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OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

DEFENCE REFORM BILL

Third Sitting

Thursday 5 September 2013

(Morning)

CONTENTS

Examination of witnesses.
Adjourned till this day at Two o'clock.

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The Committee consisted of the following Members:

Chairs: † MR GRAHAM BRADY, ALBERT OWEN

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| † Brazier, Mr Julian (<i>Canterbury</i>) (Con) | Jones, Mr Kevan (<i>North Durham</i>) (Lab) |
| † Brown, Mr Russell (<i>Dumfries and Galloway</i>) (Lab) | † Lancaster, Mark (<i>Lord Commissioner of Her Majesty's Treasury</i>) |
| † Colvile, Oliver (<i>Plymouth, Sutton and Devonport</i>) (Con) | † Mordaunt, Penny (<i>Portsmouth North</i>) (Con) |
| Docherty, Thomas (<i>Dunfermline and West Fife</i>) (Lab) | † Pawsey, Mark (<i>Rugby</i>) (Con) |
| Donaldson, Mr Jeffrey M. (<i>Lagan Valley</i>) (DUP) | Phillipson, Bridget (<i>Houghton and Sunderland South</i>) (Lab) |
| † Dunne, Mr Philip (<i>Parliamentary Under-Secretary of State for Defence</i>) | † Seabeck, Alison (<i>Plymouth, Moor View</i>) (Lab) |
| † Ellwood, Mr Tobias (<i>Bournemouth East</i>) (Con) | † Wheeler, Heather (<i>South Derbyshire</i>) (Con) |
| † Gilbert, Stephen (<i>St Austell and Newquay</i>) (LD) | † Woodcock, John (<i>Barrow and Furness</i>) (Lab/Co-op) |
| † Hamilton, Mr David (<i>Midlothian</i>) (Lab) | Georgina Holmes-Skelton, <i>Committee Clerk</i> |
| Harvey, Sir Nick (<i>North Devon</i>) (LD) | |
| † Hinds, Damian (<i>East Hampshire</i>) (Con) | † attended the Committee |

Witnesses

Lord Hamilton of Epsom

Major-General John Crackett, Assistant Chief of the Defence Staff (Reserves and Cadets), Ministry of Defence

Air Chief Marshal Sir Stuart Peach, Vice-Chief of the Defence Staff, Ministry of Defence

Lieutenant-General Andrew Gregory CB, Chief Defence Personnel, Ministry of Defence

Public Bill Committee

Thursday 5 September 2013

(Morning)

[MR GRAHAM BRADY *in the Chair*]

Defence Reform Bill

11.30 am

The Committee deliberated in private.

Examination of Witness

Lord Hamilton of Epsom gave evidence.

11.38 am

The Chair: We will now hear oral evidence from Lord Hamilton of Epsom. Before calling the first Member to ask a question, I remind all hon. Members that questions should be limited to matters within the scope of the Bill and we must stick strictly to the timings in the programme order that the Committee has agreed. I hope I do not have to interrupt any Members mid-sentence, but will do so if needs be. I welcome Lord Hamilton and call Alison Seabeck to ask the first question.

Q93 Alison Seabeck (Plymouth, Moor View) (Lab): Thank you Mr Brady. May I say on behalf of my colleagues how delighted we are that you are chairing this Committee? Thank you, Lord Hamilton, for coming to give evidence. The proposal set out by Bernard Gray for a Government-owned contractor-operated organisation was first mooted in 2009. Do you think the playing field has changed since he first looked at this? Several of the witnesses we saw on Tuesday felt that a number of his concerns had been dealt with, such as budget overheating. In fact, what we were left with were skills. Therefore, Lord Levene's suggestion, which is DE&S-plus, bringing in expertise from business would, perhaps be a viable option. Do you have strong views on whether or not the GoCo is the route we must go down?

Lord Hamilton: Yes, I do. I have always taken the view that private contractors are much better at managing people and motivating them. I think it would be an improvement, certainly, to bring a GoCo in.

I apologise to the Committee: I did send a note to the Clerk in the post last week when Parliament was recalled and, for some reason, she has not received it. That is why you have not had any time to read my introductory remarks on all of this.

I think also that we have to have a completely new look at the whole system of defence procurement. The way we do it at the moment is extremely expensive. It is of enormous benefit, of course, to our exporting industries because it means we develop stuff in this country, at taxpayers' expense, which is then exportable. But on the other hand, the defence budget is astronomical in terms of cost overruns and delays. If we are living with a much more reduced defence budget, we have to think in much more humble terms about the way we procure equipment.

Mr Russell Brown (Dumfries and Galloway) (Lab): Good morning, Lord Hamilton. A number of reforms have taken place since Bernard Gray's report, particularly in terms of devolving acquisition authority to the individual service chiefs. Why, in your view, is the GoCo level being considered despite some of these reforms? To what extent could further reforms within the Ministry of Defence improve the existing public sector model? Finally, will the comparison of the GoCo option against the public sector comparator be sufficiently rigorous?

Lord Hamilton: There is always a problem of actually judging the performance of those things, and this is certainly one of the difficulties. On the other hand, I think the private sector has demonstrated that it has much better control of this sort of process, and it would be of enormous benefit to introduce the expertise of the private sector, coming in from outside. Therefore, I think it will save money and achieve better results in the longer term. Of course, nobody can actually guarantee that.

Q94 Damian Hinds (East Hampshire) (Con): Good morning, Lord Hamilton. How many bids do you think there will ultimately be for the GoCo, whether from individual companies or consortia?

Lord Hamilton: How many businesses will bid for it? I cannot estimate that. A number of businesses make it their job to run such things. I can think of a number that might be interested. If we take the example of Lockheed Martin running the Atomic Weapons Establishment, there might be overseas companies that would be interested as well.

Q95 Damian Hinds: Given the structure of the industry, do you think it can be a number sufficient to make it truly competitive?

Lord Hamilton: I think so. If the private sector sees the rewards in the business, they will go for it if there is a profit to be made. I do not think there will be a shortage of bidders. Obviously, nobody can calculate how many people would be interested until you start the process.

Q96 Damian Hinds: If you take individual companies rather than consortia, how many do you think would be capable of taking this on?

Lord Hamilton: It is difficult to estimate. There are companies running our dockyards, for instance. WS Atkins, headquartered in what used to be my constituency, does this sort of thing, as does Serco. A whole range of companies provide services to the public sector. I do not know how many of them would be interested in taking this on, but I do not think there will be a shortage. If they can see a profit in the business, I am sure people will be interested.

Q97 Damian Hinds: Finally, is there an advantage to being a consortium rather than an individual company in this project?

Lord Hamilton: I suppose it would reassure the industry to some extent if it was a consortium, but I do not see an overwhelming advantage. There would have to be clear Chinese walls between their activities in running the procurement process and possibly bidding for other business within the Ministry of Defence.

Q98 John Woodcock (Barrow and Furness) (Lab/Co-op): Lord Hamilton, thank you. I want to follow up on that point. In one sense, the process has already started; we are looking forward to hearing from the Minister what the level of interest has been. If only two consortia reached the serious bidding stage, would you have competition concerns?

Lord Hamilton: Slight ones, yes. I would be happier if there were more than two. Certainly, four would fit the bill.

