

In response to the National Audit Office's report into Carrier Strike, Defence Secretary, Dr Liam Fox, said:
"I am disappointed that the NAO were not able to produce an agreed report. We inherited a massive Defence deficit which included a carrier project that was already £1.6BN over budget. The Strategic Defence and Security Review put this programme back on track and delivered £3.4BN of overall savings to Carrier Strike. The NAO has noted that our decision to build the second new aircraft carrier makes financial sense, supports UK industry and the significant cost and capability advantages of the aircraft we now plan to fly from it.
"Converting one of the Queen Elizabeth Class aircraft carriers to operate the more capable and cost-effective Carrier Variant of the Joint Strike Fighter fast jet will maximise our military capability and enhance interoperability with our allies. Operating the more cost effective Carrier Variant fast jet will also over the longer-term offset the conversion costs. In the meantime we have rightly assessed that we can rely on our extensive basing and over-flight rights as we are doing to great effect in Libya."
"In addition to the new carrier capability operating the fifth-generation Joint Strike Fighter, our vision for Future Force 2020 includes a Royal Navy operating seven new Astute class submarines, the new Type-26 Global Combat Ship and Type-45 destroyers."
COMMENT : Type 26 is still a gleam in the eye. No numbers given for Type 45.
The Ministry of Defence's Permanent Under Secretary, Ursula Brennan, said:
"I am concerned that the NAO have taken the unusual step of publishing this report without agreeing the final text with me, as Accounting Officer, as required by their own guidance."
Rt Hon Margaret Hodge MP, Chair of the Committee of Public Accounts, said:
This is a deeply worrying report from the National Audit Office and raises many questions that the Committee will seek to address next Monday when the MOD Accounting Officer is in front of the committee.
The report raises three clear issues on cancellation, transparency and cost.
When the Prime Minister made a statement to the House on Tuesday 19 October 2010, he said that we were left in a situation where even cancelling the second carrier would cost more than to build it. I have this in written confirmation from BAE Systems. The NAO has discovered that this is not the full story and that cancellation was feasible and offered significant medium term savings.
The report shows that cancelling one carrier in the long term would save £200 million and cancelling both would deliver £1.2 billion in savings over the same period.
In addition it is clear that the military judged the carriers to be of secondary priority to other maritime capabilities.
On transparency, the NAO do not fully understand how these decisions were made by the National Security Council because, despite their statutory rights under the National Audit Act 1983, they were not given access to particular cabinet committee papers which they needed to understand the way in which the cost, affordability, military capability and industrial implications of the alternative carrier strike options were drawn together to support the decision. This lack of transparency over such a crucial and costly decision is not acceptable.
On costs, the SDSR decision radically changed the carrier concept and left the country with a gap in maritime capability for a decade. There are new cost and value for money risks which have yet to be quantified and which in the current financial climate are clearly unaffordable. The carriers may once again be a victim of the need to balance the books in the short term.