

1 (2.00 pm)

2 MR JOHN DODDS

3 THE CHAIRMAN: Good afternoon.

4 JOHN DODDS: Hello.

5 THE CHAIRMAN: Welcome everyone and welcome to our witness.

6 This afternoon we are hearing from John Dodds and,  
7 between October 2002 and March 2006, you were the team  
8 leader in the defence, diplomacy and intelligence  
9 spending team within the Treasury. We will be taking  
10 evidence from you on the Treasury's role and the  
11 planning for the invasion of Iraq, on the funding of the  
12 Iraq campaign pertaining to 2003 and 2005 and on the  
13 provision of resources to the Ministry of Defence and  
14 other government departments where these are relevant to  
15 our terms of reference.

16 We are publishing on our website this afternoon most  
17 of a paper just declassified, which you wrote.

18 After Mr Dodds' evidence, we shall be hearing from  
19 Lord Boateng who, as Chief Secretary to the Treasury for  
20 much of this period, was also a member of the Cabinet  
21 when the decision to invade Iraq was taken.

22 Now, I say on each occasion, we recognise that  
23 witnesses are giving evidence based on their  
24 recollection of events. We, of course, check what we  
25 hear against the papers to which we have access and

1           which we are still receiving.

2           I remind each witness on each occasion that they  
3           will later be asked to sign a transcript of the evidence  
4           to the effect that the evidence they have given is  
5           truthful, fair and accurate.

6           With those preliminaries, I'll turn to  
7           Sir Martin Gilbert to pick up the questions. Martin?

8   SIR MARTIN GILBERT: We have heard from a number of MoD  
9           witnesses, who have described the cooperation on UORs  
10          before the invasion as being very effective. Is this  
11          your recollection?

12   JOHN DODDS: Yes, it is. I joined the defence team in the  
13          Treasury in early October of 2002 and, at the point at  
14          which I arrived, the arrangements for scrutinising and  
15          approving the UORs had been put in place. As  
16          I remember, I think the arrangement was that we had  
17          agreed, we, the MoD, round about the start of October an  
18          initial envelope of £500 million for -- you know,  
19          pre-conflict UORs and the first tranche of that  
20          £500 million, which I think was £150 million, had,  
21          I think, been approved on 1 October, and I arrived 10 or  
22          11 days after that.

23          So we had a team in place in the Treasury at that  
24          point who had very good relationships with their MoD  
25          colleagues, you know, who had established an effective

1 way of working and, you know, while it was something  
2 which I kept a close eye on and had contact with my MoD  
3 opposite numbers, we rarely had to get involved  
4 individually because the teams were doing what they  
5 needed to do.

6 SIR MARTIN GILBERT: I would like to come back to UORs in  
7 a minute, but you became the team leader in the defence  
8 diplomacy and intelligence team in October, as you said,  
9 when planning, of course, for the possible military  
10 action in Iraq was underway. What were your initial  
11 impressions of the planning generally?

12 JOHN DODDS: To begin with, we were -- we were very focused  
13 on engaging with the thinking around the military  
14 options and I think, in the period between my arrival  
15 and at least Christmas, the engagement of my team was  
16 very much kind of focused on the military side of things  
17 and making sure that the MoD had the resources that it  
18 needed to do the preparations that it needed, and also  
19 that the Treasury and Treasury Ministers had a good  
20 picture of what the costs might be from the range of  
21 military options that were being considered.

22 I think, you know, on that basis, the planning  
23 looked very professional. You know, we had good  
24 engagement with the MoD resource team and, you know,  
25 they would come and meet us on a regular basis, bringing

1       some of their operational people with them. You know,  
2       it seemed to us that they were well on top of the  
3       thinking around the range of options that were being  
4       considered and, you know, we got the information that we  
5       needed to support Treasury Ministers, you know, without  
6       difficulty.

7   SIR MARTIN GILBERT:   Gordon Brown told us in his evidence  
8       that he had indicated to the Prime Minister in his  
9       words:

10                "There should be no sense of financial constraint in  
11       doing what's best for the military."

12                Was this your understanding when you took up your  
13       post?

14   JOHN DODDS:   I think we had a clear steer from Gordon Brown  
15       that, you know, when ministers had decided the role that  
16       they wanted the military to carry out, that the  
17       resources needed to be made available and that was the  
18       brief that we worked to.

19   SIR MARTIN GILBERT:   Were you looking at the different range  
20       of scenarios, on what would happen and what role the UK  
21       would play?

22   JOHN DODDS:   We were looking at -- we were looking at the  
23       range of scenarios from the perspective of understanding  
24       what those choices would mean for the UK's commitment  
25       and for public spending, but our role was to advise

1 Paul Boateng and Gordon Brown on what those costs might  
2 be, and then, you know, they would go off and work with  
3 their -- work with their Cabinet colleagues to -- you  
4 know, to take the decision on kind of where the UK would  
5 be positioned and then, you know, our role after that  
6 was essentially making sure that the reports were  
7 effectively provided.

8 SIR MARTIN GILBERT: At what point did the  
9 Ministry of Defence provide estimates to the Treasury of  
10 the various military options and what their costing  
11 would be?

12 JOHN DODDS: I'm pretty sure that at the time I arrived in  
13 early October we had already got a range of options that  
14 were being considered, and those, you know, they evolved  
15 over time, but there was a -- there was a fairly broad  
16 range to begin with, you know, ranging from the sort of  
17 engagement that we actually did carry out, through  
18 a series of smaller, more focused roles that we might  
19 play as part of a -- as part of the campaign.

20 SIR MARTIN GILBERT: What confidence did you have in the MoD  
21 estimates?

22 JOHN DODDS: I think that, you know, we worked closely with  
23 them to test their thinking. You know, I think that  
24 throughout the early stage of the planning, you know,  
25 one felt -- one would never feel that you were

1 absolutely confident about these estimates. You know,  
2 on the other hand, there was quite a lot of experience  
3 to draw on, you know, we had the experience of the 1991  
4 Gulf War. You know, we had the experience of a range of  
5 small-scale but nonetheless significant military  
6 interventions in the Balkans and, in terms of kind of  
7 understanding actually what the, you know, what the  
8 implications of a force of size X carrying out role Y  
9 was going to be, there was quite a lot of information to  
10 draw on.

11 I think the things that you were uncertain about  
12 were, first of all, what the intensity of the engagement  
13 was going to be. You know, certainly, had we -- had we  
14 been -- had the war turned out to involve, you know,  
15 really very intensive fighting in the first phase, you  
16 know, and a lot of loss of equipment, then, you know,  
17 that would have led to much higher costs emerging than  
18 we were treating as our -- as our central estimate.

19 The other thing which I think we didn't really have  
20 a very good sense of, to begin with, was the length  
21 of -- you know, the duration of our role in Iraq, and  
22 certainly, I think, in the pre-Christmas phase of 2002,  
23 the cost estimates that we were -- that we were working  
24 on with the MoD assumed something like a three-year  
25 campaign -- sorry, a three-year engagement.

1 I don't know if that was -- I don't know if that was  
2 consistent with internal MoD military planning and  
3 certainly, in that pre-Christmas phase, I don't think we  
4 really challenged that assumption, that we were looking  
5 at this over a three-year window. But clearly, as  
6 things went on, it became a more protracted engagement  
7 and as a result, the costs, you know, built up over  
8 a number of years.

9 SIR MARTIN GILBERT: We have heard from other witnesses  
10 their concerns about the thoroughness and robustness of  
11 the preparation. Did you share those concerns?