Q99 Mr Tobias Ellwood (Bournemouth East) (Con): I am aware of four or five companies that are toying with this idea, a number of which are based in the States. In a previous sitting we asked whether that really matters. I do not think it does in this international context; however, the British public may desire to have a British face on this, particularly because it is the first time this is being done on this scale anywhere in the world. Do you have any concerns about that, and would you prefer to see a British face on it?

Lord Hamilton: I think the face is of secondary interest. Brown and Root bid for our dockyards, and I do not think people are too concerned that it is not a British company. What the British public are concerned about is the number of employees who are British, and I imagine the company will take over most, if not all, of the existing employees in the business. I do not think the ownership of the company is very important. I imagine that Lockheed Martin employs a large number of British people in the AWE who were employed there before.

Q100 Mark Pawsey (Rugby) (Con): One of the concerns that has been expressed about the establishment of the GoCo is whether the commercial skills exist in the public sector to manage such a massive contract. In your experience, does the MOD have the skills to manage it?

Lord Hamilton: I have always had great concerns about that. There are many different frictions within the procurement process. One of the issues I raised in my paper is what the role of the military will be. As you know, on any programme there are always a number of military officers involved, who represent the end user. In my opinion, they are liable to interfere in the process, and may possibly prolong it and make it more expensive. Therefore, it is key to know what role the military will play.

I alluded in my briefing note to the question of urgent operational requirements. In Afghanistan, I was involved with an American company—I no longer work for any defence company—and we were interested in the urgent operational requirement for Afghanistan. The people we made our presentation to were exclusively Army officers. The procurement side did not come in to it at all at that stage.

Q101 Mark Pawsey: Is that a structural problem?

Lord Hamilton: I am not saying it is a problem. All I am saying is that they have played a major role in the past. Will the military be involved in the GoCos, and what role will they play?

Q102 Mark Pawsey: I am more interested in the ability of the civil service to negotiate with skilled negotiators from the private sector. Is there a mismatch of skills, and could it derail the process?

Lord Hamilton: I would hope that the skill base would rise, and that the GoCo will become more skilled.

Q103 Mark Pawsey: Are you confident that will happen?

Lord Hamilton: When you think of the aircraft carrier contract, which is being argued over at the moment, clearly, the original contract that was signed up to was not satisfactory.

Oliver Colvile (Plymouth, Sutton and Devonport) (Con): First, welcome, my lord. If a Reservist works for a GoCo, will that lead to a conflict of interest? Will they be too close to the process?

Lord Hamilton: That is an interesting question. I suspect not. I would have thought that a Reservist could draw a line between his activities as a Reservist in the armed forces, and being part of the procurement team. I would not have thought so, but it is an interesting thought.

Q104 Stephen Gilbert (St Austell and Newquay) (LD): You alluded to the need for Chinese walls between the companies that take responsibility for the GoCo and may also be part of the procurement process. How significant do you think are the concerns that some in industry have expressed about information security in the GoCo and in the procurement and tendering process?

Lord Hamilton: We have seen the example of QinetiQ, and what happened to the research establishment. Chinese walls have been drawn there, and they have been rigorously policed by the Americans, if nobody else. I think that Chinese walls have been proven to work; where there is sensitive technology, it does not move over into the commercial side of the business. Of course, if you take the research establishment, many of those people are still operating on the same basis, so Chinese walls are presumably drawn down between buildings. The evidence is that they have worked, so from that I would be reasonably comfortable that they would work for the defence company running the GoCo.

Q105 Stephen Gilbert: Are you aware of concerns among UK allies about the GoCo approach?

Lord Hamilton: Not really, because presumably the Americans are reasonably relaxed about Lockheed Martin running the atomic weapons establishment. I think that there would be a problem if we were talking about European contractors bidding for this business, but not if they are mainly American. I do not know who is involved at all, but the question of sensitivity over technology is much more of an American problem than it is anybody else's.

Q106 Stephen Gilbert: Do you draw a distinct line between European partners and potential north American partners?

Lord Hamilton: I do, really, because I think that there is still a lot of mistrust in the United States about Europeans.

Q107 Mr Ellwood: You mentioned QinetiQ, which plays a very interesting role here. It is at arm's length from the Government and has its own shareholder base

[Mr Ellwood]

and so on, but it is the procurement body, if you like, for the armed forces. Indeed, when I last visited it, it was making a very clever bit of netting to stop rocket-propelled grenades from hitting Warriors. When I visited BAE Systems, it was building exactly the same thing. It did strike me as odd that two procurement operations were happening at the same time without any sort of connectivity. Where do you see the future of QinetiQ if GoCo were to be pursued?

Lord Hamilton: As I understood it, QinetiQ's role with defence procurement was actually one of assessment and trialling—that sort of thing. I think that is what it does, rather than being responsible for procuring. At least, that is one of the services that it provides; it still runs ranges and so forth, doesn't it? I would be surprised if it was involved in anything of incredible sensitivity, because I would have thought that that would be done by the residual bit that remains with the MOD.

Q108 Penny Mordaunt (Portsmouth North) (Con): As a private company, the delivery company—the GoCo—will be interested in making a profit. Might there be a conflict between that and the wider policy requirements that we might wish to see, such as the protection of sovereign capability, supporting small and medium-sized enterprises, the promotion of exports, and perhaps decisions about where we invest in research and development? Do you think that there is a potential conflict there? How do you think the GoCo could be incentivised to address those concerns?

Lord Hamilton: I rather hope that the effect of a GoCo will be to simplify greatly what we are now doing—a point that I alluded to earlier. One of the problems is that, traditionally, Ministry of Defence procurement has been done by pushing the boundaries all the time. You say to industry, “This is what we want to do,” and it cannot do it today but hopes that it can do it tomorrow. Normally, the process of discovering that it cannot do it tomorrow quite as easily as it thought turns out to be incredibly expensive and leads to enormous delays in that programme coming on stream, so it is not cost-free. It is immensely beneficial for the defence industry when that happens, because it gives it a higher technological base from which to export, but at some stage we must make a choice. Is the Ministry of Defence procuring equipment to put our defence exporters in a very strong position in the world, at enormous cost to its own capability, or is it in the business of providing the best it can for our troops?

I have alluded in my note to the fact that we have got to think much more about buying off the shelf because, among other things, American technology is light years ahead of most stuff that we can do here—not all of it; there are certain niches where we have a technological edge, but in most areas, the Americans have been spending so much money for so long that there is an enormous gap between the technological capability of the United States and virtually any other country in the world today. Therefore, if you buy something off the shelf in the States, you will get it on time and at a lower price. You will get less technology, but on the other hand, if you take the Army armoured vehicles that I have alluded to in my notes, we have been talking about a new armoured fighting vehicle for the Army for the past

25 years and we still have not got one. There is still talk about the future rapid effect system Scout coming on, and the Army is extremely keen that that should happen, but if we go on having cost overruns of £1 billion in the carrier programme, it is less likely that the Army will get its Scout. We still have not got a utility vehicle either.

