

Hansard

25 July 2007 : Column 865

CSR and Aircraft Carriers

1.48 pm

The Secretary of State for Defence (Des Browne): I am pleased to inform the House that the Ministry of Defence has agreed with Her Majesty's Treasury a comprehensive spending review settlement for the next three years. The total departmental expenditure limit for defence over the CSR period will be £34 billion in 2008-09, £35.3 billion in 2009-10 and £36.9 billion in 2010-11. That is an additional £7.7 billion for defence by 2011, and a 1.5 per cent. average annual real terms increase against our CSR baseline, excluding the costs of operations that are met from the reserves and the time-limited defence modernisation fund. The Treasury will, of course, continue to fund from the reserves the additional cost of operations over and above the defence budget, having already provided some £6.6 billion from the reserves to support the front line since 2001.

The settlement continues the longest period of sustained real growth in planned defence spending since the 1980s; that is evidence of the Government's commitment to defence and to the men and women who serve with the utmost bravery in our armed forces.

The result of Labour's consistent funding for defence is that the defence budget will be significantly higher in real terms than the budget that we inherited in 1997—on average, a billion pounds more for defence every year, for 10 years. Compare this with the last five years of the Tory Government, when the defence budget was being cut by around £500 million a year.

Our priority remains success on current operations. This settlement gives the MOD the financial certainty required to continue delivering that success. Over the past year I have been able to announce to the House important enhancements in protected vehicles, in helicopters and in surveillance. The settlement will enable us to do more in all these areas and others. It also allows for additional investment in the support that our service personnel deserve, building on recent improvements in pay, in the

new tax-free operational bonus, in medical care for our wounded personnel and in accommodation.

At the same time as ensuring success on current operations, and support for our people, this settlement enables us to invest in the capabilities that we will need for the future. I am pleased to be able to confirm today that we will place orders for two 65,000 tonne aircraft carriers to provide our front-line forces with the modern, world-class capabilities that they will need over the coming decades. These will be named HMS Queen Elizabeth and HMS Prince of Wales. They are expected to enter service in 2014 and 2016, respectively.

This delivers on the Government's promise in the 1998 strategic defence review. The carriers represent a step change in our capability, enabling us to deliver increased strategic effect and influence around the world at a time and place of our choosing. They will be a key component of the improved expeditionary capabilities that we need to confront the diverse range of threats in today's security environment. They are evidence of our commitment to ensuring that our armed forces are modern, versatile and equipped for the future.

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In parallel, we will continue to work closely with France. Our co-operation has already yielded real benefits. We have shared the costs of developing the common baseline design to which we are committing today and we have capitalised on our huge collective technical and military experience. Our industries are exploring further opportunities for mutual benefit, including joint procurements of equipment for the carriers, and shared support arrangements. We look forward to making a joint announcement on further co-operation in the next few months.

The carrier programme will sustain and create some 10,000 jobs across the UK, but we have always been clear that the carriers cannot be built without change in the maritime sector. As we set out in the defence industrial strategy, we need further improvements in efficiency to ensure that the taxpayer is getting value for money. We need to ensure that the UK maritime industry is the right size and shape, so that it is sustainable in the longer term, so I am pleased that VT Group and BAE Systems intend to form a joint venture in naval shipbuilding and support.

The creation of such a joint venture will enable the Royal Navy to work with industry to deliver the infrastructure that the Navy will need to support the fleet in the future

while retaining all three of our existing naval bases at Portsmouth, Devonport and Faslane. This will be good news for the three communities and the service, civilian and contractor personnel employed at the bases. None the less, some reductions in the 17,600 personnel currently employed will be necessary and will be taken forward in consultation with trade unions in the usual way. We aim to rationalise infrastructure and spare capacity, streamline processes and build on partnering and other commercial arrangements. For example, today we are also announcing a £1 billion partnering arrangement with Rolls-Royce for the in-service support of the nuclear steam raising plant that powers the Royal Navy's submarines over the next decade. I am determined to ensure that more of our money is spent where it is really needed, reducing overheads to put more into the front line and into supporting our people. To enhance the spending power that this settlement gives us, we will make savings against the Department's overheads, including a 5 per cent. year-on-year saving in our administrative overhead over the next three years and a 25 per cent. reduction in our head office. These are additional to the £2.8 billion efficiencies delivered over the spending review 2004 period.

A priority through the CSR period will be the continued investment in improving accommodation for our people and their families. We expect to spend some £550 million on this over the three-year period, including plans to upgrade over 18,000 barrack-type bed spaces. This builds upon the achievements of recent years in providing upgrades to our service families' homes and our plans to spend £5 billion over the next 10 years on upgrading and maintaining accommodation. We also intend to explore with the Treasury and the Department for Communities and Local Government how best we can support the wishes of many servicemen and women to own their own homes.

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Full details of the CSR settlement for defence will be announced in the autumn, alongside the outcome for all Government Departments. Today, however, I am providing a summary for the Library of the House.

Our armed forces are admired and respected world wide. I am conscious that with operations in both Iraq and Afghanistan, we are currently asking our armed forces to do a lot. In return we must ensure that the Government do all they can to support them and their families. This significant additional investment shows that the

Government are determined to do just that, and to ensure that in the years ahead they maintain their well earned and much deserved reputation for being the best armed forces in the world.

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Trident

Mr. Llwyd: To ask the Secretary of State for Defence when he expects to make the first of the regular reports to Parliament on progress made in the Trident replacement programme, as referred to by the former Secretary of State for Foreign and Commonwealth Affairs on 14 March 2007, *Official Report*, column 309. [150280]

Des Browne: In accordance with the usual practice on major procurement projects, the first full progress report on the programme to maintain the UK's nuclear **deterrent** will be made after the Initial Gate for the new class of submarines, currently estimated to be in 2009. Interim reports will be provided depending on progress with the programme.