

Ministers reflect

Liam Fox

December 2015



Liam Fox

Biographical details

Electoral History

2010-present: Member of Parliament for North Somerset

1992-2010: Member of Parliament for Woodspring

Parliamentary Career

2010-2011: Secretary of State for Defence

2005-2010: Shadow Secretary of State for Defence

2005 (May-Dec): Shadow Foreign Secretary

1999-2003: Shadow Secretary of State for Health

1996-1997: Parliamentary Under-Secretary of State (Foreign and Commonwealth Office)

Liam Fox was interviewed by Nicola Hughes and Jen Gold on 27th October 2015 for the Institute for Government's Ministers Reflect Project

Nicola Hughes (NH): So if I can start at the beginning, in 2010, what was your experience of coming into government like?

Liam Fox (LF): Well, I'd been in government before so it wasn't a new experience. And also I had had five years as the Shadow Secretary of State for Defence so we were pretty well informed in terms of the main issues. And in operations we'd been given quite good access by previous secretaries of state. So in terms of Afghanistan, Iraq, we were okay. We'd also had extensive discussions with industry and discussions with civil servants ahead of the election. So we were pretty aware of what most of the challenges were. And we had a number of huge challenges.

Number one was the finances of the department, which were way out of kilter. In fact we had a projected overspend in the decade to 2020, bigger than our annual budget. Secondly, there was the governance of the department itself, which left a great deal to be desired, including a vertical structure to transmit policy down the chain and an inability to know how much things genuinely cost. That's the second challenge. And the third was that we were still in the middle of the operation in Afghanistan and we added Libya into the mix. So that's where we were. I'll take this sequentially.

The budget, clearly there was a point where we were going to hit the wall and this was it. And we decided to tackle it head on. There hadn't been a Defence Review for 12 years. The budget was completely out of control and we decided to combine the exercise and the SDSR [Strategic Defence and Security Review]. For reasons of budgetary constraint back in 2010, we knew we were having to take the budget down at the same time as eliminating this massive budgetary overhang. Now we said it was about £39 billion. That's what we estimated in opposition. By the time we'd gone through the SDSR, with some of the additional costs that produced plus a better and more rigorous assessment of costs itself, it was probably closer to £55 billion. So we took out what we could. We even gapped where we thought it was prudent to do so, knowing that some of those programmes would have to be put back in the 2015 Defence Review and that that would put a pressure on the budget.

We were also incredibly overcommitted to the extent that we were 95% committed with the budget in the first year, not much less in the second year. And we went to the Treasury and said we can't actually do what we want to do. We think we can make the savings over the decade in line with the Future Force 2020 Strategy that we outlined but we can't do it in year two because we've got contractual commitments we can't get out of. So we had to get extra finance from the Treasury to see us over that year, which culminated in the so called Three Month Exercise, which was not a three-month exercise at all where we opened the books to the Cabinet Office, Number 10, and the Treasury and said look at our books, I'll show you absolutely everything. And you can come to your conclusions.

And to help us on that we'd created a template for the Defence Review because I remember saying to the defence chiefs, 'Do we have a single template against which we'll conduct the review?' And they said, 'What do you mean?' And I said is there a single piece of paper against which we'll make all the judgments. And they said, 'What do you mean?' I said, 'How do I tell in a finite budget between planes and tanks and ships?' They said, 'No, we don't have one'. We said, 'Well, we have brought one with us'.

And we had a template that was split into a number of categories. Category one was the proposal. Category two was financial implications, years 0-5, 5-10, [and] 10 plus. The next one was operational implications: what operations are we currently engaged in that we might not be able to do if we carry out this particular option? What are the capability implications and what other capabilities do we have that might fill the gap if we take this option? The next one was regeneration implications if we had to regenerate the capability, how much would it cost and how quickly could we do it, if at all? And the final column was real world risk: what is the real world risk that this programme is protecting us from? And the general rule was if you can't tell me the risk it's protecting us from, it's getting cancelled. Because I've got lots of other risks that I do need protecting from. So that was generally how we carried that out.

4 Ministers reflect

[There were] a huge number of projects that we looked at against that – a lot of options inside each one, hundreds and hundreds of them. It took us a long time, but the reason that we did it that way, was I wanted to create a paper trail for future Defence Reviews so that people could see why we took decisions and what information we were looking at when we took that decision. Whether or not that is carried through to this Defence Review, not my issue or call. But I imagine the Defence Select Committee will be very interested in whether the methodology was continued.

Second thing was governance. And the Defence Secretary didn't even sit on the Defence Board. The supposed policymaking body in the department was chaired by the PUS [Permanent Under-Secretary]. And it had about 28 members on it, if I remember correctly. And we reduced that to about nine and it was chaired by the Secretary of State. Everybody knew then that this was the policymaking body and what the Defence Board said was the law in the department. And I remember one day asking the former PUS, when we were preparing to come to government to show me a structure of the organisation of the department. And it looked like a plate of spaghetti. And I like to see things with nice clear vertical lines so people know what their line management is. And they had no idea. So we changed that.

