

Secretary of State for Defence Dr Liam Fox has this morning announced the strategy for reforming the Ministry of Defence which will include the formation of the Defence Reform Unit that will lead in the reorganisation of the Ministry of Defence into three 'strategic pillars'.

Speaking to an audience at the Royal Institution of Chartered Surveyors in Westminster, Dr Fox announced that he is launching a full review of how the Ministry of Defence is run and how the Armed Forces can be reformed to "produce more efficient provision of defence capability, and generation and sustainment of operations".

In his speech Dr Fox began by describing the background to the changes, highlighting the fact that the country faces a legacy of debt - the interest on which for the next year alone will exceed the budget of the Ministry of Defence.

He said that it was a "disgrace" that there had not been a defence review for 12 years despite our Armed Forces being committing to conflicts in the Balkans, Sierra Leone, Iraq and Afghanistan and with enormous changes in the global security picture.

Dr Fox said the Strategic Defence and Security Review (SDSR) will not simply be a random selection of cuts but an objective process by which the shape of the Armed Forces required will be reached by the end of the decade.

Dr Fox said:

"The National Security Council has agreed that the overarching strategic posture should be to address the most immediate threats to our national security while maintaining the ability to identify and deal with emerging ones before they become bigger threats to the UK.

"This flexible, adaptable posture will maintain the ability to safeguard international peace and security, to deter and contain those who threaten the UK and its interests, and where necessary to intervene on multiple fronts.

"It will also, crucially, keep our options open for a future in which we can expect our highest priorities to change over time."

He said we need to "invest in programs that we will require to put our Defence on a sound footing for the years ahead and divest ourselves of the capabilities which we are unlikely to need in a world where the moral climate demands precision weaponry and where the battle space increasingly embraces the unmanned and cyber domains".

"We are contrasting cost savings and the capability implications with the risks that we face in the real global security environment.

"This requires assessing any proposed change in a current programme or platform, against a series of criteria including:

"First, the cost saving in years zero to 5, 5 to 10 and beyond 10.

"Second, the capability implications - what capability will be lost as a result of this decision and what other assets do we possess that might give us the same or a similar capability?

"Third, the operational implications - What operations that we currently carry out, or are likely to carry out, will we be unable to undertake as a result of this change?

"Fourth, the ability to regenerate the capability, at what cost and in what timeframe.

"And fifth, the risk in the real world that this capability currently protects us from or is likely to protect us from in the foreseeable future."

In alliance with the SDSR Dr Fox said that the Ministry of Defence itself was in need of reform and to this end he announced that a Defence Reform Unit would be established to carry out the required changes.

On this he said there are two broad principles that would be followed. The first is a structural reform which will see the department reorganised into three pillars of Policy and Strategy, the Armed Forces and Procurement and Estates. The second is a cultural shift which will see a leaner and less centralised organisation combined with devolved processors which carry greater accountability and transparency.

He stressed that a logical management structure would be "Foreign Policy leading to a defence strategy, then portfolio management which identified capability gaps followed by specific program identification and finally physical procurement".

The new three pillar structure is designed to make this easier and to stop the constant over specification and then re-specification of programs which has led to cost overruns and program delays.

The work will be led by the Defence Reform Unit. Dr Fox described this as "a heavy hitting Steering Group of internal and external experts will guide the hard thinking and challenge preconceptions".

Lord Levene will Chair this group and will be supported from outside the MoD by Baroness Sheila Noakes, George Iacobescu, Dr David Allen, Björn Conway, and Raymond McKeeve.

In turn, it will be supported by a civil service implementation team with a remit to complete their blueprint for reform by September 2011.

Dr Fox also announced that there will be a review of how the Armed Forces undertake the tasks of force generation and sustainability.

"We need to challenge some of the fundamental assumptions which drive force generation, such as tour lengths and intervals, taking into account the varying pressures on our personnel resulting from widely varying missions to see if we can update our practices and produce greater efficiency while implementing the military covenant."

The Secretary of State said he will be asking the First Sea Lord, Sir Mark Stanhope, The Chief of the Air Staff, Sir Stephen Dalton and the new Chief of the General Staff, Sir Peter Wall to begin this review once the SDSR has been completed with a view to completing their work by the spring of 2011.

Meanwhile, the Defence Reform Unit will work with the Chief of Defence Staff and the Service Chiefs to find ways of giving greater devolution for the running of the Services themselves.

He said the Department must get away from the over centralising tendency that has become the hallmark of the MoD in recent years and said they will also consider whether the current Senior Rank structure across the Services is appropriate for the post-SDSR world.

"We cannot demand efficiency from the lower ranks while exempting those at the top," Dr Fox said.

He concluded by saying that taken together the SDSR and these changes represent a radical agenda for change and show how the government is committed to governing not in their own interest, but in the national interest.