12 JOHN DODDS: I think that -- I think from our vantage point,  
13 no would be my answer. But you need to understand that  
14 the Treasury has a rather specific role in the planning  
15 for these sorts of operations. You know, we don't -- we  
16 don't sit on, you know, some of the groups which involve  
17 the MoD or perhaps the Foreign Office and are engaged in  
18 the detailed military planning. We have a particular  
19 role around the -- around the resourcing, and I think  
20 that, from where we were sitting, you know, we didn't  
21 sense that there was a -- there was a lack of planning  
22 going on.

23 I think, you know, what was clear from our  
24 perspective was that there were a -- you know, there  
25 were a lot of different scenarios that were having to be

1 kept in play. You know, even sort of quite late, before  
2 the point at which the engagement started, you know,  
3 I think there was still a number of different scenarios  
4 in which the UK could have been involved, you know, and  
5 I guess that might have been -- that might have been an  
6 issue for the planners inside the -- inside the MoD, but  
7 it wasn't visible to us.

8 SIR MARTIN GILBERT: You, yourself, were producing advice  
9 for Treasury Ministers, and one example of this we  
10 published today on our website. How was Treasury  
11 thinking being fed into the wider Whitehall machine?

12 JOHN DODDS: Certainly in the initial stages it was being  
13 fed in very much through a ministerial level. I mean,  
14 the role that we played inside the Treasury was to  
15 provide advice to Gordon Brown and to Paul Boateng.  
16 I used to provide Gordon Brown with a sitrep -- I think  
17 it was every fortnight during the autumn of 2002 -- and  
18 that sitrep would update him on the international  
19 developments, as we understood them, on the information  
20 that the MoD was sharing with us around the way in which  
21 the thinking about the potential military options were  
22 changing, and our view on what we thought that was  
23 likely to mean for the range of -- the range of cost  
24 estimates.

25 But having fed that into, you know, to Gordon and to

1 Paul Boateng, it was very much up to them how they used  
2 it in the various political discussions that were taking  
3 place.

4 SIR MARTIN GILBERT: Was the Treasury, in this context,  
5 essentially taking the role of Paymaster or was there  
6 a sense of feeding into the wider policy debate from  
7 a Treasury perspective?

8 JOHN DODDS: Well, I mean, I think you need to distinguish  
9 there between the two roles that the Treasury has, and  
10 I know that people like Nick Macpherson have talked to  
11 you about the Treasury's role as an Economic Ministry  
12 and the Treasury's role as a Finance Ministry, you know.

13 I think the Treasury was much more active in terms  
14 of shaping policy in its Economics Ministry role. So  
15 I mean, the Treasury was -- I think had a very  
16 significant part to play, you know, in the  
17 reconstruction phase, for example, around building the  
18 capabilities of the Iraq Finance Ministry and so on.

19 I think for the side that I was responsible for,  
20 which was the defence -- you know, it was the funding of  
21 the armed forces principally -- I think it was much more  
22 a Paymaster role and that was consistent with the steer  
23 that we had been given by Gordon Brown and the role that  
24 he wanted us to play.

25 SIR MARTIN GILBERT: In that role, when the decision was

1           made to go for package 3, the larger military option,  
2           what was the particular advice you were giving to  
3           Treasury Ministers on that decision?

4   JOHN DODDS: I can't recall that there was any advice on  
5           that particular decision beyond updating them on what  
6           the costs of that would be.

7   SIR MARTIN GILBERT: I would like to return now to the UOR  
8           question. Tom McKane told us in his evidence that,  
9           following the initial discussion between the  
10          Secretary of State for Defence and Gordon Brown on  
11          23 September 2002, it took a little longer to reach  
12          agreement that funds could be committed on UORs.

13                 I recognise this is early on in your taking up your  
14          appointment, but do you know why this extra time was  
15          needed, following ministerial discussions?

16   JOHN DODDS: No, I don't, and I'm fairly certain that the  
17          first tranche had been committed before I arrived in --  
18          before I arrived in post. So if there was -- you know,  
19          if there was a delay, then it can only have been  
20          a matter of a few days, it would seem to me.

21   SIR MARTIN GILBERT: I mean, one example which we have is  
22          that, on 29 November, the Defence Secretary asked the  
23          Chancellor of the Exchequer to increase the UOR envelope  
24          to £300 million and didn't get a reply until 9 December.  
25          Is there any issue with this delay? Is it a significant

1           delay in any sense, given the urgent element of the  
2           requirement?

3   JOHN DODDS:  It doesn't ring any bells with me in terms of  
4           being a significant delay and, you know, I don't  
5           recall -- I don't recall the MoD, Tom McKane, for  
6           example, being on the phone to me, kind of asking to  
7           make sure this was expedited.

8   SIR MARTIN GILBERT:  My last question really is an  
9           accounting question, an important one.

10           Before the conflict began, we understand that there  
11           had been discussions about how the costs of UORs would  
12           be treated under resource accounting and budgeting.  
13           Tom McKane told us that these had not been resolved  
14           before the conflict began.

15           Can you recall when you were able to provide the MoD  
16           with a view to how this would be done?

17   JOHN DODDS:  Yes, I mean, in my recollection, this was more  
18           about how you treated the costs of what we call NACMOs,  
19           which are the net additional costs of military  
20           operations, rather than how you treat the costs of UORs  
21           under resource accounting budgeting, and the issue there  
22           was that, as I recall it, one of the features of  
23           resource accounting budgeting is that you account for  
24           depreciation and write-offs in a way that you didn't need  
25           to when we managed government benefits on a purely cash

1 basis, and I think there was understandable interest and  
2 concern in the MoD in the pre- -- in the pre-conflict  
3 phase around how you would -- how you would deal with,  
4 for example, the cost of accelerated depreciation on  
5 military equipment, because the nature of military  
6 equipment is that, actually, it depreciates pretty  
7 slowly when it is not being used and, when it is used at  
8 the intensity that it is used in conflict, it  
9 depreciates much more quickly.

10 I mean, my recollection around that again, you know,  
11 my recollection is that, in practice, it wasn't an issue  
12 and that we were able to work with the MoD to deal with  
13 this through our normal -- our normal scrutiny and  
14 agreement to NACMOs, and I can talk about that, if that  
15 would be helpful.

16 I think it is one of those issues which seemed like  
17 a -- seemed like a significant issue sort of in November  
18 of 2002, when you had a new system that you were trying  
19 to deal with, when you could think of lots of  
20 hypothetical situations, which might arise, which might  
21 give rise to difficulty. But actually, when you got  
22 into dealing with, you know, reality, it is something  
23 which kind of became much easier and more routine than  
24 it might have seemed when you were dealing with it on  
25 a hypothetical basis.

1 SIR MARTIN GILBERT: So it held nothing up?

2 JOHN DODDS: No.

3 SIR MARTIN GILBERT: Thank you very much.

4 THE CHAIRMAN: Can I turn to Sir Roderic Lyne now?

5 SIR RODERIC LYNE: I would like to look at the paper that  
6 has been declassified today that you wrote on  
7 4 March 2003 entitled "Iraq: The Aftermath; Military  
8 Options."

9 Can you recall, first of all, why you wrote the  
10 paper? What prompted it?

11 JOHN DODDS: Yes, I think so. I was -- it is interesting  
12 because looking back at the issues of sort of 2003 from  
13 this perspective, some things are very clear in my mind  
14 and some things aren't and when I -- when I heard that  
15 you had asked for this paper to be declassified, and  
16 I went back to look at it, initially I couldn't  
17 recall -- I couldn't recall it at all. So it is one of  
18 these things which wasn't sort of a real milestone in my  
19 mind, but I have been thinking back over the past few  
20 days around the context to it.