All the time you are pushing the boundaries, nothing actually happens. If you buy off the shelf, it does happen. You get something that is slightly less good, but on the other hand, it works. We have a much reduced defence budget that is not going up. We have a fantastic deficit, which we are still running at a very high rate. In my opinion, it will probably take about 10 years to reach a point at which the Government are repaying debt. During that time, the pressures of the national health service, pensions and education will always dominate. The chances of increases in defence expenditure are pretty minimal, in my opinion. I would love to see a much bigger defence budget, but we are not going to get it. We have to start living within our means, and we are not thinking in those terms at all at the moment.

Q109 Penny Mordaunt: A quick supplementary on sovereign capability: what would you say were the chief concerns that a GoCo should be looking at, in that respect? Do you think that we have a clear enough view of what those capabilities might be?

Lord Hamilton: No, I think we are still locked into historical things. I regard Trident nuclear capability as a luxury. I still think that we want an all-singing, all-dancing defence budget. I do not agree with the Liberal Democrats on many things, but we should be thinking much more seriously about a nuclear-tipped cruise missile. When that view was put to Liam Fox when he was the Secretary of State for Defence, he sneered at the whole idea and said that it was absolutely absurd, because it would cost a fortune to extend the range of a cruise missile. Well, a cruise missile goes 1,000 miles, and that is enough for me. I just want to remain in the club. The whole idea that we will use our nuclear weapons when the Americans do not is almost unthinkable. The whole idea that we would use them at all is almost unthinkable.

We are spending a hell of a lot of money. It is very nice to have a comprehensive insurance policy on your car, but when you are poverty-stricken, you have to think very seriously about going down to third party, fire and theft, and I think we are slightly reaching that point.

Q110 Mr Ellwood: I do not want to get drawn into the cruise missile argument. I do not think that one exists at the moment; that is the trouble. The procurement process would be about 17 years, and that is why the option has been removed.

Lord Hamilton: We have a Tomahawk missile now.

Q111 Mr Ellwood: I wanted to challenge and probe on buying off the shelf, because that goes to the heart of the debate. There was an awful lot of buying off the shelf taking place in Afghanistan. Thinking back—colleagues may want to join in—there was the Cougar, the Vector, the Jackal and the Ridgeback. Eventually, we went for the Mastiff. There were a series of fast UORs, which cost an awful lot of money. We ended up

buying something that we had sold a lot of at the tail end of Iraq. It is not only that. You say that the Americans are ahead of us; they use the mine-resistant ambush protected vehicle, which is built by BAE Systems, a British company. Do you really believe that there is so much value in buying off the shelf, rather than thinking a little more cognitively about the armed forces' long-term requirements?

Lord Hamilton: All I know is that historically the armed forces have always asked for the absolute latest in technology. The result has been that the defence industry has taken much longer to meet those requirements. Cost has gone up and there have been massive delays. If you buy off the shelf, you get something technologically less good, but you get it at the price you dictated, when you ask for it. You have to make a choice. When you are very poor, you probably have to settle for something rather less than a Rolls-Royce.

The Chair: We should not stray too far into particular procurement questions, enjoyable though that may be, and should instead keep to the structure proposed in the Bill.

Q112 Oliver Colvile: I hope I am not going to cut across your advice, Mr Brady, but I represent Plymouth, Sutton and Devonport, which includes a dockyard and a naval base. On buying kit off the shelf, do you think that a maintenance programme should go with that? If we buy something from the United States of America, should it also be maintained by the Americans? I would be very nervous about that, representing as I do a city and a dockyard that has the nuclear licence for refuelling and maintaining nuclear submarines.

Lord Hamilton: I think we are talking about two separate things. If you are buying an armoured vehicle from General Dynamics UK, which is the plan at the moment, of course you should be talking about through-life costs, and there should be a maintenance contract that goes with the original order, but when it comes to ships, there is no way that we can build our ships anywhere else but here, because of the politics. We could certainly build them much cheaper elsewhere, but you can imagine the political outcome of that. Anything nuclear has to be built here as well, so I do not think this quite applies.

Having said that, the concept of through-life costs is a very good one, because locking industry into maintaining these things is a very good idea. All I know is that some years ago my wife launched a Trafalgar-class submarine called HMS Triumph. It went into refit, came out after a hell of a lot of money had been spent on it, and is back in refit for another six months now. If there was a through-life cost contract on that submarine, and it had been rigorously written, it would have cost the employers a hell of a lot of money.

Q113 Mr Julian Brazier (Canterbury) (Con): I would like to ask you about the through-life point, but would first like to ask about a more fundamental point that will tie into that. It seems that we are deluding ourselves if we just move the problem to the left, because it is still there. When any contract is made and then managed by a new entity, there must have been a proto-contract first between whatever remains in the MOD—the central staff and what is left of the procurement function—and

the new entity, the GoCo. The GoCo, which will be composed of people who are much more commercially astute than the MOD, knows that the larger the price that is pencilled in for an incentive contract, the better the return on it. If it can get a big price in there, it will be able to deliver on time and on budget, and can get a nice bonus out of it. Before we come to the through-life problem, what makes you think that for that initial up-front contract the MOD will be any better at negotiating the price with a GoCo than under the current arrangements? We considered this yesterday in the Select Committee on Defence.

Lord Hamilton: I think that what you are suggesting is that a GoCo might have a competition on a programme and accept the most expensive bidder.

Q114 Mr Brazier: No. Let us deal with single-priced contracts first. Just under 50% are dealing with a single-source contract, and we have a new arrangement for that in the Bill. What makes you think that, in dealing with a single-source contract, having the negotiations centrally with a much attenuated staff and a new contractor—a contractor who specialises in doing nothing else; it exists as a bidding and management entity—will be any more successful? These are specialist parts of organisations that are being brought in. Why think that we will manage that contract any better than the existing arrangement?

Lord Hamilton: I take your point about there being an incentive to accept a very high price and then prove that one has undershot it. That is a concern. On the other hand, I have never been convinced in any way whatever that officials in the MOD can judge what profit a defence contractor should make on a programme when he is the only possible supplier.

It is extremely worrying that we are on 45% single-source supplying. The problem is that when you start a procurement process you start with a prototype, and the prototype is inevitably enormously expensive. If anyone has any wit about them at all, as the production runs cut in, you get enormous productivity gains, but does any outsider have any chance of being able to judge what productivity gains are available? I would argue that someone who has been in the business as a defence contractor would be better placed to judge that than officials in the MOD.

Q115 Mr Brazier: Let us move on to through-life costing. Given that money that is made over to a GoCo up front is much more attractive than money that may be made 15 years along, having a GoCo manage these programmes almost by definition means taking one's eye off the through-life ball, which you rightly identified as being central to successful procurement.

Lord Hamilton: Yes. It does not necessarily follow that the two are not complementary. I think you are talking about the whole contract. Certainly, in the past, BAES has made a tremendous amount of its money through maintenance, rather than the initial programme, so it does not follow that companies will not be interested in the through-life costs. If everything is priced properly, there is no reason why they should not be interested in the initial contract and in the maintenance contract that follows on afterwards.

Q116 Mr Brown: Lord Hamilton, may I quickly come back to buying off the shelf? If I may use a military term, do you foresee any collateral damage to our defence industrial base in the UK from us buying off the shelf?

Lord Hamilton: Yes. As I have suggested, this is not a free lunch. If you buy off the shelf, you remove the ability of our defence industry to develop technologies that are pushing the boundaries all the time, which is traditionally what it has done. What the industry does is say, "I see you are asking for that. We cannot do that today but, with a bit of luck, we will hack it tomorrow." You are then in a world where you do not know what the hell will happen next, for the simple reason that the industry does not know whether it can hack it but hopes it can.

