72 Chairman: Yes please.

Brigadier Nield: It has involved 300 subject-matter experts. It has essentially covered about seven different functional areas in this complex bid, from command-and-control to training, and training dominates everything with this, through to establishment support and the defence estate. Now those have been divided up into 50 separate individual requirements, each of which have been evaluated using a specifically designed key feature process and scoring process. Those are all aggregated up and that ends up with a technical score. There is a variety of other areas which are pass or fail criteria, like the commercial position, like their financial and pricing position, because this has to be deliverable in banking terms. Most important of course is the people dimension; this involves substantial TUPE transfers of individuals. All of these are aggregated up through a series of committees to a joint evaluation committee which I chair and that committee, consisting of between 10 and 15 people, dependent upon the package, is the committee which supports the recommendation which I make to the board. Throughout that process we have had an independent scrutineer who has been at my right-hand shoulder throughout the whole of this process to ensure that the debate we have had, the process of evaluation set out in a two-volume three-inch document, has been properly and effectively implemented. He would say it has been a

highly effective process. In due course I would expect that some of that information may well be made available.

Q73 Mr Jones: Going back to when the result will be announced, would it be when the House is sitting?

Mr Watson: It is inconceivable that it would not be and the announcement would be in the House first thing, the scale of the project is so great.

Q74 Albert Owen: You touched on the process in responding to the Chairman, but on the bid itself now. You will make a recommendation to the board, the board will then put it on the Minister's desk. What kind of time period are we looking at from then for it to be made public? Once all the decisions have been made, when will it come into the public domain and how, importantly?

Mr Watson: Mr Owen, I know the point you are trying to make that you need certainty about when the announcement will be made and there will be a number of people across the bid areas that want that. The problem is that until I actually see the recommendation I do not know how long it will take to assess and similarly the Treasury would reserve their view on that. What I can say to you is that I understand that people want clarity and they want an outcome as quickly as possible and I want that too.

Q75 Albert Owen: Just moving on, the Brigadier mentioned the technical criteria for evaluation. One of those that previous witnesses have emphasised to us is the high quality of life opportunities presented by the Metrix bid. Is "quality of life" one of those formal evaluations in the very large document you talked about?

Brigadier Nield: It is not a specific requirement of response, but it underpins a series of other requirements of response, because what is essential to us is that we have a defence estate of the future which meets our requirements, which underpins the recruiting and retention essential for defence's personnel policies out there. We have placed very considerable emphasis on the nature of the environment and that has been evaluated and is included in that process.

Q76 Albert Owen: And leisure facilities and that kind of thing as well could be important.

Brigadier Nield: What I do need to emphasise is that this is a training programme. Sixty% of the weighting of our analysis goes towards those elements which contribute to the training dimension. These other areas are enabling capabilities to support that, but they are nevertheless very important. What is important is military ethos, the ability to protect that and nurture it. It is to ensure that, as subsequent alumni of these academies, they feel valued and supported by them. We have placed very considerable emphasis on an innovative and exciting centre of excellence for the future academies in these packages in the future.

Q77 Albert Owen: You hinted in one of your responses as well Brigadier about the evaluation coming into the public domain very shortly. Will the methodology for judging the bid be in the public domain once the decision has been made?

Brigadier Nield: The answer is that if that question were asked then we would place it in the public domain. We cannot place anything into the public domain until the announcement is made by the Under-Secretary of State. There is actually nothing. We are in a detailed competition and we cannot do anything until it is concluded, but at that stage you are entirely welcome to the three-inch document.

Q78 Albert Owen: I am sure some people will be more interested than I am in that document.

Mr Watson: I needed to be convinced that this was a robust process and there is a quote from Professor Stephen Molyneux who said that the evaluation process is rigorous, robust and capable of standing any degree of scrutiny. Four weeks into this job, I am pretty certain that he is absolutely accurate in that.

Q79 Mr Jones: We understand from previous witnesses, in fact you mentioned it this morning, that there have to be two bids under European regulations. Can you explain the rationale behind that?

