



House of Commons

Committee of Public Accounts

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# Ministry of Defence: the rapid procurement of capability to support operations

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**Twenty–sixth Report of  
Session 2004–05**

*Report, together with formal minutes,  
oral and written evidence*

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## The Committee of Public Accounts

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# Contents

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<b>Report</b>	<i>Page</i>
<b>Summary</b>	<b>3</b>
<b>Conclusions and recommendations</b>	<b>4</b>
<b>1 Identifying and costing likely Urgent Operational Requirements</b>	<b>7</b>
<b>2 Capturing data on the Urgent Operational Requirements process and outcomes</b>	<b>9</b>
<b>3 Lessons from urgent requirements for the regular procurement programme</b>	<b>11</b>
<b>Formal minutes</b>	<b>13</b>
<b>Witnesses</b>	<b>14</b>
<b>List of written evidence</b>	<b>14</b>
<b>List of Reports from the Committee of Public Accounts Session 2004–05</b>	<b>15</b>



## Summary

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The Ministry of Defence (the Department) meets the additional capability requirements of specific operations through a process known as Urgent Operational Requirements. The process aims to deliver the speedy and flexible procurement of capabilities using a streamlined version of the Department's normal procurement processes. Urgent Operational Requirements have been a major feature of the United Kingdom's recent operations in Afghanistan and Iraq. Approved expenditure on Urgent Operational Requirements to support operations in Iraq currently stands at £811 million, and for operations in Afghanistan, £148 million. Urgent Operational Requirements for the Iraq operation accounted for 35% of the additional costs of the operation.

The Committee took evidence from the Department on 29 November 2004 on the basis of a report from the Comptroller and Auditor General.<sup>1</sup> The Committee examined three main issues: the importance of identifying and costing likely Urgent Operational Requirements; improvements to the way the Department captures data on the Urgent Operational Requirements process and outcomes, and the scope to apply lessons from Urgent Operational Requirements to the regular procurement programme.

The Armed Forces are likely to have to undertake a wide range of operations in the future, and so Urgent Operational Requirements will continue to be an important part of the Department's business activity. The Department does not have a dedicated staff responsible for processing these requirements and, although staff have performed impressively in supporting recent operations, it is timely for the Department to review its arrangements.

The Department lacks a system for comprehensively recording whether Urgent Operational Requirements are delivered to the theatre of operations in time, or how effective they prove to be, and did not have full information on urgent requirements for the war-fighting operation in Iraq until the Committee's hearing, 18 months later. It is proposing a range of actions to improve on this situation, and to introduce performance measures of the Urgent Operational Requirements process under the direction of the Senior Responsible Owner.

It is highly regrettable that only two-thirds of Urgent Operational Requirements were fully delivered in time for the start of warfighting in Iraq. The Department has nevertheless performed creditably in processing and, in the end, delivering Urgent Operational Requirements which meet the needs of users in Iraq and Afghanistan. It has demonstrated that its standard practices for procuring Defence equipment can be successfully adapted to deliver requirements speedily and successfully where necessary. Sensible use of a range of procurement practices, providing they achieve transparency and accountability, can help to avoid an overly bureaucratic and risk-averse approach both in procuring Urgent Operational Requirements, and in the Department's mainstream procurement activity, which has been beset by cost overruns and delays.

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1 C&AG's Report, *Ministry of Defence: the rapid procurement of capability to support operations* (HC 1161, Session 2003–04)

## Conclusions and recommendations

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- 1. A third of Urgent Operational Requirements to support the war-fighting phases of operations in Iraq were to fill previously identified gaps in capability which the Department considered too low a priority to fund from its regular procurement budget.** As part of its contingency planning the Department, working with potential suppliers, should routinely put in place suitable plans to mitigate the risk that known capability gaps cannot be filled in a timely and effective manner.
- 2. Over half of the Urgent Operational Requirements procured to support operations in Iraq are now planned to be retained permanently by the Department. Yet the Department's planning processes still assume the equipments will be retained for just one year.** Where there is a prospect that an Urgent Operational Requirement may be retained for longer than one year the Department should specifically consider longer term ownership costs in developing the business case to support its initial procurement.
- 3. With the on-going commitment of the Armed Forces to a wide range of operations, flexible and responsive means of supplementing or enhancing existing military capability are likely to become increasingly central to the Department's business activity.** As a starting point, the Department should re-examine whether the Urgent Operational Requirement process should still be viewed as a separate activity from mainstream acquisition. If it decides to retain a separate Urgent Operational Requirement process, it should consider re-allocating existing resources to work directly for the Senior Responsible Owner, so he can better discharge his duty to provide for rapidly emerging equipment needs.
- 4. The Department has no system for comprehensively tracking the cost, timely delivery and use of Urgent Operational Requirements, and it had to undertake a one-off exercise to provide the information for this Committee's enquiry.** The Department should introduce a management information system to facilitate the full and timely capture of data on the progress of Urgent Operational Requirements and their effectiveness in use, and ensure it is accessible to the many different parts of the Department, such as the Equipment Capability Customer and Defence Procurement Agency, who require this information.
- 5. The NAO's Report identifies significant weaknesses in the current monitoring systems for Urgent Operational Requirements, which make it difficult to assess how well the existing processes are working and to identify how best to develop these processes and ensure they are applied to consistently high standards.** The newly appointed Senior Responsible Owner should develop Performance Indicators covering both the efficiency of the various activities undertaken to cost-effectively deliver Urgent Operational Requirements when they are needed, and the extent to which the delivered equipments meet the operational needs of the Armed Forces.
- 6. In a number of cases, notably the urgent procurement of Global Positioning Systems, the Department met a proportion of its requirements by procuring lower capability commercial systems which met the required performance at a tenth of the cost of the military version.** As part of its regular procurement activity

