

News Defence

The 10 worst overspends at the MoD

Aircraft that don't fly and tanks that don't exist...



Inefficient, incompetent and in debt, the MoD is behind a catalogue of disasters that has cost taxpayers billions and servicemen their lives. David Robertson highlights some of its worst decisions

1 Nimrod MRA4

14 years of work, next stop is the scrapheap

The Nimrod MRA4 has cost every British taxpayer £126 but it will never be used in service. Delayed, overbudget and finally cancelled, the aircraft epitomises everything that is wrong with the way that the Ministry of Defence buys its equipment.

Michael Portillo gave the project the go-ahead in 1996 when he was Defence Secretary. The MoD wanted to replace its ageing Nimrod Mk2 maritime surveillance aircraft and considered buying new planes from the US and France. In the end it decided to go with a solution from BAE Systems, which would later hire Mr Portillo as a non-executive director between 2002 and 2006.

BAE was commissioned to upgrade the existing fleet of Mk2s, based on the world's first jet liner, the De Havilland Comet. While the Mk4 would be substantially improved, the MoD was effectively investing billions of pounds in an air frame that took to the skies in 1949.

The Nimrods that BAE received were so old that none had been built to a common standard and the company's engineers had to do bespoke alterations on each one.

In 2000, BAE wrote off £300 million on the Nimrod contract, and in 2003 took a further £500 million

hit. More problems surfaced during flight testing and it was discovered that the planes were unstable and an anti-stall system was needed.

The creeping costs forced a succession of defence secretaries to cut the size of the programme from twenty-one planes to nine. As a result, costs per aircraft tripled to £422 million — about the amount that the MoD spends every year on science and researching new technologies.

The Government decided in October to cut its losses and cancelled the programme. The planes are likely to be cut up and sold for scrap.