Mr Watson: The bottom line is that the size and scale of this project have been so complex that it was felt that we needed two separate bids to manage the complexity and once they have been divided up—I shall let Brigadier Nield talk about the logic of the two bids afterwards—strict European rules mean that they will be assessed separately. Brigadier Nield do you want to talk about the different bids?

Brigadier Nield: You will appreciate that *in toto* this programme, the two packages, is of the order of £13 billion. We need to be very careful about the use of that figure because this is a partnering contract in which the partner and the authority, that is the defence community, undertake training in the future together. Broadly the contracts will be half that sum of money. Each of the contracts is for different communities. Package one is predominantly the engineering community and you will be aware of this I am sure from your background material and understanding of the programme. Package two is dominated by logistics and a variety of other bespoke programmes. They are absolutely totally different in character. One currently is delivered on 10 sites; the other one is delivered on 20 sites. We look to rationalise to below 10 sites, so this is not just about one region, it is about several regions across the country which will be affected. Because of the nature and the complexity of all of this we went through a long period of convergence in discussion with bidders, with potential partners out there, and dropped from about 20 potential partners down ultimately to the four, that is three contractors but two for each of the packages that are in place today. To ensure that industry felt there was a reasonable business for them to run, for us to manage the complexity and size and scale of this effectively, the conclusion was that the risks were best managed by

two contracts. Having set our procurement route down that particular path and having invited tenders on that basis, we cannot change those rules mid-course. They have been evaluated entirely independently and separately and on that basis one or other or both bidders going for each will be, we hope, subject to the conclusion of the approvals process, announced as preferred bidder for each of the packages.

Q80 Mr Jones: Notwithstanding that, there must be potential economies of scale in awarding both contracts to Metrix as they are one organisation and I just wondered whether it was possible for the MoD to consider that within the rules?

Mr Watson: The answer is no, I am afraid. I can understand where you are coming from. We have to make this fair and robust. We have set the terms in which the bid will be applied and to change that would not just be not fair but against all the rules of engagement, dare I say.

Q81 Mark Williams: Notwithstanding what you have said about the robustness of the evaluation process, some of the witnesses to this Committee have talked in terms of “institutional inertia” and “vested interests” amongst senior members of the military which could act in a prejudicial way against the St Athan bid. What are your comments on that?

Brigadier Nield: I cannot vouch for the comments of senior officers. What I can tell you is that we have applied an absolutely rigorous process to this. We have been completely methodical in our business and I could not respond to that question here without telling you that we are, and have to be, completely honest to what defence requires. I end up briefing a lot of the senior military community on this particular programme and I have sensed none of what you suggest.

Mr Watson: Four weeks into this job what I see is a total focus on outcomes on this project. What people want is the best training for our service personnel and I am pretty certain that everyone in the department wants to see that; certainly everyone I have spoken to in relation to this project.

Q82 Mark Williams: Your predecessor, Don Touhig, was pressed on this issue and was keen to emphasise that his position as a South Wales MP would not impact on his decision in any way. In your role as a West Midlands MP are you ready to make the same assurance?

Mr Watson: Let me give you that assurance. When I realised I had inherited this project, I thought this is the can't-win project for a young politician. What I did hear about Mr Touhig when he was responsible for this was one argument to say that this was disastrous for South Wales because he was going to have to give the bid to somewhere else so he did not look as though he was giving a favour. I also heard that it was great news for South Wales because he was going to give it to South Wales because he was a South Wales MP. I am sure the same allegations will be made in some of the more scurrilous parts of

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this building. All I can say to you is that I shall assess the recommendation and my decision will be based on what the best defence outcomes are.

Q83 Hywel Williams: Can we look at some broader issues? We have just completed an investigation into manufacturing in Wales and we had some very interesting evidence about the proportion of public spending in Wales, namely that Wales does very poorly from what is called non-identified public spending, that is principally defence. In fact one of our witnesses told us that Wales has the lowest defence spending of any UK region. What is the MoD's policy for distribution of MoD spending throughout the UK?