Traditionally, what has then happened is that when the industry hits enormous roadblocks on the way to developing this technology, it kicks back to the Ministry of Defence and says that it wants more money. Look at the Astute submarine programme: it cost the taxpayer an absolute fortune because BAES assumed that it could make these things relatively easily and found that it could not. What happens is that the Ministry of Defence bears the burden of trying to push these boundaries.

If you do get that technology into the defence industry, obviously it improves its export position. What you are talking about is an enormous subsidy through the defence procurement programme that puts our defence industry in a stronger position. That is a wonderful thing to do when you have tonnes and tonnes of money, but we no longer do, so I think we have to start making some very hard choices.

Q117 John Woodcock: May I ask you about your views on the Reserves, which you expressed in strong terms in your written note? Looking at the engagements of the British Army over the past 15 years, if you were speculating on how the Army could have carried out those engagements if it had the model that is being proposed now, do you think that things would have been very different?

Lord Hamilton: This is one of the problems. The Army's original spin on an Army of 80,000 Regulars was that it would be smaller but better. Within a short space of time of the Army having said that, the new Chief of the Defence Staff has come out to say that he does not think that the Army can carry out the same sort of tasks that it did before. If you look at what our armed forces have actually been doing, rather than what might happen in some nightmare scenario in future, they have been involved in low-intensity conflict.

I am not saying that I particularly agree with Afghanistan or Iraq, but I personally would like an Army that has the capability to conduct both those operations simultaneously, which is what we managed to do. I suspect CDS is saying to us today that we would not be able to do Afghanistan and Iraq simultaneously any more. That is a concern to me, because I think that is the future of the demands being made on our armed forces. I also believe—I want to be absolutely clear about this—that the Army is drawing down to 80,000 to pay for aircraft carriers and Trident missile systems. There is not enough money to go round, and somebody

has to take the rap, and for some reason that is the Army. I do not think that is remotely satisfactory in any way.

I am also very concerned about these ambitious programmes to have 30,000 Reservists. As I suggested in my note, the problem with Reservists is that in the old days, if you were a member of the Territorial Army, you went off at weekends—outside company time—and you asked the boss if you could possibly go to a camp on Salisbury plain for a fortnight in August, which is when the demands on his business were minimal anyway, so he was happy to let you go. Nowadays, you are away for a year. If you spend six months in Afghanistan with training and whatever, you are probably out of place for 12 months. That is a serious burden on any business. During the year, you have to be replaced by somebody else, who may turn out to be better; if he is worse, he has to be got rid of when you come back. It is a very different and difficult scenario, and I do not think that employers will be in any way as supportive as they have been of the Territorial Army in the past.

Q118 John Woodcock: I will resist being drawn into a debate on the deterrent, but presumably, if the Army is unable to carry out an engagement on the scale of Afghanistan and Iraq in future, that will have significant consequences for the country's standing as a military power.

Lord Hamilton: Basically, I have taken the view—once again, this is in my note—that we must concern ourselves with threats to the United Kingdom, and I do not believe that there are any foreseeable external threats. It is all asymmetric; it is all to do with terrorism. The argument can be made that if you go into Afghanistan and wipe out al-Qaeda, which is what has been done—al-Qaeda now operates out of Pakistan, not Afghanistan—you are making the United Kingdom safer, so it seems that these expeditionary forces have a role to play in ensuring the security of the United Kingdom, and we are running down our capability to do that. For that reason, our defence budget and capability have become hopelessly skewed, and they are pointing in the wrong direction as we are not going to have any more money.

The Chair: We have only three minutes left, and I am keen to bring the Minister in, so I would like quick questions and answers.

Q119 Mr Brazier: Lord Hamilton, why do you think that the Americans, Australians, Canadians and New Zealanders all successfully make use of Reserves on a much larger scale than we plan to, while facing the same sort of economic pressures and the same sort of world as us?

Lord Hamilton: As I say, I am hearing from a number of sources about resistance from employers. In fact, the statistics are not going very well, in terms of us recruiting more Reserves. I suspect that the employment situation in this country will get better. I think there will be lags in the economic growth that we see at the moment, which will be reflected on the employment side. To have people out of a business for 12 months, which is what we intend to continue to do, even though we are not operating in places such as Afghanistan, will put enormous pressure on employers and will not go down very well

with them. They were much more laid-back about the way that the old TA worked, but that is not the model that we are looking at.

Q120 Mr Brazier: But all five major employer organisations, from the Confederation of British Industry to the Federation of Small Businesses, are supporting it. That is just an observation.

Lord Hamilton: They probably are, but what about when it comes to the individual employer? You cannot say, "I don't agree with all this and I don't want my employees to be Reservists," but when one of them says, "Can I clock off for a year?" you take a rather different view.

The Chair: The last question is from the Minister.

Q121 The Parliamentary Under-Secretary of State for Defence (Mr Philip Dunne): Lord Hamilton, thank you for your characteristically robust performance this morning, which has been both informative and entertaining. I have two quick questions for you. First, taking you back to your fundamental point that the defence budget is overstretched, do you think that the GoCo option is likely to provide better value for money in making the resources achieve the procurement that we require than leaving it within the DE&S public sector option? Secondly, do you think there is any problem in principle with being a pioneer among those nations with substantial defence interests, if we decide to go down this route?

Lord Hamilton: Having lived through the Thatcher years, being a pioneer in areas of privatisation has never left me in any difficulty whatever, so I have none of that. As I said earlier, I think that the GoCo will produce. I just have an enormous faith in the private sector to manage and motivate people much better than the public sector, and to give them opportunities. If we are talking about a large organisation, and some people are not happy working for the procurement executive or whatever it is called, they can shift to other parts of the empire. I think that is much more satisfactory, and the evidence is that the private sector manages all businesses better than the public sector does.

The Chair: That brings us to the end of the allocated time for this witness. Thank you, Lord Hamilton, for your time and your helpful answers.

Examination of Witnesses

Major-General John Crackett, Air Chief Marshal Sir Stuart Peach and Lieutenant-General Andrew Gregory CB gave evidence.

12.16 pm

Q122 The Chair: Good afternoon. I welcome the witnesses to the Committee. For the record, could you introduce yourselves, please?

Air Chief Marshal Sir Stuart Peach: Air Chief Marshal Sir Stuart Peach. I am the Vice-Chief of the Defence Staff.

Major-General Crackett: Major-General John Crackett. I am Assistant Chief of the Defence Staff for Reserves and cadets, and MOD's senior Reservist.

Lieutenant-General Gregory: Lieutenant-General Andrew Gregory. I am Chief of Defence Personnel and the senior responsible officer for Future Reserves 2020.

Q123 John Woodcock: Gentlemen, thank you for taking the time to come and speak to the Committee. We just heard Lord Hamilton, a former Defence Minister, expressing his concerns that the Reservist model outlined in the Bill will inevitably significantly reduce the capacity of the British Army to carry out engagements in the future. Is that a view that you share and accept, or one that you would challenge?