21 I think it was this: you know, I think we had  
22 a specific request on 3 or 4 March from the Chancellor's  
23 Office for a piece of advice on the aftermath and  
24 I think what had happened was that it had become clear,  
25 quite suddenly really, to the Chancellor, you know, to

1 the Treasury, that there was a set of options being  
2 considered for the role that the UK might play sort of  
3 in Phase 4, as it is described.

4 I think I said to you previously that in our early  
5 work, certainly through the autumn of 2002, we had been  
6 very focused on the initial -- you know, the conflict  
7 part of the operation and that our -- our scenarios  
8 around costs had tended to have a three-year --  
9 a three-year time horizon, and I think what was going on  
10 here was that it suddenly became clear to us -- you  
11 know, perhaps if we had been -- if we had been wiser, we  
12 might have kind of anticipated this, but it was a bit of  
13 a surprise, I think, when it turned up, that there were  
14 discussions going on between parts of the UK Government  
15 and others around the role that the UK might play, which  
16 had the potential to see us in Iraq for significantly  
17 longer than we had been initially supposing.

18 I think that was the context for this paper. You  
19 know, it was -- I'm pretty sure that the Treasury wasn't  
20 in the loop before early -- before early March, around  
21 this thinking, and I'm pretty sure that it emerged  
22 that -- when this thinking emerged, there was a -- there  
23 appeared to have been an assumption on behalf of some  
24 other parts of government that this was another thing  
25 where, you know, the Treasury would just sign the

1       cheques, sort of, you know, without being involved in  
2       the strategic decision.

3               I think where we were was the Chancellor was going  
4       to be going to a meeting which the Prime Minister was  
5       chairing, probably on 4 March or a couple of days later,  
6       and he asked for -- his office asked for some advice  
7       around the options and what the financial implications  
8       of those options might be.

9   SIR RODERIC LYNE:   Given the consequences that this would  
10   have for the public finances, of which you make some  
11   estimates in the paper, should the Treasury not have  
12   been brought into the loop more than 16 days before the  
13   beginning of the conflict, which was a fairly short  
14   conflict?  And, as your paper, I think points out, the  
15   aftermath begins on day one.

16   JOHN DODDS:   I think that's a -- I think that's a fair  
17   point.  You know, I think that, from our perspective,  
18   you know, there was a -- there probably was an  
19   engagement gap between the Treasury and between some  
20   other parts of Whitehall around what the -- what the  
21   medium- to long-term scenarios might be, you know, and  
22   I say that could have been something which was  
23   a consequence of our naivete, in a sense, that we didn't  
24   anticipate this and sort of try to get our foot in the  
25   door around where these sorts of discussions were taking

1 place.

2 SIR RODERIC LYNE: It is partly a question of what you are  
3 being asked to do. I mean, you had been asked to  
4 estimate the costs of the campaign and, as you have  
5 already described to Sir Martin, you had been doing this  
6 for some months. It seems a curiosity in this that you  
7 weren't asked to start thinking about the costs of the  
8 aftermath until so close to the event.

9 JOHN DODDS: Yes, it does seem like a curiosity and, you  
10 know, it is -- I think it is the case that some other  
11 parts of Treasury were thinking about aspects of the  
12 aftermath, you know, I think there was -- I think again  
13 you have heard that there was kind of thinking around  
14 what the impact might be on the oil price and issues  
15 like -- issues like that.

16 You know, again, just kind of trying to think back  
17 through the distance of seven years, I think what may  
18 also have been going on here was that there was  
19 a relatively late realisation that this wasn't going to  
20 be the sort of scenario that we had been -- that we had  
21 been assuming, and I suppose that we had been assuming  
22 that this was going to be a sort of engagement which  
23 would be carried out under the authority of the  
24 United Nations, that it would be something which  
25 involved a fairly broad coalition of nations and that we

1 would be, you know, one of possibly many countries  
2 sharing the burden, sort of, of the aftermath, and  
3 I think it is -- I mean it seems to me, looking back now  
4 that, you know, perhaps what was going on here was that  
5 there was a -- there was a relatively late realisation  
6 that, you know, actually this thing was probably going  
7 to go ahead and it was probably going to be us and the  
8 United States and we might well have to end up carrying  
9 a larger share of the burden for the aftermath than we  
10 had initially assumed.

11 But, as I say, I'm looking back at that from  
12 a distance of seven years and it is a bit hazy.

13 SIR RODERIC LYNE: You refer to those assumptions in your  
14 paper, the assumption that the UN would take over at  
15 a certain point.

16 In the paper you wrote that, on public finance  
17 grounds, there is a strong case for stepping back from  
18 military leadership in the aftermath. What was the  
19 state of public finances at the time you wrote that?

20 JOHN DODDS: I mean, I -- I don't recall the state of the  
21 public -- the state of the finances being sort of  
22 something which was giving a particular cause for  
23 concern, and I think we, you know, we gave a particular  
24 emphasis in this particular piece of advice to the  
25 Chancellor and to Paul Boateng because we wanted to

1 underline that this was an important strategic decision  
2 that could have, you know, medium-term implications over  
3 a number of years and it was something to actually kind  
4 of think quite hard about the -- about the decision that  
5 the government was going to take.

6 I mean, I think, as other people have said to you,  
7 in the great scheme of things, you know, £1 billion  
8 a year or whatever it was, over -- you know, over five  
9 years or even more, you know, was not something which  
10 was going to hobble the UK economy.

11 On the other hand, you know, the government was  
12 running its public finances in those days with a Reserve  
13 for unexpected events, you know, from whatever source,  
14 of round about £2 billion. Now, you will also know that  
15 the Chancellor decided to create the Special Reserve to  
16 help with the funding of Iraq, but if you were looking  
17 at this from a relatively narrow public spending  
18 perspective, you know, this was the sort of -- a sort of  
19 step which, even leaving aside, you know, what the  
20 broader reconstruction costs might have been, which  
21 I think the paper says, you know, was something which it  
22 was very hard to -- very hard to estimate, you know, we  
23 were talking about something which would effectively eat  
24 up 50 per cent of what would have been the normal  
25 contingency Reserve in the course of the year.

1           So, you know, even though, in the large scheme of  
2 things, you know, it wasn't -- it wasn't something that  
3 would put the economy at risk, it was something which,  
4 in terms of the margins through which we normally  
5 managed public spending, was a decision not to be taken  
6 lightly.

7 SIR RODERIC LYNE: You also warned in the paper of the risks  
8 of being sucked into wider responsibilities for  
9 reconstruction at even higher costs and pointed out  
10 that:

11           "Once we enter Iraq, our commitments will be  
12 determined by events and by our obligations under  
13 The Hague and Geneva Conventions."

14           It was under those obligations that we, of course,  
15 became an occupying power in Iraq.

16           Now, you wrote this on -- or at least you put this  
17 up on 4 March. It is a time when the United Kingdom and  
18 the United States were still trying to negotiate  
19 a second Security Council Resolution and, therefore,  
20 presumably, the hope that the UN could come in fairly  
21 soon and help to share responsibility or take legal  
22 responsibility was still alive.

23           Were you ahead of Whitehall in perceiving some of  
24 the consequences of us becoming an occupying power for  
25 an extended period in Iraq?

1 JOHN DODDS: I don't think -- I don't think I could comment  
2 on whether we were ahead of the rest of Whitehall.  
3 I think it is, you know, something in -- something in  
4 the nature of the way that the Treasury does business  
5 and the Treasury thinks, that it tends to -- it tends to  
6 have a rather pessimistic view of things and worry about  
7 downsides like that.