Mr Watson: I know the point you are making. Let me say that I am sure that all of us in this room are committed to equality. I am not sure whether we would take it as far as equal distribution of the defence budget, because, of course, the equality we want is that we are all equally defended and the taxpayer gets best value for money. You will know that historically defence spending has been skewed to the South and South East of England and that is a legacy issue that the Government inherited. What I can say to you is that I hope our existing commitments in Wales can be maintained as much as possible. I visited RAF Valley last week, a fine part of the world if I may say so, and saw our plans for £50 million worth of infrastructure investment over the next few years and also some great partnering arrangements with the Assembly to do with the new civil airport there. There is not a decision to not invest in Wales, but our investment decisions have to be made against what is best for our military outputs.

Brigadier Nield: I can only share that view in so far as the key for defence is what best meets defence's requirements and what delivers us value for money.

Q84 Hywel Williams: Just to be clear about this, equality cannot be a principle at all?

Mr Watson: No, I am saying that equality in spending is not a logical way to approach the defence budget. The equality of outcome we want is the taxpayer getting value for money in meeting our defence requirements. Those historic decisions have led to the situation we have now. What I can tell you in terms of the equality of outcomes to do with this particular project is what has already been said, that it will be done on the best bid.

Q85 Hywel Williams: So you have accepted that there a legacy because a lot of spending goes to the South East. Are you taking any active steps to tackle the effects of that legacy other than by means of direct awarding of work or contracts or spending?

Mr Watson: It is self-evident and of course that investment in the South and South East was for very good reasons. It was better to site our RAF bases in the East of England for obvious reasons 50 years ago. What I can say to you is that our investment will be based on our defence requirements and that must be a determining feature in our decision.

Mr Evans: It might just be worth adding that like all government departments we are subject to the Lyons issue, which I am sure the Committee is very familiar with, and defence is playing its part in terms of relocating people from London and the South East. At the moment we are on target to meet the commitment we have which is to move 4,000 people out, military and civilian, by 2010. That is a specific commitment that we have that we are trying to abide by.

Brigadier Nield: It has also been a key condition associated with the defence training review programme, because when you look at our 30 sites, when you look at a map and place those sites on that map and draw that line between the Wash and the Solent, you will find that far too many sit in that South East corner. The conclusion of the defence training review programme will be that far fewer will settle there and it is absolutely clear in terms of the proposals on the table that we have reviewed today that there will be substantial movement out to the regions whatever the outcome.

Q86 Hywel Williams: But that is based on the quality and nature of the bids, rather than any guiding principle of spreading the butter out more thinly and broadly.

Brigadier Nield: Absolutely.

Mr Watson: Well said.

Q87 Hywel Williams: Representatives of the M4/St Athan Parliamentary Steering Group reminded the Committee that while 9% of military personnel are recruited from Wales, only 6% of MoD public spending and procurement comes to Wales. Should the recruitment issue be a factor?

Mr Watson: I read that somewhere. I do not recognise that 9% figure; I am not quite sure where it comes from. I can only reiterate what has been said, that there is a logic to how we apply our spending decisions and it has to be to meet our defence requirements I am afraid.

Q88 Hywel Williams: Can you give us a figure? If that is not 9%, what is it?

Mr Watson: I can certainly write to you, but I am not quite sure where that figure comes from. If we have the figures, I can make them available to the Committee.

Q89 Hywel Williams: I am a total layman in this business. Forgive me for saying that "non-identifiable" is a strange term as far as I am concerned if you are spending large amounts of money. Does "non-identifiable" mean that you cannot identify distribution in a very detailed way? What does "non-identifiable" actually mean in terms of public expenditure? Some expenditure is identifiable and comes to Wales or to other regions, some is non-identifiable or termed as such.