Air Chief Marshal Sir Stuart Peach: No. The core of the proposition is to create an integrated force. Through our proposals to increase the quality of training for Reserve forces and build on the tremendous commitment that Reserve forces have shown during operations in Iraq and Afghanistan, gaining no fewer than 70 operational awards, we intend to create a whole-force concept with an integrated force, which will enable us to respond as flexibly as we can to the challenges that lie ahead. This is an idea of our time that we are capitalising on through the programme laid out in the White Paper. In addition, I would add that in a number of specialist areas, Reserves can bring extra capacity and extra skill to the Regular forces. I am thinking, for example, of medical and cyber.

Q124 John Woodcock: Thank you. Is it your emerging view that you have no concerns about reduction in capacity through the changes? I thought that was slightly different from what the CDS had recently said.

Air Chief Marshal Sir Stuart Peach: We are continuing to evolve the force structure as part of defence reform. That takes many forms across all three services and, where appropriate, the civilian civil servants and contractors who support us. We are doing all we can in Future Force 2020 development to create and sustain a balanced force, in which the integrated element of Reserves features. I do not accept that this is a simple mathematical argument about numbers; it is actually an argument about capability.

Lieutenant-General Gregory: As Chief of Defence Personnel, my task is to make sure that defence outputs are delivered by the right mix of capable and motivated people, now and in the future. Those people could be military, Regulars or Reservists, including sponsored reserves. They could be civil servants. They could be locally employed civilians, such as interpreters, in our operational theatres. They absolutely could be contractors deployed on operations and contractors working in the home base. What we are doing is looking at those areas on a capability basis to make sure that we can sustain defence.

Q125 John Woodcock: One final supplementary: has the process of engagement with the armed forces on the Bill been good so far? What are the challenges, very briefly, for the different services arising from this proposal?

Air Chief Marshal Sir Stuart Peach: There is a difference in scale between the Reserve components of all three services, with the Army's forming the larger part, obviously. There is also a question of history and ethos, because traditionally the Royal Marine Reserve, Royal Naval Reserve and Royal Auxiliary Air Force have played

slightly different roles, with individuals and augmentation, rather than the more traditional approach of sub-units. There are, therefore, legitimate differences between the three different approaches of the services to reserves, and those will continue, and must reflect their heritage and ethos. Our consultation, which is at the heart of your question, has tried to do precisely that.

The consultation process has been extensive. I have not seen anything quite as wide-ranging; it ranges from all manner of employers in the public and private sectors to various bodies that represent groups, and I know that many of those bodies have given evidence to this Committee. I think we have done our best, in terms of consultation. The most important part of my answer would be: we continue to be committed to listening, and we will therefore continue that consultation with employers' organisations, Reservists themselves, obviously—that is a really important part of our strategy—as well as the House of Commons and other interested parties.

Q126 Mr Ellwood: You are at the sharp end of this; you have got to make it work, one way or another. This is, as has been said, a huge cultural change to the relationship between the Reserves and the Regulars, and there are critics. Have you just accepted this—said “Yes, Sir”, turned to the right and fallen out—or have you been involved in the Bill? Have you had the opportunity to raise any concerns?

Air Chief Marshal Sir Stuart Peach: That is a good question. This has been an iterative process; that is the honest answer. The Green Paper is probably the thing I would land on as the vehicle for that consultation. Many of you, either individually or as MPs, have been part of that, and we have taken into account the broad range of views. I can honestly say, because I was part of it, that each version of the draft White Paper took another range of views into account.

Some of this is formal, through the consultation process—my colleagues may wish to comment on that—and we have listened and incorporated the formal views very carefully. Much of it, of course, is informal, and we have, again, tried to incorporate those views. This is a similar answer, in the end: the most important reassurance I can give the Committee is that we will continue, where necessary, to test and adjust the proposition as circumstances change and as experience dictates.

Lieutenant-General Gregory: The process started with the independent commission's review of the United Kingdom's Reserve forces, published in July 2011, the recommendations of which were taken forward as part of the restructuring of the Army—the Future Force 2020 work. That resulted in the Green Paper that was published in November 2012, to which we got more than 3,000 direct responses from employers, Reservists, Regulars, families and wider members of the public, who expressed their views. We also held focus groups, consultation groups and briefings. We gathered evidence, both from the independent commission and from the various parties involved. Not least of those were the employers, whose support is absolutely critical to making this a success. We also involved the armed forces, particularly the Army, because as the Air Chief Marshal said, that is where the numbers are greatest. As regards shaping the clauses in the Bill and what the Secretary of State presented to Parliament in July as part of the White

Paper, I, like you, Sir, am absolutely confident that we have taken account of views, and that we have a sustainable proposition.

Major-General Crackett: I, of course, run the division in the Ministry of Defence that wrote the White Paper on behalf of the Secretary of State, so I have lived, eaten and slept the thing throughout its 21 drafts. There has been a considerable degree of engagement in consultation, and I do not think it is a bad effort, given that we have to balance the needs of three services, and then balance the needs of defence, the employer and the Reservists. I think most people recognise, within and without the service, that we have put together quite a good package here, which is a suitable way of moving forward, so I am very happy with it.

Q127 Penny Mordaunt: My question follows some of the points that the hon. Member for Barrow and Furness raised. I think it is very important that we look at the principles that underpin what this Bill proposes as regards Reserve forces. Really, my question is directed to the major-general. Can you tell us, from your experience of being in the Reserve, or perhaps from case studies that you have dealt with, what Reserves bring to that whole-force capability?

Major-General Crackett: I think Reserves bring, of course, a cost-effective element of defence. If you can, in the whole-force concept, find a contribution for which Reservists can sensibly be trained, in a limited amount of time, during peacetime, if they can be brought up to speed before an operation, be deployed and be brought back, that is a cost-effective way of delivering defence—and why would you not want to do that? That is one of the principles.

The second is, of course, that many Reservists are specialists, and they give us access to a range of talent in the UK population that may not be possible or economic to maintain within the military services. Some of it is just not economic to maintain; some of it would be better maintained by Reserves. Medical services are a good example. It is better that medics continue to practise when they are not on operations, so that they are up to speed when they go. Then there are some specialities—I am thinking of the cyber field—where it simply is not possible in the Army to get the experience of IT and communications to be an effective cyber-operator. Those are the two main concepts for use of Reserves.

Lieutenant-General Gregory: To add to what General Crackett said, I can give you the perspective of a Regular officer who has had Reservists under my command, both as a commanding officer and as a formation commander on operations, and also as the honorary colonel of a Royal Artillery Reserve regiment. What do they bring, and what have they brought to my organisations when we have deployed on operations? Quite apart from the specialist military skills that, with the right lead time, they are entirely competent to deliver within an integrated capability, either as individuals or as formed bodies of men—troops, platoons, and even companies or batteries—they also bring a wider understanding, particularly related to their civilian employment, which is very beneficial when it is integrated into the organisation that they are serving. They also bring a huge enthusiasm and capacity, because these are people who are balancing more things than we Regular individuals are; they are balancing a civilian career with

their service to the nation. In all respects, provided they are given the right lead time and training, they integrate very well and they bring an added dimension that is welcome. I say that very genuinely.