And then our other big innovation was to set up what was called the Major Projects Board. The Major Projects Board was designed to ensure that our major equipment programmes stayed on course. And there was nothing at that point that enabled us to tell whether a major programme was on budget or on time. So, I set up the Major Projects Board and said each project has to be certified every quarter that they're on time and on budget. And they cannot be certified by the PUS, who is the accounting officer. That the management of that project must come in and explain themselves and we will censure them if we think that there is a problem. And within a very short time, that cost started to come in. What it did also, and as we'd expected, what it did show us was that not all the project managers knew how much things cost. And only when they were really forced to give a really detailed account of themselves, did they start to scrub that.

Of course the first impact of that was to worsen our budgetary problem again when they had to admit that they just made up the numbers. Basically what happened was, you made an assessment of the cost of a programme, way under what you thought it's real cost was, got into the programme, and inflated it afterwards. Again we changed that to say from now on, programmes that come in, that's all we're going to pay. So when I left that budgetary overrun was down to about £2.5 billion and then was eliminated. So it's an example of what you can do with a huge spending department if you take very tough decisions and you're willing to accept that there'll be some blood on the wall as a consequence.

And then of course, we had operations and you had the real time tensions between what you had to do to reshape the military to correspond to the Future Force 2020, your Defence Review, and the budgetary constraints with what you had to do in Afghanistan. And that sometimes did lead us into conflict, particularly over things like fast jets and how quickly you could phase things out in reality. We had a slight cushion with the reserve for that. So anything we had to do which was outside the SDSR that cost money, because it was operations, the reserve really tied us over. So we just made it.

NH: So obviously you've come in then, a big set of priorities, things you want to do. It's quite a unique department both in terms of budget and culturally. Did anything particularly surprise you perhaps in comparison to when you were in government in the Major years, was there anything very different?

LF: Yes, our relationship with other departments. In particular, I was surprised at how denuded the Foreign Office was and that the range of expertise that had been there when I was a Foreign Office minister back in the nineties was much diminished. And I thought that was a great pity. But in general I think the diminished standing of the Foreign Office is hugely to be regretted. That was one of the biggest changes I noticed.

But I think what struck me was the general willingness of people to make it work. Although obviously there are people who will go out of their way to be obstructive – but I guess that's true in any change, in any organisation – most people were willing to help us which is why we were able to do it. But it was, I've characterised it before as coming into work first thing in the morning and being at war until you left

in the evening.

NH: And how would you describe the main roles and duties of the Defence Secretary?

LF: The Defence Secretary is there to ensure that the country has the necessary tools for its security, at least as far as that element of security goes. One of the interesting innovations was of course, the creation of the National Security Council [NSC] which I was very much of in favour of, and I think it was an innovation that was long overdue.

But, looking back now, I don't think that the NSC fulfilled its full potential. I've always believed that what it should've been was a body that took, if necessary, some pretty blue-sky thinking, to anticipate the sort of threats that might become apparent. But I think it became very responsive, perhaps inevitably given the number of things that were going on with Libya as well as Afghanistan and then the Arab Spring and so on. But I felt and I still strongly feel that having the National Security Adviser as a career diplomat, almost by right now, is a mistake. And that's one of the structures that I would change in government.

Jen Gold (JG): And just looking back, what do you feel is your greatest achievement in office?

LF: That we were able to restructure what was an utterly dysfunctional department and continue operating in theatre while we made the adjustments. I mean it's like everything else that once you've done it and you're successful, you look back and think, yeah, it wasn't really that bad. But it was that bad. It was really difficult.

JG: And are there any key things you would highlight as being critical to turning it around?

LF: Knowing what you want to do and communicating it very clearly and not being ambivalent or ambiguous about it. I mean I remember a very clear example is over Nimrod and when the manufacturers came in and said to me, we need another tranche of money for Nimrod. And we think if we get it, we will be able to sort out a particular problem within 18 months. I said, 'If I'm not mistaken, first of all this project was Nimrod 2000. This is now 2010. We've spent a lot of money. We don't have any capability for it. And I said, 'We're going to cancel the programme'. And this was quite totemic because no one cancelled projects. And I remember them saying, 'Well, there'll be a campaign to save it'. To which my reaction to that was not if we cut them up, which is what we did, as you probably remember. End of story.

But it was essential on that that we didn't give in and that we said, 'This is the management decision we've taken, we're going to follow it through'. No arguments, no discussions, this is what it's going to be. And it was necessary, especially because you've not just got the Civil Service, and you've not just got the military, but you've got the considerations of the defence industrial base to deal with as well. And it was very important that our authority was applied equally to all of them.

NH: Obviously you had your ministerial team, your officials, and the military. How did you delegate to the ministerial team and work with them? And then also how did you build relationships with your officials and the services?