8 But I wouldn't want to say that we were ahead of --  
9 I'm sure there were people in other parts of Whitehall  
10 who were thinking these sorts of things.

11 THE CHAIRMAN: Just on a short point, how did you know about  
12 The Hague regulation and the Geneva Conventions and all  
13 that at very short notice? Did you know it? Did the  
14 Treasury know it? Did you ask someone?

15 JOHN DODDS: We had an ongoing dialogue with the MoD and  
16 others, so I'm sure that's something which we knew  
17 about. I think we had known about -- we were clear  
18 about the Geneva Convention and the Hague Convention  
19 pretty much throughout the time of the preparations.

20 THE CHAIRMAN: That's common knowledge?

21 JOHN DODDS: Partly common knowledge, but also because, you  
22 know, it was material to our humanitarian obligations  
23 and, again, I think you have probably heard from other  
24 witnesses around the preparations that were made kind of  
25 to deal with our humanitarian obligations under those

1 Conventions in the sort of immediate conflict period.

2 THE CHAIRMAN: I see, thank you.

3 SIR RODERIC LYNE: Your paper implies that that  
4 understanding came from your discussions with the  
5 Ministry of Defence about the state of planning, and you  
6 divide Phase 4, which is obviously based on what the  
7 Ministry of Defence told you, into Phases 4A, B and C,  
8 and it was in Phase 4A, which you estimated as lasting  
9 for three to six months, that we expected to be in this  
10 occupying role.

11 Now, what isn't clear from this is whether you were  
12 led to expect that we would simply be responsible, as  
13 occupying power, for the four provinces in southeast  
14 Iraq. In fact, it isn't even clear that we were going  
15 to take those four provinces -- there are various  
16 options mentioned here -- or whether there was any  
17 realisation that, within a short period of time, we  
18 would become the joint occupying power for Iraq as  
19 a whole?

20 JOHN DODDS: I think that was -- you know, that was one of  
21 a range of -- a range of options that -- a range of  
22 scenarios that could have evolved. That's a detail that  
23 is probably beyond the point of our understanding, at  
24 the point at which this paper was written.

25 SIR RODERIC LYNE: You mentioned the billion-pound-a-year

1 estimate for at least two years. That's the figure  
2 quoted in the paper. Do you recall where that figure  
3 came from?

4 JOHN DODDS: No. I mean, not directly. I'm guessing it  
5 came from conversations with the -- with the MoD and I'm  
6 guessing that it -- that it is a consequence of the  
7 assumptions that were made around the level of the  
8 commitment that we were making.

9 I mean, again, as I recall this, our planning  
10 assumption was that we would initially commit -- the  
11 MoD -- the armed forces would initially commit around  
12 40,000 people to the operation and I think the initial  
13 assumptions assumed sort of a commitment of around  
14 40,000 people for around about six months, scaling down  
15 to around 10,000 people, you know, for two to two and  
16 a half years, at the end of which we would be out.

17 I think that's kind of the assumptions that we were  
18 making for our initial financial modelling, and I think  
19 the figure of a billion pounds here is broadly  
20 a consequence of what happens if you have those 10,000  
21 people and they are there, you know, not just for two to  
22 two and a half years, but for a longer period of time.

23 SIR RODERIC LYNE: You did indeed say a reasonable  
24 assumption would be at least two years and possibly  
25 significantly longer. So there is some prescience

1           there.

2           Do you recall -- first of all -- how accurate that  
3           figure turned out to be?

4   JOHN DODDS: I think it was -- I think it was pretty  
5           accurate in the -- you know, within the kind of --  
6           within the tolerances that you can estimate these sorts  
7           of things.

8           You know, actually I think that -- I think that the  
9           financial estimates for the military side of the  
10          operation were pretty good, in the light of -- in the  
11          light of experience. You know, I think we started off  
12          assuming that -- on this assumption of a large-scale  
13          engagement, that it would cost -- I think we started off  
14          saying £2.5 billion over the first three years and  
15          I think we then revised it up to £3 billion, and I think  
16          it might have ended up somewhere closer to £4 billion  
17          but, actually, that's not bad, considering the  
18          uncertainties around all of this.

19          I think if you then look at what happened  
20          subsequently, you know, the cost -- the additional cost  
21          of sustaining the military -- the military operation,  
22          you know, probably was about £1 billion a year, sort of  
23          from 2005/2006, up to the point at which we scaled back  
24          and eventually were able to disengage. So I think it  
25          was probably a pretty good shot at it.

1 SIR RODERIC LYNE: Now, you think this advice was prepared  
2 for the Chancellor for a meeting he was going to attend.  
3 Can you recall what the outcome was of the advice and of  
4 the meeting?

5 JOHN DODDS: Well, I can't recall what the outcome of the  
6 meeting was. I mean, I think you have a -- I think you  
7 have a letter that records a meeting two days later,  
8 which I think is probably the meeting for which this  
9 advice was targeted.

10 But I don't think that letter is terribly explicit  
11 in terms of the conclusions on this specific point.  
12 But, you know, I would infer from the fact that the --  
13 that ministers decided that they were -- you know, they  
14 were happy to take on the broader leadership role that  
15 was at the sort of top end of the sort of range of  
16 scenarios that is painted in this note, that ministers  
17 collectively concluded that this was a cost they were  
18 prepared to -- they were prepared to accept for the  
19 benefits, as they saw it, of being in this role.

20 SIR RODERIC LYNE: There is a sub-issue here, which you  
21 refer to in your minute and which I think also came up  
22 at the meeting in question, which was the statement that  
23 you refer to, that the Prime Minister had made before  
24 you wrote your paper, that he wanted Britain to  
25 demonstrate an exemplary approach to rebuilding Iraq.

1           You point out here two drawbacks. One is the idea  
2 of introducing artificial administrative boundaries in  
3 different regions in Iraq; and the other is, as you put  
4 it:

5           "The burden of taking on the reconstruction of an  
6 entire British sector of Iraq would have huge costs on  
7 top of what we are already committing to."

8           Did that viewpoint perhaps temper the ambitions that  
9 we had had to do the so-called exemplary job in the area  
10 that we were taking responsibility for?

11 JOHN DODDS: I really don't know.

12 SIR RODERIC LYNE: You don't know.

13           Can I just turn now to our role after the invasion?  
14 Where we had taken on a large commitment, not only  
15 military, but reconstruction and financial, in Iraq.  
16 Sir Nick Macpherson described the funding for Iraq as  
17 coming from various different resources, from the  
18 Reserve, which you have mentioned, from core  
19 departmental funding and also from conflict pools.

20           Do you think these were appropriate mechanisms to  
21 fund a commitment of this scale and, indeed,  
22 a commitment which you had anticipated likely to last  
23 for at least two years and perhaps significantly longer?

24 JOHN DODDS: Well, I mean, I think -- I mean, as you say,  
25 there were a range of -- there were a range of funding

1 mechanisms. I think there was a distinct -- there was  
2 a distinct difference between the funding mechanisms  
3 that were applied to the military commitment, where  
4 there was the longstanding arrangement that we fund the  
5 armed forces to be ready for operations but not to do  
6 operations and, therefore, there was a continuing  
7 funding stream from the Reserve and the Special Reserve  
8 for the UORs and the net additional cost of those  
9 operations.

10 Then I think the -- you know, the reconstruction  
11 activity, which was partly funded by departments out of  
12 their existing budgets, was partly funded out of the  
13 general Reserve and there were a number of occasions  
14 where departments sought access to the Reserve for extra  
15 funding, and Paul Boateng, as Chief Secretary, agreed in  
16 a number of cases to that extra funding where it was  
17 clear that existing opportunities for reprioritisation  
18 had been exhausted, and then there was also a range of  
19 funding streams that we were looking for from  
20 international donors and, again, it wasn't my area of  
21 responsibility, but you will have heard of the Madrid  
22 donors' conference and the work that was done to make  
23 sure that Iraq was able to invest its own wealth in its  
24 own reconstruction.