the Department should examine the costs and benefits of utilising commercial off-the-shelf equipments to meet its requirements.

7. **Many of the Urgent Operational Requirements to support operations in Iraq were successfully developed and introduced into service in very short time-scales. Much of the Department's regular procurement is to deliver items of similar cost and complexity, yet takes much longer.** The Department should examine what lessons it can learn from its flexible approach to Urgent Operational Requirements, including the less bureaucratic streamlined processes used to conduct competitions, and apply these more consistently to its routine procurement activities.
8. **Under the pressure of conflict, the Department and its industrial partners have shown considerable resourcefulness in coming up with good solutions to address urgent shortfalls in capability.** The delivery of equipment such as the Shallow Water Influence Mine-sweeping System showed how the Department and industry can innovate quickly and economically. These successes contrast with the recurring interminable time and cost problems reported regularly in the Major Projects Report. The Department needs to refresh its approach to its mainstream procurement activities to capture the verve and élan it regularly demonstrates in a crisis, with timely solutions that work instead of an open-ended quest for perfection.



# 1 Identifying and costing likely Urgent Operational Requirements

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1. The Defence White Paper “Delivering Security in a Changing World” made changes to the planning assumptions about the number and scale of operations the Department could expect to mount over the next few years.<sup>2</sup> The Department now assumes it will have to support multiple concurrent Medium and Small Scale operations in future years. Urgent Operational Requirements are thus likely to remain an important part of the Department’s business activity.

2. These requirements are not supported by a separate permanent staff in the Department. They are processed by the same staff that deal with mainstream procurement, in addition to their normal responsibilities. These staff deserve praise for their ingenuity and hard work in supporting recent operations.

3. The Department spent £510 million on 194 Urgent Operational Requirements during the main preparation and war-fighting stages of the operation in Iraq,<sup>3</sup> accounting for 35% of the additional costs of the operation. The Department has continued to procure urgent requirements to support the operation in Iraq during the peace enforcement phase, and approved expenditure on a total of 390 Urgent Operational Requirements for the Iraq operation has reached £811 million. The Comptroller and Auditor General’s Report analysed the reasons Urgent Operational Requirements were procured to support the preparation and warfighting stages of operations in Iraq. 30%, by value, were procured to fill capability gaps that the Department had already identified, but it considered too low a priority to fund from the Defence Equipment Programme.<sup>4</sup> The Department has agreed to refund the Treasury £116 million from the Equipment budget over the next five years for bringing forward procurement of these items.<sup>5</sup> These unfunded requirements represent between 2% and 3% of the Department’s annual procurement expenditure, and are typically for fighting, defensive and communications equipments.

4. The Department cited a range of reasons why it had to use the Urgent Operational Requirement process to fill previously identified capability gaps (**Figure 1**). It did not have an estimate of the value of the capability gaps it is currently carrying, which are not funded by the Equipment Programme.<sup>6</sup> One of the lessons the Department has learned from its experiences in Iraq and Afghanistan is that, to deliver these urgent requirements more quickly, it should use its lists of capability gaps to identify potential Urgent Operational Requirements, and then draw up Statements of User Requirement for each.<sup>7</sup>

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2 Cm 6269, July 2004, Supporting Essays 2, *Scales of Military Effort and Military Tasks*

3 C&AG’s Report, para 1.6

4 *ibid*, para 1.14

5 Q 53

6 Qq 4–5

7 C&AG’s Report, Figure 14

**Figure 1: Use of Urgent Operational Requirements to fill known capability gaps**

Why the Urgent Operational Requirement was procured	Example
"Fine-tuning" of the capability for specific operation	Shallow Water Influence Mine-sweeping system
Existing stock insufficient for large-scale operation	Temporary deployable accommodation
Required technology still under development: short-term solution required	Global Positioning Systems Weapon-Locating Radar

5. The Department does not routinely identify the capability gaps that exist for different scenarios, and work with potential suppliers to develop costed plans for filling these gaps. The end result is that the Department risks not being able to procure these requirements fast enough and cost-effectively when required. Better planning would also mitigate the risk of being unable to fill capability gaps in time for the start of operations, and maximise the time available for troops to train with new equipment before going into operations. The Department gave an example of the procurement of the Minimi machine gun as an Urgent Operational Requirement for operations in Iraq.<sup>8</sup> The gun was issued to troops shortly before they went into action and without time to train sufficiently to make full use of all of its capabilities, though it nevertheless proved successful.