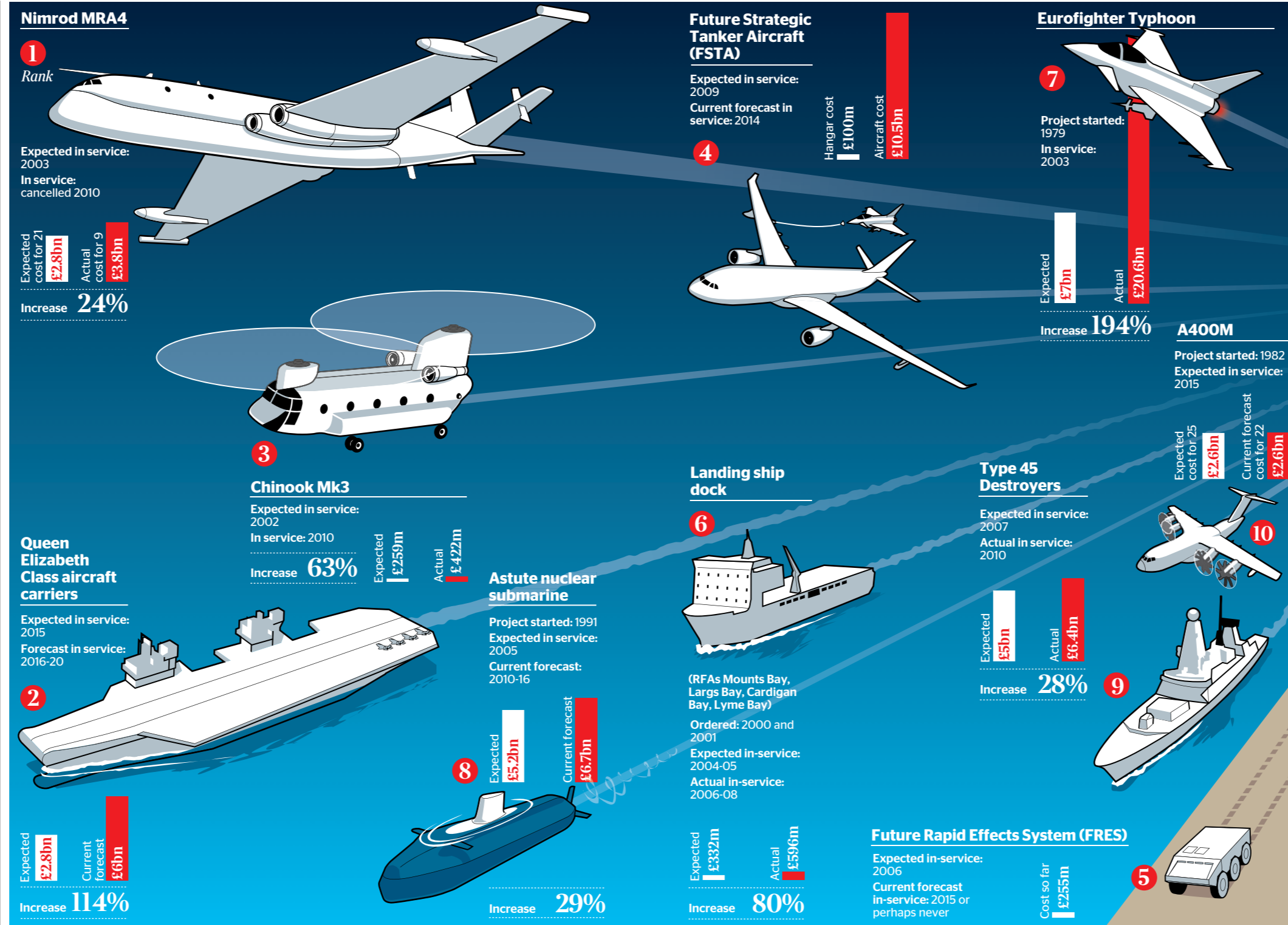
2 QEC aircraft carriers

Symbol of overreach and poor decisions

Aircraft carriers are supposed to represent a country's ability to project force anywhere in the world. In the case of the UK, the Royal Navy's new carriers have instead come to stand as a symbol of the MoD's overreach and poor decision-making.

When HMS Queen Elizabeth enters service in 2016, she will have no aircraft on her decks and will float around for three years before being mothballed or sold. HMS Prince of Wales, the second carrier, will enter service about 2019 but she, too, will have to wait for planes because the Harrier fleet was scrapped to save money and the new F35 Joint Strike Fighter is delayed.

Instead, a £750 million catapult will be added to Prince of Wales so that she can be used by US and French aircraft. The MoD



has found itself in this situation because it cannot afford to operate both carriers. Yet cancelling the second would have cost more than building it because the previous Government guaranteed work to the BAE Systems yards in Portsmouth and on the Clyde as part of a 15-year agreement. The carriers' initial cost was £2.8 billion but has crept up, with one big rise caused by Labour trying to delay production. The National Audit Office said this allowed the MoD to reduce spending by about £450 million in 2009-14. But the delay increased the cost after 2014 by £1.56 billion.

3 Chinook Mk3

'One of the worst procurements ever'

While British lives were being lost in Iraq and Afghanistan for the want of helicopters, eight giant Boeing Chinook Mk3s were sitting in a climate-controlled, dehumidified hangar at Boscombe Down because of a massive procurement error. The Commons Public

Accounts Committee described their purchase as "one of the worst examples of equipment procurement" ever.

The Mk3s were designed for use by British special forces and had "fat" fuel tanks for longer missions and a hybrid analogue-digital cockpit. But the MoD forgot to ask Boeing for access to the software codes that ran the cockpit systems. Without them, the Chinooks could not be given airworthiness certificates and would only be allowed to fly on cloudless days in areas where there were no hills.

The MoD began negotiations with Boeing in 2004, hoping to find a solution, but the talks took 30 months. By the time a deal had been agreed, the need for helicopters in Afghanistan was so critical that the MoD decided simply to strip out the cockpits and start again.

The helicopters are now beginning to enter service — 15 years after they were ordered.



£43bn annual defence budget

£6bn estimated annual wastage

£36bn potential budgetary shortfall over next ten years

GRAPHIC: MATT SWIFT AND WILL MCQUHAE FOR THE TIMES

end of 2008 it had been killed off because of budget cuts. A freedom of information request by *The Times* revealed that the MoD has spent £255 million on FRES so far and not a single vehicle has reached the Army.

The Commons Select Defence Committee described FRES as "a sorry story of indecision, changing requirements and delay". Despite this, the MoD has awarded General Dynamics a £500 million contract to build seven FRES vehicles. But no deal has been signed and sources believe that the vehicle may never go into production. If FRES is scrapped, as expected, the MoD will have spent £755 million on seven vehicles.