25 So it is kind of quite a complicated funding source.

1 I suppose what I would say is that, in response to a --  
2 you know, a medium-term commitment, it is probably all  
3 the more important that we look across the piece at what  
4 our international priorities are and that we look for  
5 opportunities to reprioritise towards what was, you  
6 know, at the time, one of our biggest international and  
7 security priorities.

8 SIR RODERIC LYNE: Does that mean that ideally we should  
9 have really developed a different funding model of  
10 a more coherent kind, given the scale of this priority,  
11 where it stood in the government's priorities at the  
12 time?

13 JOHN DODDS: No, I don't think I would draw that conclusion.  
14 You know, it is certainly an approach which we could  
15 have decided to -- we could have decided to do, you  
16 know, but one is dealing with -- you know, a varied but  
17 a fairly limited source of -- range of funds, you know,  
18 the bulk of the responsibility for the reconstruction is  
19 vested with DFID, you know, and I think that the way  
20 that -- the way that we approached it was a perfectly  
21 reasonable way to approach it.

22 SIR RODERIC LYNE: But you were, as you just described, left  
23 with a situation in which you had one model for the  
24 military and then a number of different packets to do  
25 the civilian side of things in Iraq, even though it is

1 a joined-up problem that we have.

2 We have heard from a number of witnesses that this  
3 created complications on the ground. One witness who  
4 worked in the PRTs, in the development area in Basra,  
5 told us how it was much easier to get the military to do  
6 things because they had resources readily at hand, even  
7 where it would have been more appropriate for civilians  
8 to be doing them.

9 Then we heard from Lord Jay, who at the time was  
10 Permanent Secretary at the Foreign Office, that, in his  
11 view, the Treasury should have looked, not at the  
12 budgets of individual departments, but at the overall  
13 need to ensure that each department concerned in the  
14 operation got the funds that it needed to carry it out.

15 I mean, there was this sense that the military had  
16 access to funds, but there were important civil tasks  
17 which related to the military objectives of gaining  
18 consent where it was much harder to access the funds  
19 because of the nature of the mechanism. Is that a valid  
20 criticism that we have heard from others?

21 JOHN DODDS: I think there is something in that. But

22 I wouldn't want to -- I wouldn't want to overstate how  
23 much I think there is in that. I mean, I think you need  
24 to -- I think there were two things to look at here, you  
25 know. One is, are the funds available? Secondly, you

1 know, what are the approval processes around those  
2 funding streams?

3 Now, I think there is no -- I haven't seen any  
4 evidence that suggests that there were -- that there  
5 were concerns around the funds that were -- that were  
6 available. You know, the Treasury was, I think, always  
7 prepared to look at the case that was being put forward  
8 from departments, and I think in particular DFID, as the  
9 lead department around the overall level of resourcing  
10 available for the reconstruction activity, and I say  
11 that wasn't my lead area but my recollection is that,  
12 you know, once DFID was able to show that it had -- that  
13 it had used its own, you know, internal, unallocated  
14 resources, that Paul Boateng was pretty quick to agree  
15 extra funding from the Reserve for that.

16 You know, I think there may be an issue around, you  
17 know, do different parts of the government machine have  
18 different approval processes, and that's something  
19 which --

20 SIR RODERIC LYNE: But it is also a question of budgetary  
21 pockets, isn't it? I mean, as some people have put it  
22 to us, if the military wanted something, they could get  
23 it through a UOR. If, say, the consulate in Basra  
24 wanted one extra member of staff, that would come off  
25 the Foreign Office's core budget and because of the cost

1 of keeping staff in Basra, it would probably mean  
2 cutting five people in Paris to provide for one in  
3 Basra. That's the sort of criticism that we have heard.

4 JOHN DODDS: Yes, I mean, there are -- undoubtedly, the way  
5 that we managed the non-military side of it did require  
6 choices around -- choices around priorities, you know.  
7 But I don't think it is wrong to require choices around  
8 priorities and I think that, you know, particularly when  
9 this was something which was, as it turned out to be,  
10 a medium-term engagement, then actually, as I say, it is  
11 more important to make those choices around priorities  
12 than it might have been if it was, you know, simply  
13 a very short, sharp intervention.

14 You know, but I do think there is a -- I'm giving  
15 you a personal view here. I think there is a -- I think  
16 there is a tension between the way in which the military  
17 are funded through UORs and access to the Reserve, the  
18 net additional costs of military operations, and the way  
19 that other parts of the machine operate.

20 I do think -- you know, I thought at the time at  
21 which I left this role in 2006 that, you know, there is  
22 in that the potential for some sub-optimal decisions  
23 being made.

24 You know, one of the things which, you know, I think  
25 I felt at the time that I left the role -- I think my

1       experience told me that the cost of -- the cost of  
2       military -- the cost of a military solution to  
3       a conflict problem, you know, was probably about ten  
4       times the cost of a non-military solution, if you could  
5       engineer it.

6               I think that, you know, potentially the funding  
7       mechanisms that we had, you know, tended to create  
8       incentives for more military intervention and less  
9       non-military intervention, but I don't think that's an  
10      issue -- I don't think that's a point of view which is  
11      really relevant to Iraq. I think it is sort of a piece  
12      of broader reflection that I kind of had at the point at  
13      which I was leaving this particular role.

14   SIR RODERIC LYNE: Perhaps I can, in conclusion, give you  
15      one example of the way in which it was put to us that it  
16      was relevant to Iraq and, as you say, sub-optimal, and  
17      this is that, under an overall heading, described to us  
18      by Sir Nick Macpherson of the Treasury feeling pretty  
19      relaxed about the cost of Iraq and short-term increases  
20      in spending against, of course, the financial  
21      environment of that time, which is rather different from  
22      today, people did find, we are told, that it was  
23      difficult to get the funds they required for some of the  
24      non-military projects, albeit military-related -- for  
25      example, for training and equipping the Iraqi security

1 forces -- because that didn't fall under the military  
2 subhead, and yet it related very much to our overall  
3 objectives, including our military objectives.

4 Isn't that the sort of thing we should have devised  
5 a more effective mechanism for in the time when we were  
6 relatively relaxed -- to use Sir Nick's words -- about  
7 the overall cost?

8 JOHN DODDS: Well, again, I think I would, you know, I would  
9 say this really kind of came back to a question of  
10 priorities, you know, and I think that -- I mean, my  
11 recollection is that, you know, there were resources  
12 available to carry out that sort of activity. You know,  
13 what was necessary was for the, you know, the people who  
14 were kind of co-ordinating the overall intervention to  
15 agree that that was the -- that was the priority and  
16 then there were resources from, you know, from DFID or  
17 from the global conflict prevention pool that could be  
18 tapped into for that type of activity.

19 SIR RODERIC LYNE: For "most people" deciding on the  
20 priorities, co-ordinating the intervention, do you mean  
21 ministers?

22 JOHN DODDS: I think ultimately ministers, but ministers act  
23 on advice from civil servants in many of these cases,  
24 you know, and there were co-ordinating groups across  
25 Whitehall drawing together, in particular, people from

1 the Cabinet Office, the Foreign Office, the  
2 Ministry of Defence and DFID, you know, who were looking  
3 at these issues on a regular basis.

