

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 and 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 the 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 set of funding sources.

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 "the 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 operations 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 and

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 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 sighted 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 sighted 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, of one way in
5 which the UK could kind of take its delivery on these
6 sorts of international issues to a new level would be if
7 we could 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 forwards 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

1 minutes' time with Lord Boateng. Thank you.

2 (3.23 pm)

3 (Short break)

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