Major-General Crackett: You asked for a case study of that wider benefit. Two years ago I went to visit 3rd Royal Anglian, who were carrying out the green line operation for the United Nations, separating the Turks and the Greeks in Nicosia. I went out with a brief to see whether the TA was up to it. We had launched an entire TA regiment, with their TA hierarchy—commanding officer and so on. They had prepared 274 men and women and gone and done this. I came back with the view that not only were they up to it; potentially they were actually better at it than a Regular unit might have been.

Why was that? First of all, they treated the whole thing with extreme seriousness. This was not a sunshine tour on the beach for them. They had given up nine months of their lives to do a serious military job, so they treated it very seriously. They had brought skills from civilian life. Generally they were a little bit older, more mature and had more understanding of the perspectives of the Greek and Turkish farmers and some of the young conscripts. This meant that they were able to defuse and deal with situations in a more satisfactory way. We could demonstrate that the number of border incidents went down during their tour. Many of them turned out to be specialists. We found that we had a land agent, so we could make him a liaison officer and send him out to talk to farmers; he knew exactly what they were trying to plant or do. We even had a lad who turned out to be a swimming pool operator at a Nottingham leisure centre and he put the pool back into commission, much to the benefit of the morale of the troops.

Q128 Alison Seabeck: You talked about appropriate lead-in times. That will surely change according to the role the individual is to fill. How difficult is it for you to sell to employers the idea that one employee may require a longer lead-in time because the training they require is more complex, whereas another may only need a few weeks, or, if they are a cyber-expert doing work that is parallel to your needs, could be transferred almost instantaneously?

Lieutenant-General Gregory: That is a very good question. In the White Paper, what we have articulated is the critical importance of maintaining proper dialogue with employers at a number of levels. At the national level, this means setting up a national relationship management scheme and dialogue with the Federation of Small Businesses; the problems are probably more acute there than for larger businesses. At regional level, it means engaging with employers in that area so that individuals can understand the regional dynamics. At the local level, it means making sure, in the first instance, that the Reservist communicates with his or her employer.

In the White Paper, we have signed up to giving at least three months' notice prior to the start of the training year, so that we can tell the employer when we will want to take Reservists away for the two-week annual camp. We shall give a year's notice, and ideally eighteen months' notice, of when a Reservist is likely to go into the "high readiness" part of the cycle, so that planning can be done, because that increases the likelihood

of mobilisation. For predicted mobilisations, the Army will attempt to give nine months' notice. For unpredicted, the statutory minimum, as you will be aware, is 28 days. It is thus a dialogue at a number of levels to build up the employer's confidence that they will be able to manage this. We also have to articulate to the employer the benefits of having a Reservist as part of their work force, the skills that they will bring back, and why that will enhance their business.

Air Chief Marshal Sir Stuart Peach: We are trying to demonstrate here that we are listening, because in the past we have tended to make the MOD case, but we have been less good at making the case for the employer. We have listened to that concern and we are very committed, both at the national level and downwards, to making sure that it is a dialogue and not just a briefing.

Q129 Stephen Gilbert: What is plan B?

Lieutenant-General Gregory: I am the senior responsible officer accountable to the Secretary of State for the delivery of Future Reserves 2020, and I am confident that we can effect the numbers and the capability required as part of the integrated force that the Air Chief Marshal has talked about. There are a number of initiatives to take forward the White Paper, which was published only in July, and to make sure that people—this comes back to your question, ma'am—understand the proposition for the individual and the employer, and the benefits. I am therefore confident that we can deliver plan A.

Q130 Stephen Gilbert: So there is no Plan B?

Lieutenant-General Gregory: I am confident that we can deliver plan A.

Q131 Stephen Gilbert: There are already issues with recruitment and retention. Are you confident that as the process goes forward, some of those issues can be resolved? We have seen reports this week.

Air Chief Marshal Sir Stuart Peach: We are at the beginning of this process. The roll-out of the Army recruiting programme is a week on Monday. I am digging into all this as the champion, at the chiefs-of-staff level, for this project and for the Future Reserves proposition. We are making sure that we are paying attention to the various systems that are needed to support the programme, and to the ways in which we can make sure that our internal bureaucracy works together on medical and security issues and all the associated issues. We are determined to make this work, as Lieutenant General Gregory said.

Lieutenant-General Gregory: The figures in the public domain on the recruiting performance for the first quarter of this year, which is up to the end of June, were for probably the worst quarter that you could look at. It was before the publication of the White Paper and the basing announcement, so there was a lot of uncertainty. People had been waiting for it, and wanted to know what the proposition was for the employer and for the Reservists in their families. That is now clearly articulated, and the basing proposition has been presented, so people know what the local plans are, as well as the national plans; we therefore have something that we can go out and communicate. We did not have that for that quarter. When you ask me what plan B is and whether I am confident, I am confident we can deliver this.

Q132 Mark Pawsey: I want to ask about a small matter that could lead to some confusion, which is the issue of the renaming the Reserve forces: the Army Reserve will become the Regular Reserve and the Territorial Army will become the Army Reserve. What are your views about that change and the rationale behind it?

Air Chief Marshal Sir Stuart Peach: The change was welcomed across the depth and breadth of the various focus groups in the various consultation exercises we conducted. Generally, the feeling was that the words “Territorial Army” implied something fixed, and that if we were committed to the integrated force through the whole-force concept—and we are, as part of defence reform and our journey to Future Force 2020—the change of name reflected much better what we are trying to achieve. Certainly, our feedback from current serving members, both Regular and Reserve, is that the change of name is welcome.

Major-General Crackett: In civilian parlance, the TA is a brand. It is a name and a logo, but, more importantly, it has brand content: it has stuff that you think of when the words are mentioned or come to people’s minds. Unfortunately, the stuff that people think of is wrong, and the brand content is out of step with today’s Reserve Army. Changing the name, of itself, will not change that, but it is a first step in trying to realign that brand content.

The people who are most keen to see the change are serving members of the Territorial Army today, because they feel that the public’s association of them with cadets, “Dad’s Army”, “Monty Python” and so on is absolutely wrong when 25,000 of them have served on operations over the past 10 years and 30 have died for their country. It is very unlikely that there will be any confusion in the serving Reserves, or indeed in the Regular Army, where there is the belief that having something that is named as part of the Army, instead of as a separate Army, will be better for integration.

Q133 Mark Pawsey: Do you not accept that we are creatures of habit and that people will be using the term “TA” in 20 years’ time, as we heard in evidence on Tuesday?

Air Chief Marshal Sir Stuart Peach: We accept that, but this is what the boys and girls in the forces want. It is very much part of the programme to get behind that name change.

Major-General Crackett: It will require a little marketing externally, because we need to explain to opinion formers and stakeholders externally that there is a transition, just as Santander was Lloyds bank, or whatever. These things are done all the time in the commercial sphere, and we will do it.

Q134 Mr Ellwood: This is a massive cultural change. One source of numbers that can be lent on is that of the Regulars who leave the Regular forces and could be encouraged to sign up; in fact, some members of this Committee, including me, were in the Regular forces and are now in the Reserves. What percentage is that, currently? Are there any designs to try to increase that number, given that you have done a lot of training and there is a lot already there?