4 SIR RODERIC LYNE: Thank you.

5 THE CHAIRMAN: Thank you. Over to Sir Lawrence Freedman.  
6 Lawrence?

7 SIR LAWRENCE FREEDMAN: I want to ask you questions mainly  
8 about MoD budget, but just following on from your  
9 conversation with Sir Roderic about the broader civil  
10 versus military claims. The Foreign Office also had  
11 cause to draw on the Reserve from time to time to  
12 support its efforts in Iraq. Lord Jay described it as  
13 a constant battle. Just how did you approach the  
14 assessment of Foreign Office claims?

15 JOHN DODDS: Well, I think we approached it with the sort of  
16 rigour that we would normally approach these claims.

17 Again, you know, I think that our -- our  
18 assumption -- I mean, our starting position was that we  
19 would want the Foreign Office to look for -- look for  
20 the potential to reprioritise in the face of this -- you  
21 know, this new priority that they had. You know,  
22 I think our perspective would be that that wasn't  
23 something which they -- that wasn't their first response  
24 to this sort of situation. I think there was an  
25 expectation on the part of the Foreign Office that, you

1 know, the Reserve should provide them with new money for  
2 this, you know, and I think that the Chief Secretary did  
3 agree new money quite quickly for certain Foreign Office  
4 priorities.

5 So again, as I recall, there was a Reserve claim  
6 pretty early in the operation for a -- what was called  
7 a flat-pack embassy in Basra, and then, later on, there  
8 were some quite substantial Reserve claims for high  
9 priorities around security. So I think we  
10 strengthened -- I think the Foreign Office strengthened  
11 the security of our operation, both in Basra and in  
12 Baghdad, funded from the Reserve.

13 But, you know, the Foreign Office had a sort of  
14 significant budget, you know, and a significant global  
15 footprint and I think it wasn't unreasonable to be  
16 looking to the Foreign Office to -- you know, at least  
17 on a temporary basis, to move some resources, you know,  
18 to support the activity on this high priority.

19 SIR LAWRENCE FREEDMAN: So in general, you say departments  
20 might be tempted to seek money from the reserve rather  
21 than looking for the core funding. Your inclination was  
22 to resist this and to encourage them to re-order their  
23 priorities, which was the basic philosophy.

24 JOHN DODDS: I think that's right.

25 SIR LAWRENCE FREEDMAN: You can sort of understand how the

1 civilian departments might have been a little frustrated  
2 when they looked across at MoD spending vast amounts  
3 more money. I mean -- against which, say, the  
4 Foreign Office might seem rather trivial amounts, yet  
5 having this funded from the Reserves.

6 JOHN DODDS: Well, yes, you can, although that does -- that  
7 does go back to the point that the MoD is explicitly not  
8 funded for operations. It is funded to be ready for  
9 operations.

10 SIR LAWRENCE FREEDMAN: It raises an interesting question of  
11 whether actually that's true of most departments, that  
12 there is a number of things they are already doing and  
13 then emergencies come along for which actually they  
14 don't have ready funds available. So there is  
15 a discrepancy of treatment between departments.

16 JOHN DODDS: I suppose, if emergencies come along, then that  
17 is what the Reserve is for, you know, on the basis that  
18 a department has done everything that it reasonably  
19 could to look for ways to reprioritise.

20 You know, what we weren't doing in the Treasury at  
21 the time when I was there, and I -- you know, I don't  
22 imagine that things have changed -- is to actually say  
23 "There is a set of contingencies, this business around  
24 kind of funding the armed forces on operation aside, in  
25 which we guarantee departments access to -- to the

1 Reserve".

2           You know, I suppose Iraq was a pretty big  
3 contingency, but there are -- you know, there are  
4 contingencies which happen, you know, in the  
5 Foreign Office space, for example, all the time, which  
6 kind of require an adjustment of priorities, and I can  
7 remember, you know, a number of instances over the three  
8 and a half years that I was in this role, in which there  
9 would be some international incident and the  
10 Foreign Office's response would be, you know, "This is  
11 something we need to have a Reserve claim for".

12           Generally speaking, they were able to successfully  
13 reprioritise, but the sort of -- the nature of the way  
14 they approached it and the nature of the relationship  
15 with the Treasury was that their first reaction was to  
16 look for resources from the Reserve, but it was only  
17 after they were sort of pushed back that they then sort  
18 of looked and then were successful in reprioritising.

19 SIR LAWRENCE FREEDMAN: I guess, looking ahead, this may  
20 well become more of an issue if departments feel that  
21 they have been cut right back to --

22 JOHN DODDS: That may well be.

23 SIR LAWRENCE FREEDMAN: Can you just go to the MoD budget?  
24 You will be aware we have taken quite a lot of effort in  
25 some of this famous dispute about resource accounting

1 budgeting, which arose between the MoD and Treasury in  
2 the course of 2003, and I don't want to go over the  
3 details, which I think may be testing our audience,  
4 again. But it was quite a big dispute and I just wonder  
5 why you weren't able to resolve this issue at official  
6 level before ministers became involved.

7 JOHN DODDS: Well, it was -- it was quite a big dispute. It  
8 is not -- it is not an isolated example of the way in  
9 which interdepartmental disputes sometimes pan out.

10 I think that what made it difficult to resolve --  
11 well, you know, I think it was successfully resolved  
12 through the sorts of processes that exist to solve these  
13 issues actually, you know, and I do think that, from our  
14 perspective, there was a -- you know, there was  
15 a satisfactory resolution ultimately.

16 SIR LAWRENCE FREEDMAN: That had to come through Number 10.

17 JOHN DODDS: Yes, and through high-level ministerial  
18 engagement. I think what made it difficult to resolve  
19 it at a lower level was, first of all, that the sums  
20 involved were very significant. I mean, if you recall  
21 the story here, I think the sort of additional spending  
22 power that the MoD was seeking to achieve started off at  
23 about £800 million in 2003/2004 -- yes, 2003/2004.

24 Now, you know, if you think about the sorts of sums  
25 that we have been talking about in the context of sort

1 of Iraq reconstruction, you know, that £800 million  
2 is -- it is a large sum of money. Again, it is kind of  
3 close to half the Treasury's contingency Reserve in  
4 a normal year.

5 So that was something which, at that scale, I don't  
6 think it was probably ever going to be resolved below  
7 the level of the Chancellor. I mean, you can talk to  
8 Paul Boateng about it in a few minutes, but I would be  
9 surprised if even a Chief Secretary would feel -- would  
10 feel able, without referring upwards, to resolve  
11 something on that scale.

12 I think the other issue was that --

13 SIR LAWRENCE FREEDMAN: I mean just to pause there, when the  
14 Chancellor did get engaged, he didn't write to the  
15 Secretary of State, to Geoff Hoon, he wrote directly to  
16 the Prime Minister. Was that a normal way of resolving  
17 these things?

18 JOHN DODDS: I wouldn't say it was unusual. I mean, I think  
19 that -- I think that what happened there was, I think  
20 the Chancellor was anxious to make sure the  
21 Prime Minister was cited on this, given the importance  
22 of the MoD budget, given the sensitivities, given that  
23 this was happening, you know, around about -- at the  
24 time when we were still in a relatively early stage of  
25 the Iraq conflict. I think a number of witnesses have

1 said to you that, in their experience, this dispute  
2 didn't have a direct -- didn't have a bearing on the  
3 resources that were available for Iraq and the  
4 Chancellor and the Chief Secretary were very clear that  
5 they needed to resolve this particular issue with the  
6 MoD, but at the same time keeping the resources flowing  
7 for Iraq was paramount.