6. Some Urgent Operational Requirement have continuing utility to the Department after operations have finished, and these are brought into the Department's regular procurement and maintenance programme, and funding is provided to support them in the longer term. The Department is now planning to support 50% of these requirements in the longer term.<sup>9</sup>

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8 Q 26

9 Qq 74, 95

## 2 Capturing data on the Urgent Operational Requirements process and outcomes

7. The Department lacks a system for comprehensively recording whether Urgent Operational Requirements are delivered to the theatre of operations in time, or how effective they prove to be. At the time the NAO carried out its study, data was available on the outcome of just over half the requirements procured to support the Iraq operation. This showed, for example, that a third of the equipment procured urgently for Iraq was not delivered in full on time, although the Department does not consider the delay was critical to the mission's outcome.<sup>10</sup> Full information is now available on the outcome of each of the 194 Urgent Operational Requirements purchased for the war-fighting phase. This information is shown in **Figure 2**, and shows that 181 of the 194 (93%) were deployed and used in theatre. Of these, all but three were judged as effective or highly effective.

**Figure 2: Outcome of the 194 Urgent Operational Requirements Procured for Iraq.**

Urgent Operational requirements deployed and used	Outcome	Number	Value £m	% by number
Yes	Highly effective	102	270.1	53
	Effective	76	198.4	39
	Less than effective	3	5.2	1
	<b>Sub Total</b>	<b>181</b>	<b>473.7</b>	<b>93</b>
No	Not progressed	4	6.3	2
	Not used or deployed	9	30.1	5
	<b>Sub Total</b>	<b>13</b>	<b>36.4</b>	<b>7</b>
<b>TOTAL</b>		<b>194</b>	<b>510.1</b>	<b>100</b>

8. The Department did not have full information on cost and outcomes until 18 months after the major combat phase of the Iraq operation finished, and had to rely on one-off exercises to gather data. There was a particular problem in tracking these requirements once they were in the theatre of operations.<sup>11</sup> The Department has accepted the National Audit Office's recommendations on the need for a comprehensive information system giving full visibility of relevant data at all points in the supply chain, and that it would be useful to have historic information on the scale of Urgent Operational Requirements

<sup>10</sup> C&AG's Report, para 2.8; Q 8

<sup>11</sup> Qq 37-38

activity for previous operations to show whether it is increasing in the current, uncertain, security environment.<sup>12</sup>

9. The Department is planning a number of improvements to the Urgent Operational Requirements process (**Figure 3**). We endorse these improvements and expect to see firm timetables for delivering them.

**Figure 3: Planned Improvements to the Urgent Operational Requirements Process**

- Introduction of a unitary Urgent Operational Requirements register.<sup>13</sup>
- Accelerated introduction of part of a major information technology programme (the Defence Information Infrastructure, which will not become fully operational until 2009) to better capture data on Urgent Operational Requirements.<sup>14</sup>
- Full analysis of Urgent Operational Requirements outcomes for future operations.<sup>15</sup>

10. The Comptroller and Auditor General's Report proposed a framework for improving the delivery of Urgent Operational Requirements, including performance indicators of process efficiency and outcomes.<sup>16</sup> In July 2004 the Department appointed a Senior Responsible Owner for Urgent Operational Requirements, who will take forward these proposals.<sup>17</sup>

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12 Q 66

13 Q 39

14 Q 17

15 Q 34

16 C&AG's Report, Part 5

17 Q 49

### 3 Lessons from urgent requirements for the regular procurement programme

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11. The Department processed some 194 Urgent Operational Requirements in the 6 months leading up to the start of military action in Iraq in March 2003, and 118 to support operations in Afghanistan in 2001, many of them at great speed.<sup>18</sup> While the processes followed were broadly similar to its regular procurement processes, much shorter time-scales were achieved by streamlining procedures, high levels of staff commitment, and concurrent working.