LF: The ministerial team had a lot of autonomy. My view was here's your job, here's what you're expected to do, we all understand the mission, here's your bit of it, go and do it. And I'll assume that it's going well unless you come and tell me there's a problem. And I think I learned that way of doing things partly from my experience as a doctor, but also from working for Malcolm Rifkind when he was Foreign Secretary when I was a junior minister and he used very much the same approach. 'That's your job go and do it. If you've got a problem with it or you're unsure, come and tell me. Don't wait until it's a problem, a big problem'. And that was kind of the view that I took with the junior ministers and I had a great relationship with my junior ministers I think. You'd have to ask them that. And the same with the senior military, they had pretty much an open door. If they had a problem they could come and see me.

6 Ministers reflect

I tended to prefer briefings anyway on an oral basis. I preferred them to come and tell me about their problems, rather than wading through paper. And again, I think that was kind of my experience as a doctor. There's a lot of shortcuts you can get. Also you can learn more about the people you're talking to by seeing them face to face. And you can cut to the chase much more quickly. So that was a good relationship.

The Civil Service was different because they were also undergoing a period of transition. And there were big cuts going on. I think we cut 37% out of the whole Civil Service and we were altering a structure by looking at things like privatisation or procurement and so on. So there was huge upheaval on that side. And they were much less happy. Although I have to say in defence of the Civil Service unions that I dealt with, I always had quite a good relationship with them. I met with them and I was always very straight with them. And I took the very firm view as did the ministers, that there was never more than one version of events, that everyone got the same message. And we were actually able to make an awful lot of those changes.

Private office was more difficult to manage. I think there are very strong arguments for, as quickly as you can, recreating a whole new private office. Civil servants whether they think they're doing it or not, have an affinity to how things were done before and often have an affinity to former ministers. And had I my time over again, I would have changed more of my private office more quickly.

NH: Your diary must have been pretty rammed with travelling and all the Defence Secretary jobs but also Parliament and so on?

LF: It was, absolutely, it was. Our diary slots were 15-minute slots. The day was split into 15-minute segments because it was the only way we could do things.

JG: Did you have any sort of tactics for balancing those competing demands on your time?

LF: No, but I had a very good piece of advice before we went which was that I didn't take work home with me. In general I stayed until I finished the work. So did my private office, which was a huge discouragement to give me a lot of extra stuff in a box at the end of the day. About the only time I really did boxes as such was when I was travelling, although that was a lot of the time, even travelling to home, up and down to Somerset. So I didn't mind having full boxes for that. But generally our rule was you do the business of the day on that day, where you can. And unavoidably there are things that you have to read that you take away. But we tried to get that within the discipline of the day.

JG: I'm just wondering if you can talk us through an occasion when an unexpected event or crisis hit the department and how you went about dealing with it.

LF: Huh, how many would you like?

JG: Anything that stands out to you that [looking back] you are quite happy with the way you dealt with the situation?

LF: Well the most difficult thing to do was dealing with the loss of service personnel. Because I'd worked as a doctor with the military before I went into politics, I had a particularly strong emotional affinity with the armed forces and therefore I did take it quite personally when we lost service personnel. I remember on one occasion when it was the fiancé of a very good friend of mine [and] that was hard. That was the toughest bit of the job having to do that. But again the department learned how you liked to do things. I liked to have a picture of the person that I was writing about before I would write the letter because I think that it always made you remember it was an individual not a name. So the department were great with that. I mean they really were great. They understood that and responded really brilliantly to it. And we provided them with a lot of details and background. That was great.

The thing that hit us most out of the blue was when the Libyan situation blew up. And to be very frank, I wasn't in favour of getting involved in Libya, both the American Defence Secretary and I were worried

about events in other places at the time and were very hesitant about committing more forces. And in the event, because Colonel Gaddafi threatened the civilian population of Benghazi, there was no option. The UN passed a resolution and we had to get involved. But that was quite a tense time because both the department and the military were much more reticent about being involved. And so you had to handle that relationship very, very carefully. And it was the one that came, that challenged a lot of our assumptions, [and] tested our own review quite early on because we'd always said we were able to do Afghanistan plus one other medium-sized mission. And here the medium-sized mission came along long before we expected it, and we had to be able to do it. And we were stretched but we did manage it. And so it was kind of a stress test of our own assumptions. I'd much rather we hadn't had it. But we did pass it.

JG: What advice would offer to a Secretary of State coming into office for the first time based on your own experience?

LF: My advice would be to their party leader to allow them time to understand the subject before they have to deal with it in government. And there's absolutely no doubt that preparation is of phenomenal benefit. You can't know everything, especially not in the national security department. But knowing most of what you want to do and hitting the ground running is really important. So not coming to office and then asking everyone else what you ought to be doing, but to say what you're going to do, and asking if they've any suggestions about how you might best do it. There's a huge difference between the two.

And yes, I found it a really fascinating experience. And I'm sure when I have to go to give evidence to the [Foreign Affairs] Select Committee on 1st December about Libya, a lot more of this will come out, I guess. How classified some of it will be I'm not sure.

But I think this is a really good exercise, because certainly talking to colleagues, those who had been thrown in at the deep end, they spend so long finding their own feet, it's difficult for them to set a clear direction for the department. And by the time you do you can be quite far down the line of something you don't really want to do.

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