A presentation on the current UK Defence & Security Scene: Budget and Political Developments

Australia-Canada-UK-USA Quadrilateral Conference
BIS Conference Centre
London
12th September 2011

By Paul Beaver
Context

This presentation is deliberately industry focussed. It represents the speaker’s personal views.

Defence Industry in Britain is between a rock and hard place as:

1. Budgets decline and growth is sluggish
2. An end is in sight for large scale intervention in Afghanistan
3. Government priority is balancing the national books
4. Competition is growing and legislation more restricting
Budget

UK still has the fourth largest annual expenditure in the world:
But so much is tied up on long term capital projects,
especially in the Air and Maritime domains

1998-2010 – Air received > 49% of equipment spending

Defence must spend on staff related costs – pay and pensions
and whilst budgets are cut, costs rise.
Budget
Post SDR Spending by Domain
1998-2010

MARITIME £ 18.18 bn
LAND    £ 12.09 bn
AIR      £ 31.17 bn
JOINT   £  1.51 bn

Source: NAO
Major Projects

Under the Chatham House Rule
Budget today

MoD Budget

- Depreciation
- Cash available
Budget today 2
Policy

UK has produced a plethora of policy documents in the last few months. It has also reviewed policy and Ministers have created new policy. This is good – change is important.

Key documents are:

SDSR 2010
NSS 2010
and the forthcoming “Non DIS” DIS White Paper
Implications for Defence Industry

1. Gaining orders from the UK Equipment Programme between now and 2015 will be hard – and don’t expect too much UOR money
2. Greater competition – greater cost of sale
3. Industry will need to re-balance markets and business development
4. Re-assessment of the value money – where is money really to be found and how can it be improved
Forecast

The UK will still be a useful place for business – its market is open and policy is to ensure competition – with France and USA being rated particularly important partners.

The UK MoD is still doing business but not on such a grand scale.
Conclusions

1. Defence has to find £15 billion in EP savings to balance the books – it will be a ‘desert’ for contracts until 2015
2. UOR money will also be scarce
3. Even an increase of 1% of GDP after 2015 will not deliver the Future Force 2020 planned and needed
4. The Land Domain will be particularly badly hit
5. There is a Comprehensive Spending Review, a new NSS/SDSR, the withdrawal from Afghanistan, the Germany Return and a General Election between now and 2016
Paul Beaver

CANUK Partners
A Joint Venture between CMS and Beaver Westminster Limited

+44 7836 622165
paul@beaverwestminster.com