8 So I think that kind of making sure that the  
9 Prime Minister was aware of this issue and cited on it  
10 was part of the Chancellor's objective. I think, if you  
11 recall, the Chancellor wrote to the Prime Minister and  
12 Paul Boateng wrote to Geoff Hoon sort of at the same  
13 time on this.

14 You know, so I think that's what was going on.

15 SIR LAWRENCE FREEDMAN: What they wrote was imposing the  
16 guillotine and the response was that that would affect  
17 operations in Iraq, but then the compromise came along  
18 and they managed.

19 Can I just -- there are two issues just coming out  
20 of this that may have a broader relevance. The first  
21 one -- we have talked about this with MoD, they  
22 described that it is quite normal for their cash  
23 requirements to be extremely volatile. How difficult  
24 does this make it for Treasury to provide forecasts to  
25 ministers of what MoD resource requirements are going to

1       be, irrespective of the particular cash and non-cash  
2       issues here?

3       JOHN DODDS:  I don't think that MoD's cash requirements are  
4       particularly volatile.  I think that -- I mean, what we  
5       saw during the period when we were kind of dealing with  
6       that issue was that, you know, there had been a spending  
7       review in 2002.  I think that the MoD had experienced  
8       some upward pressure on its budget in the period after  
9       that, you know -- again, I'm thinking back quite a while  
10      now, but I think that there was probably an armed forces  
11      review body recommendation on pay that was probably  
12      higher than the MoD had assumed for planning purposes.  
13      There were certainly some cost overruns on some major  
14      equipment programmes, all of which were adding to the  
15      MoD's cost pressures.

16             So -- I mean, there were pressures, but I don't  
17      think the cash requirement from the MoD is particularly  
18      volatile.  I think what we discovered -- and this was  
19      kind of a lesson, I think, for us in how the resource  
20      accounting budgeting system was applied in practice and  
21      led to some changes in the way that we applied it in  
22      practice -- was that the MoD's requirement for non-cash  
23      was volatile; in other words, it was able to move up or  
24      down.  I mean, either because of events or because of  
25      some decisions that were taken around accounting

1 treatments and so on, which then sort of presented some  
2 opportunities for the MoD under the way they were  
3 interpreting the freedoms they had under RAB to move  
4 rather more money than we felt comfortable with from  
5 non-cash to cash.

6 SIR LAWRENCE FREEDMAN: Perhaps one of the lessons here is  
7 the need to clarify the rules when you introduce these  
8 new procedures, because MoD clearly thought that they  
9 were acting fully within the rules.

10 JOHN DODDS: I think the conclusion that I would draw from  
11 the RAB story is that, you know, I think, with  
12 hindsight, we should have had a more managed  
13 introduction of stage 2. Again, I'm sure that others  
14 have kind of taken you through the technical detail of  
15 RAB, but what happened was that it was first brought in  
16 in 2000 on a sort of interim basis --

17 SIR LAWRENCE FREEDMAN: I think we have had a very eloquent  
18 description of that whole procedure but I think I take  
19 the point that you are making, that the effect was to be  
20 rather abrupt.

21 JOHN DODDS: You know, and I think there were -- I think  
22 things surfaced in terms of the way that it was  
23 operating in practice in its first year, which we  
24 hadn't -- which we hadn't expected and, with hindsight,  
25 you know, we would have -- we would have found a way of

1 sort of managing that interim period slightly more  
2 tightly.

3 THE CHAIRMAN: Thank you. Time is pressing on us, so I will  
4 turn to Baroness Prashar.

5 BARONESS USHA PRASHAR: Thank you very much. I want to move  
6 on to the post-invasion UORs. The 2004 NAO report noted  
7 that about 34 per cent of the UORs procured for the  
8 start of the operation were to fill the previously  
9 identified equipment gap. Did that surprise you, the  
10 volume of the UORs that the MoD had to procure for this  
11 operation?

12 JOHN DODDS: I don't know. No, I don't suppose that it did.  
13 I mean, there were two situations in which UORs,  
14 I think, were being used at the time. You know, one is  
15 the sort of -- the classic -- the classic use of the  
16 UOR, which is to -- which is to deal with adaptations  
17 which are -- which are theatre-specific. So you know,  
18 if you are fighting a desert war, there are certain  
19 adaptations that you need to make to your tanks and so  
20 on, you know, otherwise they won't work at all or they  
21 won't work, you know, as effectively as they need to.

22 So, you know, there is a class of UORs around that.

23 There are also some, you know, UORs that in some  
24 cases are used to bring forward some elements that are  
25 already in the MoD's equipment programme but haven't yet

1 got to the point of sort of being delivered or  
2 prioritised and, in those cases, the arrangement that  
3 the Treasury has with the MoD is that we sort of allow  
4 them to advance the investment, but we kind of claw it  
5 back downstream.

6 Now, I can't -- I don't know to what extent --  
7 BARONESS USHA PRASHAR: When you say you "claw it back  
8 downstream", what do you mean?

9 JOHN DODDS: Well, if the MoD was planning -- if it had  
10 plans to buy a particular piece of equipment in, shall  
11 we say, 2005, but the fact that we were having  
12 a conflict in Iraq in 2003 meant that there was suddenly  
13 a really pressing need for that equipment, and suppose  
14 that equipment cost £20 million, then we would give it  
15 the £20 million in 2003 to buy that equipment but we  
16 would take the £20 million off the MoD's equipment  
17 budget in 2005.

18 So it gets the equipment more quickly but, if it is  
19 something which actually is not genuinely  
20 theatre-specific, but is part of the evolution of its  
21 capability over time, you know, it gets the equipment  
22 faster than it would otherwise have done.

23 BARONESS USHA PRASHAR: Was that your view as the operation  
24 continued and because, you know, there was quite a bit  
25 of drawdown on UORs? So was that normal?

1 JOHN DODDS: I think what was -- I think what was probably  
2 unexpected but, you know, the UOR system coped well with  
3 it was the way in which the threat kept changing through  
4 the insurgency and, if you look at the way that UORs  
5 were used over the lifetime of the operation, rather  
6 than just in the early phase, there were quite a lot of  
7 UORs that were spent on developing new protective  
8 responses to, you know, IEDs and kind of changing  
9 threats.

10 I guess probably, at the start, what we were  
11 expecting was there would be a large block of UORs to  
12 fund the -- you know, to get the -- to get the  
13 capability right for the operation and, once we had kind  
14 of -- once we had done that, that would have been an end  
15 of it. What we needed to do -- what the armed forces  
16 needed to do was keep investing in response to these  
17 changing threats, and the UORs were a way in which they  
18 were able to do that.

19 BARONESS USHA PRASHAR: Gordon Brown told us that he  
20 instructed officials that all UOR requests should be met  
21 as quickly as possible. Do you recall how you received  
22 that instruction?

23 JOHN DODDS: No, I don't, but at the point at which  
24 I arrived, it was clearly embedded in the way in which  
25 the team worked.

1 BARONESS USHA PRASHAR: How regularly did you hold  
2 discussions with the MoD about UORs?

3 JOHN DODDS: My team were in pretty constant discussion with  
4 the MoD about UORs. I mean, the process was that  
5 periodically, kind of on request from the MoD, we would  
6 extend the envelope. So we started off with an  
7 allocation of 150 million, we increased to 300, and then  
8 we increased to 500 over time as the need became clear.  
9 But underneath that, there was a process where the  
10 people in my team, whose job it was to apply scrutiny to  
11 the UORs were working with their opposite numbers in the  
12 MoD on a day-by-day basis.

13 The process was that the Ministry of Defence -- UORs  
14 up to £5 million, the MoD just got on and kind of  
15 approved themselves and my team would look at kind of  
16 after the event, just to make sure that they were being  
17 approved within the rules that had been agreed.