12. The Department successfully used a range of different approaches to deliver requirements urgently. These included developing innovative solutions, purchasing commercially available systems or military equipments developed by allies, accelerating planned programmes, and leasing.<sup>19</sup> For example the Department purchased 8,000 civilian Global Positioning Systems, which, whilst they did not have the full capability of the military versions, were still serviceable for most situations. The equipment was procured for a tenth of the unit cost of systems developed specifically for military use and, according to the Department, was an example of matching the need to the requirement, so avoiding over-engineering or paying a premium for equipment.<sup>20</sup>

13. The Department was also successful in deploying a number of equipments earlier than would otherwise have been the case. For example, accelerating the Storm Shadow cruise missile programme enabled the missile to be fitted to the Tornado GR4 aircraft for operations in Iraq. Despite the short timescales, the Department was able to use some form of competition for 65% of the urgent requirements to support the Iraq operation.<sup>21</sup>

14. The Department expects to spend £4.5 billion on the procurement of Defence Equipment in 2004–05.<sup>22</sup> Many Defence equipment projects suffer time and cost overruns. In October 2004, this Committee reported a £3.1 billion increase in forecast costs, and a 9 month average increase in delays on the 20 largest projects in the last year. These overruns lead to delays in introducing new capability, extend the life of existing equipment, and adversely affect funding for other projects.<sup>23</sup> As part of its normal procurement programme, the Department procures many items which are of a similar value and complexity to those procured as urgent requirements. Some of the innovative approaches it successfully used to deliver urgent requirements for Iraq and Afghanistan, such as flexible procurement, purchase of off-the-shelf equipment, and rapid competition techniques, could be applied to routine procurement to achieve faster and more cost-effective results. The procurement of a mine-sweeping system to clear shallow waterways in Iraq is a case in point. In this instance, a sweep system leased from the Australian Navy was fitted to the

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18 C&AG's Report, para 1.6, Figures 6–7

19 *ibid*, Figure 13

20 Qq 22–23, 63

21 C&AG's Report, para 3.8

22 Ministry of Defence: *The Government's Expenditure Plans 2004/05 to 2005/06*, Cm 6212

23 43<sup>rd</sup> Report from the Committee of Public Accounts, *Ministry of Defence: Major Projects Report 2003* (HC 383, Session 2003–04)

British Army's Combat Support Boats, which were then controlled remotely using technology developed by QinetiQ, providing an effective capability for detecting mines with reduced risk to personnel.<sup>24</sup>

# Formal minutes

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**Wednesday 6 April 2005**

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Allan

Mr Ian Davidson

Mrs Angela Browning

Mr Alan Williams

The Committee deliberated.

Draft Report (Ministry of Defence: the rapid procurement of capability to support operations), proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 14 read and agreed to.

Conclusions and recommendations read, amended and agreed to.

Summary read and agreed to.

*Resolved*, That the Report be the Twenty-sixth Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

[Adjourned.]

## Witnesses

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**Monday 29 November 2004**

*Page*

**Sir Kevin Tebbit KCB, and Lieutenant General Robert Fulton, Ministry of Defence**

Ev 1

## List of written evidence

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Ministry of Defence

Ev 16

## List of Reports from the Committee of Public Accounts Session 2004–05

First Report	The management of sickness absence in the Prison Service	HC 146 ( <i>Cm 6496</i> )
Second Report	Tackling cancer in England: saving more lives	HC 166 ( <i>Cm 6496</i> )
Third Report	The BBC's investment in Freeview	HC 237
Fourth Report	Improving the speed and quality of asylum decisions	HC 238 ( <i>Cm 6496</i> )
Fifth Report	Excess Votes 2003–04	HC 310 ( <i>N/A</i> )
Sixth Report	Excess Votes (Northern Ireland) 2003–04	HC 311 ( <i>N/A</i> )
Seventh Report	Foreign and Commonwealth Office: Visa entry to the United Kingdom: the entry clearance operation	HC 312
Eighth Report	Ministry of Defence: Battlefield Helicopters	HC 386
Ninth Report	The Drug Treatment and Testing Order: early lessons	HC 403
Tenth Report	Welfare to work: tackling the barriers to the employment of older people	HC 439
Eleventh Report	Improving public transport in England through light rail	HC 440
Twelfth Report	Helping farm businesses in England	HC 441
Thirteenth Report	Ofgem: The Social Action Plan and the Energy Efficiency Commitment	HC 442
Fourteenth Report	Department for International Development: responding to HIV/AIDS	HC 443
Fifteenth Report	Managing risks to improve public services	HC 444
Sixteenth Report	Department of Health: improving emergency care in England	HC 445
Seventeenth Report	London Underground Public Private Partnerships	HC 446
Eighteenth Report	Financial management of the European Union	HC 498
Nineteenth Report	The accounts of the Duchies of Cornwall and Lancaster	HC 313
Twentieth Report	PFI: The STEPS deal	HC 553
Twenty-first Report	The United Kingdom's civil space activities	HC 47
Twenty-second Report	Facing justice: Tackling defendants' non-attendance at court	HC 103
Twenty-third Report	Reducing crime: the Home Office working with Crime and Disorder Reduction Partnerships	HC 147
Twenty-fourth Report	Improving patient care by reducing the risk of hospital acquired infection: a progress report	HC 554
Twenty-fifth Report	Tackling congestion by making better use of England's motorways and trunk roads	HC 134
Twenty-sixth Report	Ministry of Defence: the rapid procurement of capability to support operations	HC 70

