

PRIME MINISTER

MINISTRY OF DEFENCE

An incisive commentary
on Defence management
from Derek Rayner, for your
visit on Jan 4. Also (A)
a CSO note.

1. You asked for a note on management issues in the MOD. What follows is very much a personal note, based on my own period of office as head of the Procurement Executive earlier this decade, on my membership of the MOD management review steering committee and on my impressions since my appointment earlier this year.

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The "separateness" of Defence

2. The Defence environment is difficult for the outsider to master. Without a persistent and, if I may say so, fairly brutal determination to refuse to allow oneself to be taken over, the smooth, efficient and glamorous atmosphere of the Services can quickly envelop the Minister and he may soon find himself taken over heart and soul. Almost the first expression of this may be that he identifies himself with the MOD shibboleth that it is different. I myself, on this new round, have been told at the highest level that MOD is not as other Departments are. Unlike DHSS, for example, it does not "deliver services to the public".

3. The simple answer to this, of course, is that the MOD is exactly like every other Department in that the taxpayer pays for it.

4. It may sound a trivial example, but the fact that Service officers still live in a "regimental" way is a good indication of the degree to which the Defence world regards itself as separate and different from everyone else. For example, the housing of general officers may not have been expensive in the old days, but the cost of servants/batmen is now high. The cost of the actual accommodation itself is also high. Another absurdity is the use of large cars for general officers so that they can move about with their swords slung. Extravagance does not buy better defence. There is no need for general officers to live in such style.

What is needed is taut expenditure, the implications of which can be carried all the way down. I return to this theme below.

The Chief of Defence Staff and the Chiefs of Staff

5. The Chiefs of Staff system demonstrates both the strength and the weakness of MOD as a Department.

6. The top body is meant to be the Defence Council, chaired by the Secretary of State and having the Chiefs, the Chief Scientist, the head of the Procurement Executive and the Permanent Secretary in membership. In my time it was quite inactive. On the other hand the Chiefs of Staff met often under the chairmanship of the CDS and other members of MOD allowed themselves to be summoned to his office for policy and other meetings. In my view, it is of crucial importance that the Chiefs should be directly accountable to the Secretary of State and that, while they should be allowed to retain their right to form up before the Prime Minister of the day, the powerhouse should be in the Secretary of State's office, not that of the CDS.

Defence Council

7. What adds importance to this is the fact that although in theory the CDS should rule over the Chiefs, this rarely happens in my experience. The CDS is not chosen because of the strength and experience of the particular individual, but by rota among the three Services. The Service Chiefs have their own staff resources and tend to be extremely powerful in their own management boards, with the entire resources of their particular Service to back them up. Moreover, in order to win battles with the CDS and the rest of the MOD, the Chiefs naturally do deals with each other beforehand.

8. It is of course right to retain the separate identity of the three Services for reasons of morale and identity, but I firmly believe that one should unify wherever it is possible

to do so. First, I do not think it wise to have a Parliamentary Secretary in charge of each of the Services. This means that the Secretary and Minister of State are confronted with three powerful lobbies headed up by junior Ministers.

9. Secondly the Services should be forced to go faster and further towards the unification of certain functions. In my time separation had, I thought, reached absurd levels with, for example, three separate training services and establishments for Chaplains and three separate recruiting organisations, with separate outlets, for the Services. These items are comparatively trivial. More important are the big support functions of supply procurement. Even though procurement has supposedly been unified under particular services (eg the RN for food), it is clear that the separate Services still manage to superimpose their own needs.

10. So I would regard as of supreme importance an all-out drive at unifying the three Services wherever possible. Not the least value of this would be to emphasise that the "separateness" of Defence is not a valid answer to the imperatives of our present economic state.

Cost-consciousness

11. In my experience, MOD do not understand that the price of perfection is prohibitive. I very well remember a senior officer saying to me that, "It does not matter what it costs, provided you get what you want".

12. The general attitude was that if you wanted more, you should have more money. There was too little self-examination with a view to getting value for money. Of course, it is inevitable that in developing an appropriate response to the latest threat, especially in equipment, there is a strong case for changing proposals on the grounds that equipment will be out of date before it comes into service. But this

can be taken to a ludicrously excessive degree, with far too many modifications, making the weapon system too expensive and, in fact, in some cases failing to produce any system at all. This tendency throws enormous importance onto the role of the Ministerial team in challenging the professionals. Each Minister might have on his desk the thought "I do not want it perfect, I want it Thursday".

13. In a related field, I did not have the impression that Service officers were conscious of the value of the assets in their keeping, simply because no charge for them was made. This is far from saying that they do not look after what they have. The standard of care is often superb, although it may be ludicrously inappropriate to the actual need.

14. A more important field, however, is that of "readiness for action". In such areas as Fleet Support and stock-holding in all parts of all Services, there is excessive over-insurance against breakdown and failure. There should be a much more hard-headed look at actual requirements against the probabilities of actual emergency.

15. Similarly, in the field of Quality Assurance the Services place far too much emphasis on doing their own assurance work. As in the procurement of supplies, it would be better to go for good quality producers and make them do the quality assurance work. The ludicrous fact is that producers must do their own quality assurance anyway and it is absurd to repeat this within the Services.

Length of the administrative tail

16. This point carries through to the size of the staffs employed by the MOD. The MOD has over time assumed responsibility for such matters as storage, handling and distribution

of supplies which would, in commerce, be the duty of the supplier. Inevitably, this produces a whole range of activities (eg maintenance, distribution, records and invoicing) which has got out of hand.

17. On top of this, there is a complexity of organisation attributable to the use of mixed teams of civilians and Service officers, with a good deal of cross checking and the determination of particular Services to look after their own. As a result, the Services tend to be involved in civilian activity where this is quite unnecessary and the civilians get involved where the Services could be acting for themselves. My view is that the functions which have to be performed should be sifted down so that MOD and the Services keep only what is absolutely necessary, that Servicemen are used to the maximum extent possible (not least because they are subject to a greater discipline than civilians) and that as much should be left with commercial suppliers as possible. For example, the Ships Department should not double-bank the shipbuilding industry, nor should the Quartermaster General's organisation be used to repair vehicles which could be repaired by the private sector.

Some possible questions

← 18. You might like to explore during your visit to the MOD what the Ministerial team see as their management responsibility and how far they feel they are on top of the military and civilian staffs of the MOD.

E 19. In order to obtain facts which would enable you to test the answers given, you might like to ask about the degree to which work done within the Service organisation and the MOD itself duplicates work done in the outside world. In particular, you might like to ask about the extent of unification over, say, the last ten years; the cessation of functions altogether; the transfer of functions to the private sector.

20. On the length of the administrative tail, you might like to enquire about the ratios of fighting troops and services to supporting organisations within the Services themselves to supporting civilians.

21. I shall be glad to amplify any of this when I see you on 3 January. In the meantime, I am copying this minute to Mr Wolfson.


Derek Rayner
21 December 1979

What is the cost of the
R&D effort — what is its production,
duplication?
Developing weapon systems — never
put into production
What arrangements — necessary duplication
Ratio of R&D to Production,
Do we exclude any areas in R&D.