18 BARONESS USHA PRASHAR: So you were actually tracking the  
19 actual expenditure?

20 JOHN DODDS: Yes, that's right, and reporting monthly to  
21 ministers on the actual expenditure.

22 Then for UORs that were bigger than £5 million, my  
23 team was involved in the approval process but working  
24 very closely with MoD in real time.

25 BARONESS USHA PRASHAR: How did you satisfy yourselves that

1 the procurements represented value for money?

2 JOHN DODDS: I mean, to be honest, I think that -- you know,  
3 one of the issues around the UOR process is that it is  
4 very hard to satisfy yourself that the procurements  
5 represent value for money. I mean, the fact that there  
6 is a pressing need to get on and buy this stuff and  
7 often to buy it, you know, against a pressing deadline,  
8 without a competitive procurement process, you know,  
9 means that you have to shortcut some of those things.

10 Having said that, there was quite an interesting NAO  
11 report that I remember from round about 2004 or 2005,  
12 which looked at the value for money from the UOR process  
13 and compared it with the value for money from the MoD's  
14 normal procurement process and actually concluded that,  
15 although the UOR process dispensed with a lot of the  
16 process around the procurement process, in some ways it  
17 delivered better value for money.

18 BARONESS USHA PRASHAR: That's what they said.

19 Can I just ask a couple of questions on the  
20 forecasting of the cost of operations? Were you  
21 satisfied with the information that the MoD were  
22 providing throughout the time of the defence spending  
23 team as to what the likely cost of operations would be?

24 JOHN DODDS: Yes.

25 BARONESS USHA PRASHAR: You were satisfied with that

1 information?

2 JOHN DODDS: Yes.

3 BARONESS USHA PRASHAR: So you were able to plan ahead?

4 JOHN DODDS: Yes.

5 BARONESS USHA PRASHAR: How did they keep you informed of  
6 what they anticipated the ongoing costs of the campaign  
7 would be as it developed?

8 JOHN DODDS: Well, we had regular discussions with them.  
9 Again, a member of my team led this, working with  
10 colleagues in Tom McKane's part of the MoD. I can't  
11 remember the exact frequency of those engagements, but  
12 it was at least monthly -- it might have been more  
13 frequent in the early stages -- and they shared with us  
14 their internal estimates that we were able to look at  
15 and ask questions around, challenge, if necessary, and  
16 that was the basis for our forecasting and our reporting  
17 to Treasury Ministers and the process worked very well.

18 BARONESS USHA PRASHAR: But the ninth special report of  
19 the -- the Defence Select Committee report expressed  
20 concerns about the robustness of this. What did you do  
21 with the information when you got it? How did you keep  
22 the records? I mean, you seem to be seen working, but  
23 the Select Committee report expressed concerns.

24 JOHN DODDS: I am afraid I'm not sighted on the  
25 Select Committee report.

1 BARONESS USHA PRASHAR: But from your point of view, it was  
2 working well?

3 JOHN DODDS: Yes, from our perspective, it was working well.  
4 It influenced the drawdowns that we were -- that we gave  
5 the MoD from the Reserve and it was used to inform the  
6 resource requests that the MoD made to Parliament for  
7 resources to be provided through the estimates process.

8 BARONESS USHA PRASHAR: Thank you.

9 THE CHAIRMAN: Thank you. I'll invite any general  
10 reflections that you might like to offer in a moment,  
11 but just before I do, there is a general argument  
12 emerging, both from some of the things you have said and  
13 from other witnesses, that a major and unforeseen  
14 expeditionary enterprise -- be it Iraq, be it  
15 Afghanistan be it whatever next -- should be financed in  
16 the round to ensure a proper, coherent balance of the  
17 military and the various civil/military-related needs  
18 without being skewed by calls on individual departmental  
19 budgets which can't have been framed with such an  
20 enterprise in mind. Do you wish to comment any further  
21 on that?

22 JOHN DODDS: Well, I mean, I think it is an idea that's  
23 worth pursuing. I don't think it comes without --  
24 without problems of its own, you know, and I think you  
25 do -- you do have to kind of look at the issue that, you

1 know, we are dealing with a world which is constantly  
2 changing and our priorities are constantly changing.

3 So, you know, now Afghanistan, you know, is our --  
4 is our highest foreign policy priority. You know, in  
5 ten years' time something else might be our highest  
6 priority. At any given period of time there is  
7 something, or some cluster of things, that is our  
8 highest priority and the approach that we have taken,  
9 you know, up to now, has been that we, you know -- that  
10 we provide funding to departments, to the  
11 Foreign Office, to DFID and so on, to address these  
12 priorities and we expect those resources to flex as the  
13 priorities change.

14 I think, if we were to move to a world which says,  
15 "Where we have got big priorities, we fund them in  
16 a different way", that's certainly something we could --  
17 one could look at and consider -- consider doing, but  
18 I guess it would have implications for the underlying  
19 level of budgets that you were able to provide to  
20 departments for, you know, the other priorities.

21 THE CHAIRMAN: Or for the decision to engage in such  
22 enterprises in the future?

23 JOHN DODDS: Indeed.

24 THE CHAIRMAN: Thank you. Other reflections?

25 JOHN DODDS: Looking back, it feels quite a long time ago

1 now. I mean, I suppose my reflections are -- let me  
2 give you two reflections.

3         You know, one reflection was just, throughout the  
4 time that I was involved, you know, the extent to which  
5 I was impressed by the professionalism of everybody that  
6 I worked with, particularly in the armed forces, that  
7 were involved in this operation. You know, I thought it  
8 was -- I thought it was truly outstanding and, even if,  
9 you know, from time to time the Treasury had -- you  
10 know, we had issues with the MoD that we were working  
11 through, I thought the professionalism of that operation  
12 and the way that it delivered, you know, was something  
13 beyond that that I have seen in the rest of my  
14 Civil Service career.

15         I suppose the other reflection that I have got, just  
16 looking back, I think there are two bits of -- there  
17 were two bits of the UK Government that in their own  
18 ways are really outstanding in terms of delivery. They  
19 have world-class delivery capabilities, and that's the  
20 MoD that I had a lot of personal involvement with, and  
21 DFID that I had rather less personal involvement with  
22 but I kind of saw at a distance.

23         I think that one of the things I felt in the work on  
24 Iraq is that they sometimes -- they sometimes had such  
25 different perspectives on the world that it wasn't

1 always easy for them to work together in a really  
2 joined-up way and if I was -- again, this is sort of  
3 a reflection that I had back in 2006 when I left my  
4 role, if I was kind of thinking, you know, one way in  
5 which the UK could kind of takes its delivery on these  
6 sorts of international issues to a new level would be if  
7 we could find a way in which we could sort of find a way  
8 of sort of joining up the perspectives of the MoD and  
9 DFID, so that they -- they could work more effectively  
10 together in a joined-up way, and sometimes there was  
11 a sense from the DFID perspective that kind of anything  
12 with a gun was kind of a bit difficult and I think  
13 sometimes, from the MoD perspective, there was a similar  
14 sort of view about -- around DFID.

15 That may be a dated perspective, because it is  
16 a perspective that kind of goes back to 2002 to 2005  
17 and, in terms of joined-up working, things may -- you  
18 know, may well have moved forward over the past five  
19 years and I'm not really in a position to give you an  
20 up-to-date view on it.

21 But that was certainly a perspective that I had sort  
22 of back in the spring of 2006, when I left this role.

23 THE CHAIRMAN: Thank you very much. We have indeed heard  
24 much evidence about change since. I thank our witness.  
25 I'll close this session now and we will resume in ten