Mr Evans: I suspect that what you are talking about there is that obviously it is very easy to identify who is based in what area. So if we know there is a base with X military and Y civilians, we can say the money that is being spent on those people goes to

that region. It is possible also to do it with industry expenditure to some extent, because if you know a firm is based in a certain town or certain region, then you can say that contract was awarded to that firm, but then it immediately gets more difficult because that money may also go elsewhere when the firm sub-contracts, which may not be in that region. It is even more difficult when we have contracts, as we have for example for things like works maintenance expenditure, where we contract with a contractor who does not correspond to a region at all. The word “non-identifiable” may refer to some of those issues. It is also true that we would have great difficulty identifying national origin in terms of the question you asked which the Minister said he would have to get back to you on. That is quite a task. I am called Evans and my forebears came from Wales, but I could not tell you which bit and I certainly did not.

Q90 Albert Owen: I was very interested in what the Minister said with regard to strategic development of bases in the East and South East for obvious reasons and I share that. Is this not an opportunity though, when we are talking about training, to counter-balance that?

Mr Watson: This is a 50-year legacy; I am not talking about recent decisions. Whatever bid is accepted and agreed upon in relation to DTR, there will be more people working further north and west in the United Kingdom. So in that sense I answer your question there. Obviously I cannot be precise about exactly what part of the North and the West they will be working in.

Q91 Chairman: Brigadier, you mentioned in an earlier answer that there is an audit function shadowing the project board. Could you explain something about that audit function? Is it an internal or external audit body?

Brigadier Nield: There are two. Because of the interest in this particular programme, we felt it very necessary to ensure that an independent was in place to review our process and to sit in on our decision-making meetings, but actually to investigate even further than that. When I say two, we recruited Professor Stephen Molyneux. He is the director of the UK’s e-learning establishment and he has been employed and I have personally taken him round to the principal training establishments so he understands our training community. He has been inducted fully into the programme and inducted fully into the evaluation process and he has sat in on the key meetings, essentially those related to the design, delivery, management and support of future defence training. In terms of the arguments associated with the allocation of specific points against requirements of the programme, he has been party to all of that. A non-voting member, but he is a subject-matter expert in his own right, so when there have been issues over the delivery of distance learning, he has quite legitimately been invited to comment on it. Then, during the meetings in which formal decisions are made, he has been present and

we have turned to him at the end of the day, either I or indeed the senior responsible owner of the programme who is Air Marshal David Pocock, and have asked him whether he was content that it had been rigorous and robust and he has responded in that fashion. He has produced several reports for each of the packages as we have gone through this process. In due course I expect they will end up in the public domain and he is there specifically to provide independent authority of the route and the evaluation process that we have followed. That is one. Internally within the department we have a grouping called the private finance unit. They are entirely independent of the integrated project team, my team; they are there broadly to ensure that private finance programmes are managed effectively. I have an individual from that community who has been party also to the evaluation process and sat in on all the committee meetings and they come in as an independent verifier of that process. As I say, and it has been supported by independent review by the OGC and it has been supported by Professor Molyneux and the private finance unit, it has been described as an exemplar of practice in this area.

Q92 Chairman: I thank you all for the very comprehensive and objective way that you have given evidence. You may think that this last question is a rhetorical question and not a serious one, but it is a serious one and I should like each of you for the record to answer it, Brigadier, Mr Watson and Mr Evans. It has been said that a senior and maybe more than one senior military person has said that if this bid ends up in Wales, it will be “over my dead body”. Now this is a very serious matter. I have not heard the person named, but could you put this matter to bed by responding to that question and saying what you would say to that person, if he were to utter it to you during this process?

Mr Watson: Let me take the lead on that. I have not heard that. I would be surprised if a senior military person did say it, but it will not be their decision and I can just reiterate to you that the criteria we have talked about for the assessment of this project will be the ones that we adhere to and I expect everyone in the MoD to do that as well.

Brigadier Nield: All I can say is that we have a very formulaic process out there which honours what we in defence require of the future and I could not be associated with any form of comment of that nature.

Mr Evans: I have nothing to add in terms of the substance to what the Minister has said and what the Brigadier has said. All I would say is that what the MoD has to do is to deliver very significant efficiency targets as part of the government response to the Gershon report and that requires us to go for value for money solutions: it would not include the kind of statement that you have just attributed to an unidentified senior officer. I must say, I have never heard that.

Chairman: May I thank you all for the very thorough and comprehensive way in which you have answered the questions?