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number



# Oral evidence

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## Taken before the Committee of Public Accounts

on Monday 29 November 2004

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Allan  
Mr Richard Bacon  
Mr Brian Jenkins

Jim Sheridan  
Mr Alan Williams

**Sir John Bourn KCB**, Comptroller and Auditor General, National Audit Office, further examined.

**Mr Brian Glicksman**, Treasury Officer of Accounts, HM Treasury, further examined.

### REPORT BY THE COMPTROLLER AND AUDITOR GENERAL:

#### Ministry of Defence: The Rapid Procurement of Capability to Support Operations (HC 1161)

*Witnesses:* **Sir Kevin Tebbit KCB**, Permanent Under Secretary of State and **Lieutenant General Robert Fulton**, Deputy Chief of Defence Staff (Equipment Capabilities), Ministry of Defence, examined.

**Q1 Chairman:** Good afternoon and welcome to the Committee of Public Accounts where today we are looking at the Ministry of Defence, the rapid procurement of capability to support operations. We are joined once again by Sir Kevin Tebbit, who is the Permanent Under Secretary at the Ministry of Defence and General Robert Fulton, who is Deputy Chief Defence Staff (Equipment Capabilities). You are both very welcome. Thank you for coming to our Committee. I should like straightaway at the start of the hearing to pay tribute to the ingenuity and hard work of all your staff, Sir Kevin, in backing up our armed forces in Iraq and often moving very quickly indeed where necessary and this Report pays tribute to that. However, our questions are designed to bring out areas where we can do even better in the future. I am sure that you will want to pass that message on to the staff who have clearly worked very hard indeed. May I please start by looking at paragraph 1.8 on page 10, which tells us that 35% of expenditure on the main preparation and war-fighting stages of the operation in Iraq was accounted for by urgent operational requirements (UORs)? This seems to be rather high. Why are troops apparently so badly equipped that we have to spend so much on urgent operational requirements to get them onto a war-fighting mode Sir Kevin?

**Sir Kevin Tebbit:** This is not 35% of the equipment used in the operation, it is 35% of the additional costs of that operation, the other 65% being transport, host nation facilities, those sorts of things. The amount of equipment used through UOR should be compared with our total fighting equipment and capital spares holdings, which are £38 billion. So when we say this is just fine-tuning of the capability used in an operation that is exactly what it is. The £500-odd million of equipment here

should be seen in that much larger context, not as a 35% figure. The reason why we have to spend that much is that we generate a capability for use over a long period of time in all conceivable broad scenarios, but we can never predict the precise requirements of individual operations either the location, the sort of adversary, or indeed the allies we are operating with and the tactics and strategy to be employed. Therefore when we get to a specific operation, literally going to war, then clearly we have to top up, look at shortfalls, make some fine-tuning of our capacity and that is what this refers to.

**Q2 Chairman:** Okay. May I just follow that up with you, General, because you have particular responsibility for this? If you look at paragraph 1.14, which you can find on page 12, it says “. . . Urgent Operational Requirements reflected identified capability needs where the Department had decided not to procure them”. What I am wondering is whether really you are trying to have more capability than you can afford and you always have to resort to these kinds of measures because you are simply not buying enough kit upfront; you are trying to do too much with too little money or too little kit.

**General Fulton:** I think I would start by saying that in one sense I do not think we can ever have enough in that I, as the customer, am always pressing to find ways in which we can equip our troops better. There are always ways in which we can do better than we do at the moment. Nevertheless, resources are constrained and therefore we have to determine our priorities. I determine the priorities which I recommend to the Defence Management Board and to ministers on the basis of broad utility across a range of scenarios, rather than for any one in particular. I believe, and that is supported by past evidence, that we get better value by having a broad

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 Ministry of Defence
 

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range of capabilities, capabilities that are applicable to a broad range of scenarios and then adapting, or as the Under Secretary says, fine-tuning when a particular operation comes up.

**Q3 Chairman:** That is all very well, but I am not sure that has really answered the question that I tried to put to you. I was trying to tease out from you that what this system is designed to do is to overcome a situation in which clearly you are trying to get more capability than you can afford. If I might turn Sir Kevin's answer back at him, you have an annual equipment budget of £6 billion. Correct?

**Sir Kevin Tebbit:** Correct.

**Q4 Chairman:** It is a very large sum of money. In terms of capability gaps which you are trying to fill in at the last moment, what is the level of this risk as a proportion of that £6 billion do you think?

**General Fulton:** I had not ever considered it, as it were, in proportional terms like that.

**Q5 Chairman:** My point is that you are spending all this money, £6 billion and you are taking a risk of not having the kit that you may require for any particular war that you enter. Correct? What might the risk of the fact that you always have to get these urgent operational requirements be as a proportion of the total risk?

