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From: William Nye (DDI)
Date: 7 June 2002
Extn:
Room:

CHANCELLOR

cc: Chief Secretary
Sir Andrew Turnbull
Nick Macpherson o/r
Adam Sharples
Jonathan Stephens

IRAQ: POTENTIAL COSTS

Issue: first estimates of the costs of military operations against Iraq.

Recommendation: take note.

Timing: immediate.

Background: Geoff Hoon's minute dated 31 May to the Prime Minister (not circulated around HMT).

Geoff Hoon's minute summarises some work MOD have been doing on the costs of preparing for military operations against Iraq, as contingency planning for a possible US-led "phase 2" of the counter-terrorist campaign. This note explains the figures and provides some wider context.

2. If the UK joined a war against Iraq, one can conceive of four separate elements of cost:

- a) the cost of preparing for the operation – getting the relevant forces ready for a high-intensity conflict;

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- b) the cost of deployment - getting the forces out to the Middle East, and back again
- c) the cost of the campaign - extra allowances for servicemen on the operation, extra flying hours, consuming ammunition, etc.
- d) the cost of any follow-up operation (e.g. a sustained peacekeeping deployment if part of Iraq was occupied)

3. Mr Hoon's letter covers only the first of these. So it understates the full cost. MOD have some estimates, albeit round figures, for (a) and (b). Guessing (c) and (d) is much harder.

4. The annex to Mr Hoon's letter shows the estimated costs of preparing. Some or all of these costs would be incurred once a decision was taken to prepare for an operation, even if in the end the operation did not take place. MOD are considering two main options:

- * a medium-scale joint force (60 fast jets, an Army brigade, some ships), which might be organised at 3 months notice. Estimated cost of preparing: £500-800 million
- * a large-scale land force (an Army division), plus medium-scale air and maritime elements, which might be organised at 6 months notice (though the Army would prefer 9 months). Estimated cost of preparing: £800 million - £1.1 billion (or £100 million more if given 9 months notice)

5. What are these costs? The main categories of cost are:

- * extra flying for fast jet pilots to get them combat-ready: 2 months' flying 18.5 hours a month, instead of the normal

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16, and 1 month flying 20 hours a month -- total cost (fuel and extra maintenance): £150 million. This is common to all options;

- * buying extra Army spares to enable them to sustain a high-intensity war, reversing a run-down of capital spares in recent years. Estimated cost from £175 million for medium-scale; from £400 million for large-scale;
- * Urgent Operational Requirements (UORs), i.e. buying desirable new kit or adapting existing kit. Examples: desertisation of Challenger 2 tanks, Nuclear/Biological/Chemical detection systems and protection, more Maverick anti-armour missiles, aircraft secure communications, etc. MOD divide these into "essential" and "desirable". The "essential" requirements produce the lower bound cost estimates in para 4 above. The "desirable" ones produce the upper bound costs.

6. There is no clear concept of operations yet. So all these figures are rough and ready. A clear plan of campaign would clarify what kit was needed, and could reduce the cost of UORs (or might introduce new ones).

7. What about the costs not mentioned in Mr Hoon's letter?

- b) MOD estimate the costs of deploying a large-scale force to the Middle East at around £100 million -- plus a similar (possibly smaller) sum for bringing them back;
- c) the cost of the campaign is impossible to judge, in the absence of any concept of operations -- one can assume several £100 millions. But much of the huge

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cost estimates associated with the 1991 Gulf War or with the 1999 plans to invade Kosovo are already captured in the costs of preparation in (a);

- d) MOD have understandably given no thought to costs "after the war". Obviously one cannot assume anything about the position in Iraq after any conflict. But there must at least be the possibility of some medium-term deployment for peacekeeping or occupation. If on the scale of the Balkans, it would cost several £100 millions a year. Having said that, if this was required, the UK would either have to withdraw from the Balkans, or would be unable to undertake any other operations except small-scale while the Iraq operation persisted.

8. We have explored very briefly offsetting savings. MOD say they doubt this would amount to much. Some planned exercises might be cancelled. But many would go ahead in any case - e.g. some of the costliest exercises are those for armoured warfare held in Poland and Canada; they would be needed as part of the training for Iraq.

9. All these costs would be significantly lower, of course, if the UK did not contribute to the operation on such a large scale. Note that MOD is strongly in favour of the more expensive large-scale land contribution (with 6 months notice), rather than the medium-scale one. Ostensibly this is for reasons of strategic influence. The argument is that if the UK only contributed a brigade, the UK's voice would not be heard loud enough in Washington or (more directly) in Tampa, where the US military decisions would be

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taken, to significantly influence how the campaign was fought. There is some truth in this. Another possible motivating factor for MOD is that the Army much prefers to have its own complete divisional structure, and dislikes fighting in brigade strength as part of a US division.

10. Another way to reduce costs would be to make our contribution more specialised – most obviously, either the land component, or the air component, but not both. At this stage, when the US has no concept of operations, MOD argue it is premature to consider choosing one or the other: we would have to bring both up to readiness.

11. But one could in principle choose to deploy only one element, subject to US agreement. This would significantly reduce the cost, though the service left out (Army or RAF) would lobby fiercely against being left behind. We could also reduce or eliminate the Naval component, on the assumption that other Allies might offer Naval forces (as they have mostly done for Operation Enduring Freedom).

Conclusions

12. If the Government decides it wants to be ready to contribute to a war in Iraq in say January 2003, it will need to decide to start preparing, either by the autumn for a medium-scale contribution, or by July for a large-scale contribution. MOD will argue for large-scale over medium-scale. That decision to prepare will commit us to costs which MOD estimate at upwards of £800 million or £500 million respectively. A further decision to undertake an operation

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will commit us to multiple £100s of millions more. You will want to consider how to factor this into your discussions with the Prime Minister. I have assumed that you may not want to comment on paper on Mr Hoon's letter, but of course can provide a draft if you would like one.

13. I am happy to discuss if you would like any more information on how these costs are generated, or on the policy considerations.

William Nye

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