Lieutenant-General Gregory: First, the process previously has been bad. It has been highlighted to us, helpfully, that a lot of people who wanted to transfer were getting stuck and it was taking an awfully long time. We have

dug into the process in great detail, and I am confident that those who wish to transfer from the Regular Army can do so at speed. You will be aware that we have offered a transfer bounty of £5,000, taxed, for those transferring from the regular Army to the Reserves, which was announced by the Armed Forces Pay Review Body in April this year. The take-up that we have seen is going up. We have a target for the number of transferees this year and—to go back to the question about plan B—we are on track to exceed that.

Q135 Mr Ellwood: Do you know what the percentage is of those who serve as Regulars who choose to sign up straight away?

Lieutenant-General Gregory: I do not know the percentage.

Q136 Mr Ellwood: May I ask about the RAF? It is very noticeable among those of us who, for instance, have travelled to Afghanistan with the Americans, that when we go up to the cockpit, do our courtesies and say thank you, we are often met by a Reservist pilot, who perhaps works for American Airlines but serves as a Regular. It is noticeable that we are quite limited with regards to allowing our Reservists to fly planes in the RAF. Is there a desire to change that approach?

Air Chief Marshal Sir Stuart Peach: As I have discussed before with Mr Brazier, there is an existing approach at sub-unit level in the Royal Navy Reserves for the Fleet Air Arm. There is 622 Squadron of the Royal Auxiliary Air Force, which does precisely what you say, Mr Ellwood, and we are doing all we can to enable it. The important point—here I perhaps speak as an honorary colonel of the TA unit, as well as the Vice-Chief of Defence Staff—is that the previous process was bad. There were so many bureaucratic hurdles to an individual transferring from the Regulars to the Reserves that that was a powerful disincentive. My unit was an intelligence unit, and it was remarkably difficult to transfer security clearance. We are sweeping away those sorts of obstacles, in addition to creating a more attractive proposition through money and other encouragement in the recruiting drive. This is an area where I am absolutely confident that by changing the approach, introducing the incentives, giving senior time and management to it and encouraging those who are about to leave the Regular service for very good reasons, we can increase the numbers.

Q137 Mr David Hamilton (Midlothian) (Lab): Quite rightly, Reservists will not have the ability to decide what they do or do not do. Concern has been expressed that, in some cases, Reservists could be used if there were a major industrial dispute in this country. Can you see the danger in that, when we consider that they live in the communities and so on, and have you advised Ministers that that should not happen under any circumstances?

Major-General Crackett: It has been, and remains, our policy not to use Reservists in industrial disputes.

Q138 Mr Hamilton: There is no change, then?

Major-General Crackett: There has been no change.

Mr Hamilton: That is good.

Q139 Mr Brazier: I want to ask you, Sir Stuart, about integration. We had an experiment in assimilation over the last few years—we are the only English-speaking

country that has ever tried it—with no Reserve branch in the Army. It was a dismal failure: we lost most of the officers. One of the six key strands in the commission's report concerned governance and how to devise structures that protected the distinctive interests of the Reserve component. None of that has come through in the White Paper. In fact, the White Paper suggests that the one thing that firmly came through in the Green Paper was that a commitment to permanent outside report by the reserve forces and cadets associations should disappear. May I ask a very specific question on governance? We have far fewer senior Reserve officers in Britain than any other country. Do you think that it is right that the board that appoints people such as General Crackett, General Munro, the Commander Maritime Reserves and the head of the RAF air branch is exactly the same board that appoints their regular counterparts, which has no outside expertise and no Reservist on it?

Air Chief Marshal Sir Stuart Peach: As I understand it, we are already using senior Reserve officers when Reserve promotion issues are on the agenda. You mentioned General Munro, for example: he could attend such panels as a voting member.

Q140 Mr Brazier: But we have seen a very marked decline over the last two years in the proportion of commanding officer slots in the Territorial Army held by Reservists. We have also seen an increase in the man training day demand on Reservists, which has applied a reverse quality filter and driven a lot of the best candidates out. However, that was not my question. The top jobs—General Munro's job, General Crackett's job and the post that corresponds to that of General Munro, the Commander Maritime Reserves and the Commander Air Reserves—are appointed by boards on which there is no Reservist and no member from outside the MOD. They are appointed by the same board that appoints Regular officers. Do you think that that is an adequate arrangement?

Lieutenant-General Gregory: Mr Brazier, we have spoken about some of this previously. The change that has been made is that, regarding the board that appoints—in the Army's case, where I can speak from personal experience—colonels and brigadiers, and boards below that that appoint lieutenant-colonels, General Munro is a part of that board where there are Reservist appointments and a voting member of that board. Before him, Major-General the Duke of Westminster was equally so. There is very much a Reservist input into that decision-making process.

Q141 Mr Brazier: I do not mean to personalise it but you were responsible for some of the changes there. It is not only that the Reserve branch has disappeared within the medical service and we recommended putting a Reservist in charge of it, but you still—and this is really a question for Air Chief Marshal Peach—have not answered the point. The is nothing laid down anywhere in the current procedure to stop the MOD doing what the Air Force has regularly done, which is simply putting an ex-Regular, who takes one uniform off and puts another one on and has no experience of the Reserve forces at all, into any of those four key posts. In which case, the only remaining check and balance in the system, the one that Lieutenant-General Gregory has described, immediately disappears. This has been the Air Force's practice for a long time, and the Navy have

just done it. With a process chaired and controlled by a majority of Regular officers, there is no input of any sort laid down; it is not even laid down in regulations that they have to be Reservists.

Air Chief Marshal Sir Stuart Peach: I will have to get back to you on the Royal Air Force's and Royal Navy's practice on the appointment of senior Reservists. I certainly do not accept that it is unfair; how it is configured through regulation is something that we will look at as we continue to develop the proposition.

Q142 Mr Brazier: But do you accept that it needs to be a different process for those top jobs? If those top jobs are so crucial, as you rightly identified, Lieutenant-General Gregory, in maintaining the interest further down, looking at command appointments and so on, they need to be selected in a different way. They need an outside element and a Reservist element in it.

The Chair: A very brief answer please; we are short of time.

Air Chief Marshal Sir Stuart Peach: I certainly agree to look into it. I will certainly accept that we need to consider the most senior appointment as part of this proposition. I am not going to commit to how we will do so until we have looked into it.

Mr Brazier: Thank you.

Q143 Oliver Colvile: The Bill proposes to align the timescale by which Reservists can actually be used in order to go on service. Do you think this is going to assist the armed forces? Do you think we are in a position to make sure that our Reservists' families are going to be well looked after during that process? Because I represent a naval garrison city, I am very aware that the Navy could end up having people all over the place because they have to go on a ship for a certain amount of time, whereas in the Army the situation is different because it is much more related to where things are barracked. How do we manage the families and make sure that we look after them, especially with regard to mental health issues?

Air Chief Marshal Sir Stuart Peach: It is a fair question and in the White Paper there are a number of clear proposals to increase the volume and level of support to families in Reserve units. There are specific proposals for welfare officers, and specific proposals for health support for Reservists, which I think is very important. I think we have got it and that it will evolve. As the owners of the proposition, we will of course be making sure that it is being applied fairly. Where we encounter best practice, either from a single service approach or from a regional approach, we will try to make sure that it is spread widely. I think it is about to change; a step-change in the area of family and welfare.