**General Fulton:** I do not have a sum to give you. What I am saying is that of that £6 billion, my recommendations to the board are that we should spend it on equipments that have utility across a whole range of scenarios, rather than any one particular one. This particular operation had very distinct characteristics, both in terms of scale, in terms of concept of operations, in terms of climate, in terms of terrain and in terms of our allies. It is those particular characteristics of that operation which may not be the characteristics of the operation before it, or the operation which follows.

**Q6 Chairman:** So you are telling us you could not really have foreseen what was going to happen.

**General Fulton:** I am saying that we could not have foreseen all the characteristics of that operation.

**Q7 Chairman:** Let us get down from these sorts of macro arguments to the particular case. If you look at Box 5, which you can find on page 19, this leapt out to me when I was originally briefed on this subject a couple of weeks ago. This is the all-terrain mobility platform (ATMPs). This is a platform which you decided you did not want, so you sold them off for about £3,000; you then bought them back for £17,000; you then adapted them for another £18,000 per vehicle. They were not in fact ever used and you are now selling them off again for £6,500 per vehicle. This is an appalling case, is it not? What does it say about what is happening in the rest of the MoD? This is the all-terrain mobility platform and it paints a picture of wasted time and money. I really want to know how such a situation can arise and whether this says something of what is going on elsewhere in your department?

**General Fulton:** I would turn it round and say that actually it was a series of justifiable decisions taken in the context of the situation as it arose at that moment. The vehicles had been replaced by the Mark 3 vehicle, a more modern more capable vehicle which also conformed to health and safety standards, and therefore we no longer needed the Mark 2 which would have cost too much to maintain in the inventory. So it seems to me that that was a value-for-money decision based on not having a mixed fleet with mixed characteristics. When this operation arose, it then became apparent that 16 Air Assault Brigade needed greater mobility. We have to bear in mind that as the operation developed, 16 Air Assault Brigade's role in this was not that for which they had originally prepared, so they needed greater mobility on the southern route. We were therefore looking for new Mark 3s, which could not be procured in time. My staff in conjunction with the Defence Procurement Agency took what I also consider to be an innovative and ingenious decision which was, that if they could not find the Mark 3s they wanted to deliver to the front line, the next best route was to look at the Mark 2s. By this stage they had indeed been refurbished by the contractor, but nevertheless, when we took them back, we also needed to make some changes to them so they conformed to health and safety. That also seems to me to have been a reasonable decision. They were then delivered into the supply chain, at which point PJHQ had to prioritise those mobility assets against other things that they were trying to flow into theatre. That seems to me to be a reasonable decision also. At the point at which they arrived in theatre, 16 Air Assault Brigade, victims of our success, were no longer needed and had returned to this country and therefore they were returned. That also seems to me to be a logical decision. Finally, it was decided that they should be sold off again, because once again we did not need a mixed fleet and also that number of ATMPs are not germane to 16 Air Assault Brigade's primary role and the primary role of this vehicle, which is to move heavy equipment off a parachute drop zone. I am sorry it is a long answer.

**Q8 Chairman:** At the end of the day, they were never used. May I just broaden this out, Sir Kevin, coming back to you? If you look at paragraph 2.3 on page 17 you see that a third of the kit that we procured at short notice for Iraq was not delivered on time. Is that acceptable do you think?

**Sir Kevin Tebbit:** Chairman, 93% of it was delivered in whole or part, so most of that one third had some of the kit there. Of that proportion as well, 20% of the total was not intended to be there by 31 March in any case. Not all of this was required for the start of the war-fighting phase. For example, we did not know where the temporary deployed accommodation would go until the war-fighting action started, so that went later. Similarly, some other elements in that inventory, for example precision guided missiles, precision guided bombs, was flowing into the theatre during and through the war-fighting phase, hence it did not all have to be there at the beginning. So the answer is that it was

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 Ministry of Defence
 

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not in any way mission critical that a proportion of the equipment was not there at the start of operations. Also the start date for the land campaign was about two weeks earlier than the planning assumptions against which all the logistics had been originally planned. So the position is much more positive than would be suggested by that statistic.

**Q9 Chairman:** Do you know where all the UORs purchased for Iraq now are?

**Sir Kevin Tebbit:** We do and this is the sort of slightly awkward part of all this. The NAO quite rightly wanted to do a report on the basis of the information available when they did their work. Had they waited for longer, and it is quite reasonable that they did not, we would have had more information because the bit of the information trail that was slow was the information coming back from theatre about the specific effectiveness of individual bits of UOR. That was because these people are rather busy and our data system, as shown in other bits of the Report, does not give as common a picture, different bits of data held by different people, than we would prefer.