6 Landing Ship Dock

Fears over jobs put a spanner in the works

The MoD should have realised something was wrong at Swan Hunter when the Tyneside shipyard heavily undercut its rivals to win a contract for two Royal Navy support vessels. Swan Hunter needed orders to survive. In 2000, it was awarded a £150 million contract to build the vessels. BAE Systems, which lost out to Swan Hunter in the bidding, then warned that one of its shipyards on the Clyde might close if it did not get some of the work. As a result, BAE was given a contract in 2001 to build two more ships based on the Swan Hunter design.

But the ships turned out to be beyond Swan Hunter's capability. The National Audit Office said only 7 per cent of the designs were given to BAE on time and 52 per cent were more than a year late; thus the BAE ships were also delayed. Even when it became obvious that Swan Hunter was incapable of doing the work, the Government could not cancel the contract because hundreds of people would lose their jobs. Eventually, though, the MoD had to bow to the inevitable and it gave up on Swan Hunter. The contract was transferred to BAE for completion in 2005. The Swan Hunter shipyard was shut.

7 Eurofighter Typhoon

Take your partners for delay after delay

When the Eurofighter was first conceived, it was expected to be dogfighting with MIGs as massed ranks of Soviet tanks swept across Europe. The first "European" fighter jet was proposed in 1979 and a formal agreement was reached between the UK, Germany, Italy and Spain to build the Eurofighter in 1988.

The jet's maiden flight was in 1994 but political wrangling over orders and production quotas delayed the project. The RAF's first aircraft was not delivered until 2003 and began active duty only in 2007 — 19 years after the deal was signed. During the years of delay the Soviet threat has evaporated. RAF pilots are more likely to be engaged in bombing operations than dogfighting, and the Eurofighter Typhoon has had to be adapted to this new role.

According to the National Audit Office, the first cost estimate for the UK's Eurofighters was about £7 billion. This rose to £13 billion, then £17 billion and now £20.6 billion. The Eurofighter is acknowledged as one of the world's most capable fighter jets but it is also emblematic of the problems of European co-operation: no country is rich enough to develop such a project on its own but working together results in delay after delay after delay after delay...

8 Astute nuclear subs

Cost increases continue to surface

The MoD awarded a contract for three Astute Class nuclear-powered submarines in 1995 but BAE admitted in 2002 that the project was seriously over budget and behind schedule.

This was blamed on unexpected difficulties in building the submarines using computer-aided design. Unofficially, the cause was said to be a lack of skills. The MoD was forced to pump an additional £430 million into the project, while the blunders cost BAE £250 million.

The MoD has since bought a further three Astute boats and the Government confirmed this year that one more will be ordered. However, cost overruns have continued to blight the project. After 2014 the cost will rise by £539 million, resulting in a net increase of £400 million.

9 Type 45 Destroyers

MoD did not have a 'high-level overview'

The Royal Navy's six new destroyers are possibly the most sophisticated warships ever built. The radar system can track more than 1,000 airborne objects at a range of 155 miles (250km).

The ships are so expensive, however, that the original plan for 12 had to be halved.

The contract for the new destroyers was given to BAE and Vosper Thornycroft (VT) in 2000. According to the National Audit Office (NAO), the contract was placed before BAE and VT had agreed to work together, so the MoD ended up doing more than it intended. The MoD was also liable for BAE and VT's costs if there were delays, which, of course, there were.

The NAO found that the MoD did not have a "single, high-level overview of the project".

10 A400M

Fewer aircraft after stop-start engine work

The A400M, a military transport aircraft, was conceived nearly 30 years ago as a pan-European project to replace the C-130 Hercules fleets. Airbus was prepared to buy the turboprop engines that the A400M would need from Pratt & Whitney, a US-based company. But then Jacques Chirac, President of France at the time, is said to have insisted on a European engine solution, and a consortium was formed to provide it. The consortium was starting from scratch on one of the most complicated engines ever built, and there were multiple delays.

The project is now running at least five years late and the budget has increased from about £15 billion to €20 billion. A €3.5 billion bailout for Airbus was agreed earlier this year, with governments paying more for each plane. The UK has refused to pump more money into the project and will instead take fewer aircraft.