Major-General Crackett: That is absolutely right. Your initial question was about the alignment of organisation periods. I think what you are talking about is the amendment to section 56 of the Reserve Forces Act 1996 to make it possible to mobilise people for any operation for which Regulars are mobilised. It is also going to move the mobilisation period to a year, one year in four, from nine months. That is what you are questioning.

Q144 Oliver Colvile: Yes. The other thing is that my understanding is that there will be alignment for all the services within a set time. Do you think that is right, or do you want greater flexibility? It applies to the Army, which could end up having someone for, say, six months. If you are on naval deployment, you are probably out there for nine months, and I am not quite sure about the RAF.

Lieutenant-General Gregory: The three services have different models for both Regulars and Reservists so, for example, the harmony guidelines that we apply to Regular service personnel are different for each service, commensurate with the needs of the service. That is right for both Regulars and Reservists. The services, taking account of the roles they want people to play, need to decide how best to manage that, and likewise the provision of welfare support. The Air Chief Marshal mentioned the provision of welfare officers, and that is the Army's proposed solution to providing better support for families. There is provision for better mental health support, rehabilitation for those hurt not only on operations but on training, and access to wider facilities. The actual delivery—you, Mr Colvile, highlighted the Royal Navy—needs to be commensurate with the way it does its business; likewise the timelines.

Air Chief Marshal Sir Stuart Peach: So yes, there is a legislative framework, but we are trying to manoeuvre to make sure the services have the flexibility they need to do their mission.

Major-General Crackett: Of course, the fact that the Bill will enable us to mobilise someone for a year does not mean they would invariably be mobilised for a year. For example, Army medics in Afghanistan are typically mobilised for half the period of a Regular, and surgeons for a matter of only weeks. We get them in, they do the job for six weeks, and they are out again.

Q145 Oliver Colvile: Yes, but it is incredibly important to make sure that when they finish their service, they also have downtime and do not just go home. I know a number of people who have gone home, and their wives have frankly gone doolally because their husbands have come back with a different state of mind.

Air Chief Marshal Sir Stuart Peach: That is a very fair point, and precisely why we are opening up not just routine medical services, but occupational health, pre-deployment medicals, mental health screening and an operational area—not too many details. We also ensure that Reservists go through the decompression experience with their Regular colleagues on return from operations so that they have the same experience, as far we can make it.

Q146 Oliver Colvile: I came across a Royal Marine in Lympstone who lived in Aylesbury. He went home and talked to his wife, who did not understand about his experiences, so he went and talked to his mates but they did not understand. He needed to get together with his Royal Marine colleagues—guys he had served with—because they understood the mental anguish and experience he had gone through.

Lieutenant-General Gregory indicated assent.

Q147 Mr Brown: Gentlemen, we all referred to clause 43, which also gives effect to schedule 6 of the Bill. Under that schedule, any person currently serving in the Reserve and Regular forces will become part of a class of personnel

—the second transitional class—to whom the new provisions of clause 43 will not apply. The powers governing their call-out will remain as they currently are under the Armed Forces Act 1996 Act. Did the armed forces request that measure and, if so, what operational benefit will it bring? Are there any potential difficulties in having Reservists serving together when they have been called up for different periods?

Major-General Crackett: Yes, this is a legal-driven piece of drafting. No, the armed forces did not request it. It is a matter of fairness and good parliamentary practice. The clause will create a new obligation and it is thought that it is unfair to create that obligation retrospectively to people who joined on a different basis, so Reservists will have to accept voluntarily, and if they do not, they will remain in the so-called second transitional class until such time as they either re-engage—they come to the end of their engagement and sign on again, and will then be told to do so on the new terms—or they voluntarily accept them.

We did that in 1996, which is where the transitional class No. 1 comes from, and we had an internal campaign to explain the new clause to people and asked them to sign a form to waive voluntarily their transitional membership. That went on for a couple of years, and the numbers declined.

Of course, it could potentially be operationally inconvenient. As you identified, we could end up with people on different terms and conditions. We are actually confident that people will see the sense of this, so a large number will voluntarily accept it. In fact, of the volunteer Reserves, only some 164 are in the original transitional class—people who did not accept that.

Q148 Mr Brown: You have obviously looked at the figures.

Major-General Crackett: Yes. We do not think it will be a problem for too long; also, it eases as people sign on again. It is something that I think the single services can manage when they are thinking of deploying individuals.

Air Chief Marshal Sir Stuart Peach: We are aware of the issue. We very much see it as a transitional issue to be managed at single service level.

Q149 Oliver Colvile: I have a small issue. Reservist families are disparate and are in far-apart places. Do you think there is an argument to produce a website or intranet site where they can communicate with each other through chat rooms and things like that, so that they feel they are not just being left by themselves?

Lieutenant-General Gregory: Your question potentially is even wider than Reservist families. As the Regular forces increasingly have people who do not live on military patches and are therefore away from battalion or regimental bases, they too are potentially isolated in wider civilian communities. So we are looking at the totality of how we provide proper welfare support to a much more distributed service community. What you say—websites and chat rooms—are all part of the thinking. That would apply to Regular and Reservist families. Your point is a good one.

Major-General Crackett: It is already happening. For most regiments that are sending a cohort to be mobilised, the first thing they do is set up some form of welfare

website. I am pleased to admit that the capability of some of these people with social media is well beyond my understanding. I think they are probably well ahead of us.

The Chair: The final question is from Alison Seabeck.

Q150 Alison Seabeck: I have two short questions. First, anecdotally, I have picked up—I am sure other members of the Committee have as well—concerns that former service personnel and people who have been made redundant are being told by employers that they will not be employed if they intend at some point to become part of the Reserve force. That is clearly difficult. We have not touched on the financial incentives and the feedback from employers. Do you think you will be able to pitch that incentive at a level that will make it worth while for employers who are currently saying, “We don’t want you to join”?

Air Chief Marshal Sir Stuart Peach: We accept that there is a range of responses from our own consultations and discussions, which we do as individuals and also through the formal process. We are aware of the different groups that represent small and medium-sized businesses—the Federation of Small Businesses and so on.

As to fairness, I think there are some misconceptions that could arise from the way in which payments may be set out, which we can cover in a bit of detail if you want.

I would repeat that we see an iterative process here. As evidence is gathered, as opposed to perceptions, and as the proposition settles, we can, through our various

bodies, not least the National Employers Advisory Board and others, test and adjust the proposition. We think that it is fair and that the detail needs more work. I am making sure that it is understood. We accept that challenge, and we will continue to adjust it. There is some detail here.

Q151 Alison Seabeck: I want to get a final question in; I think you have answered that fully.

There are consequences to not picking up recruitment levels to meet the targets. What assessment have you made of those consequences? Can you tell us what you think they would be if we did not meet the targets for recruitment?

Lieutenant-General Gregory: It is back to the question about plan B. I remain confident that with the White Paper and a narrative to explain to the nation, particularly including employers—you have rightly highlighted them, because they are a critical community—

The Chair: Order. I am sorry; the timetable motion we have is unforgiving. That brings us to the end of the time allocated for the Committee to hear evidence from these witnesses. I thank the witnesses on behalf of the Committee. The Committee will sit again at 2 o’clock to take further evidence.

1 pm

The Chair adjourned the Committee without Question put (Standing Order No. 88).

Adjourned till this day at Two o’clock.