**Q10 Chairman:** So you now know where they all are?

**Sir Kevin Tebbit:** I could now tell you in detail the effectiveness and the status of every single one of those UORs as opposed to the 104 or so that were the sample.<sup>1</sup>

**Q11 Chairman:** Do not tell us all that now, send us a note then.

**Sir Kevin Tebbit:** I am very happy to do so.<sup>2</sup>

**Q12 Mr Allan:** May I start by looking at some of this information systems lack of connectivity that you have just got onto and ask in particular whether the UOR, the urgent operational requirement purchases are able to be entered into the normal procurement and financial systems that you have or do they have to be all recorded separately? Is that the problem?

**Sir Kevin Tebbit:** They are obviously built into the other measures eventually, but we do not look upon this as a UOR-specific issue. What matters to us is the totality of equipment and the readiness of the overall equipment levels, either in the UK or indeed in theatre. We had not started things with UOR next to them, as perhaps we should, and as the NAO have recommended. So every individual bit of the chain which produced the UORs from concept through industry to despatch to the front line, all of those of course have records and had records, but we did not have total visibility of all the data.

**Q13 Mr Allan:** Can I take it from that then, that when we talk in this Report, particularly in paragraphs 4.9, 4.10, 4.11 onwards, about weaknesses in joining up the systems in order to be able to track where money and equipment has gone, that those are generic weaknesses that apply to procurement more generally?

**Sir Kevin Tebbit:** No, it is particularly true of the UORs because we did not regard them as discrete specific items to continue to track as UORs. Once they were into the supply chain, they were just another bit of equipment that the front line—

**Q14 Mr Allan:** I think you are making my point Sir Kevin. If they are just being treated like any other bit of equipment and they cannot be tracked properly—

**Sir Kevin Tebbit:** But they can be tracked.

**Q15 Mr Allan:** Right. But we have identified in this Report weaknesses in that, or weaknesses in being able to consolidate the information about them.

**Sir Kevin Tebbit:** Yes, we had a separate hearing about asset tracking where the problem had been the overwhelming of what is a weak system by the volume of equipment pushed through rapidly in a short space of time. That is all back up and running and the position is now much better. Therefore that system is not only no longer broken, but it is being improved all the time and these are in part of that system.

**Q16 Mr Allan:** Rather than the asset tracking side, I have perhaps been a bit lax in language, I am thinking of the tracking of who spent money where, with whom, that side, which is where we identify weaknesses in the Report.

**Sir Kevin Tebbit:** A full account has now been rendered and we now have agreement with the Treasury. I have to say there were never any problems with the Treasury throughout. This has been an area of co-operation between the MoD and the Treasury. We have now agreed precisely what it is that we are reimbursing the Treasury for, that is to say pulling forward equipment from the longer-term part of the programme, the £110 million; that has been agreed and we do have costs for everything. The forecast in here, the costs that were given here, were to 90% accuracy because it was while things were still being completed. I believe that data capture of finances is satisfactory.

**Q17 Mr Allan:** One of the solutions which is pointed to in paragraph 4.13 is “The Defence Information Infrastructure project is underway to rationalise information systems”. Do you see that as being part of the solution to these problems?

**Sir Kevin Tebbit:** Yes. The initial phase has been fielded and it will be completely fielded by 2009 and, as a result of this Report, we shall try to accelerate that element of it which captures this type of data. That will give us one complete ring main, one complete infrastructure visible to all who need the information in a common format.

**Q18 Mr Allan:** How did you feel last week with the news of what was going on at the Department for Work and Pensions, when you saw that one of the only two contractors left in the bidding for your big project was EDS?

**Sir Kevin Tebbit:** I rang up Mr Whatmore, the new central expert on IT in the Cabinet Office and asked him to cast his eyes over our plans too. I think they

<sup>1</sup> Note by witness: The exact figure was 105 UORs

<sup>2</sup> Commercial in confidence—not printed

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 Ministry of Defence
 

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are very robust, but I want to make absolutely sure that we have as good a plan as we can possibly go forward with.

**Q19 Mr Allan:** Had you rung him a few weeks before when you saw that EDS were implicated in the Child Support Agency's problems as well? Did you ring him regularly?

**Sir Kevin Tebbit:** As soon as he was appointed, I asked him to look at our own plans. I think they are robust. They are judged by the Treasury to be robust, but I want to make absolutely certain they are as good as they can be.

**Q20 Mr Allan:** Is there a read-across from the contractors' performance on one set of government contracts to yours, or are these all discrete?

**Sir Kevin Tebbit:** It is in our interests to read across and act as a demanding customer across the board, rather than be treated as individual departments.

**Q21 Mr Allan:** If I can move across to one of the specific cases that was highlighted, which is that of GPS, Global Positioning Systems, it says you went out and bought 8,000 commercial, off-the-shelf GPS systems which were then issued to troops. I think that is in Table 13 on page 25. It says "8,000 civilian Global Positioning Systems procured from those commercially available". In Table 4 on page 8—sorry to make you leap around—we are told the various conditions under which Urgent Operational Requirements can be kicked in, some of them to fill a gap where your military version has not yet been purchased. Can either of you tell me, in terms of the Global Positioning Systems, whether they are there to fill a gap because you have got a procurement under way for a military Global Positioning System requirement?

**Sir Kevin Tebbit:** I shall hand over to the expert here but briefly a general point which is worth making. This was a large-scale operation, 46,000 troops, 24,000 or 25,000 land forces. Our general equipment holdings are not of a scale automatically to do large-scale operations just like that. We expect to have to scale up in some areas. So some of the UORs were actually increasing the inventory of stuff we already had in order to hit this large-scale operational tempo. I suspect the GPSs were in that category. There were two different sorts: the military GPS which gives much greater precision and detail and has other robust features added to it and the ordinary off-the-shelf commercial GPS. The military ones, high value items, were tracked very carefully; the cheaper ones, civil ones used basically as personal equipment are not tracked so carefully.

**General Fulton:** I think most of the points have been covered. We needed 10,000 of these; we could get 2,000 of the military specification ones, which we did. Those we will now take into the core programme following the operation and the 8,000, the civilian specification ones, less accurate as the Permanent Under Secretary has said, are clearly not economical to repair in the longer term and therefore a smaller proportion of those will be taken into the core programme.

**Q22 Mr Allan:** I suppose the question is: will you do an evaluation to see whether the cheap civilian ones were good enough and therefore why bother buying the expensive military ones?

**General Fulton:** There is a very, very significant and telling difference in the accuracy and also in terms of the whole-life cost. Although the military specification ones are of the order of ten times more expensive, nevertheless, they cannot be repaired and therefore have a very short life.<sup>3</sup>

**Q23 Mr Allan:** Could you give us the difference in cost per unit?

**General Fulton:** Four thousand pounds to £400.

**Q24 Mr Allan:** I guess the concern is that one of the lessons that may come out of this, a positive lesson, would be perhaps, particularly when it relates to technological items, items of technology, that the short purchasing timescales you require to use for urgent operational requirements might mean that you sometimes get better kit than you do on your very long purchasing times. People from the outside technology world look at it and say "The MoD is buying three-year-old kit at huge expense. If they went out and bought it today, they would get much better".

**Sir Kevin Tebbit:** May I just answer the question? Sometimes that may be true on isolated cases. Generally speaking it is not, because, firstly, the costs here are just for the capital expenditure and keeping it for one year. They are also very much operation specific, work for this particular scenario. What we do in our equipment plan is buy for whole life, equipment which will last perhaps 25 years, usually big platforms onto which these sorts of things fit. So firstly, even looking at these specific bits of equipment, the real cost of them is much more than say the £510 million, even if we compare it to the rest of the programme; you have to multiply that up if you want to look at whole-life costs. Secondly, they tend to be in this, in defence terms, less expensive category, what we call category D projects, things which cost £500 million for 190, £2 or £3 million pounds each on average. They are the sorts of things you add onto these very big expensive programmes you have been talking about, rather than things that replace them. They are not the aircraft, the aircraft carriers, the tanks, those sorts of things; often personal equipment, often bits of communication enhancements.

**Q25 Jim Sheridan:** General Fulton, there was a great deal of criticism of the MoD by the press and the media about the lack of equipment and protective clothing for our troops at the front end, the sharp end. Is that an accurate or exaggerated position coming from the front line? Secondly, and perhaps more importantly, what lessons, if any, have been learned? I know that you did respond to the

<sup>3</sup> *Note by witness:* To clarify the point which the General was making in this sentence; military specification GPS might be 10 times more expensive, but the cheaper civilian specification GPS cannot be repaired and therefore have a very short life

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 Ministry of Defence
 

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Chairman's question about lessons being learned, but could you embellish just exactly what those lessons were and if indeed the protective clothing and the lack of it was accurate?

**General Fulton:** This Committee has certainly looked in the past at the subject of the supply of items such as that and the instances where that happened and the reasons why are matters of record. In terms of lessons learned, then clearly, as was referred to earlier, the issue of asset tracking and the ability to know where all the equipment is in the pipeline from the factory in the case of an urgent operational requirement, through the depot, through the coupling bridge and into theatre, but then particularly also from arrival into theatre to delivery to the individual man is a crucial part of it. That is the most critical lesson that we take away and we are working to solve it.

**Sir Kevin Tebbit:** Perhaps I could just add that in the area you are talking about the particular criticism was insufficient desert combats, enhanced combat body armour, boots those sorts of items. We had a lively exchange in the Committee as to whether these were exaggerated or accurate. To some extent there was validity in the point; I think it had been overdone, but nevertheless we were stretched. As a result of that, we now keep slightly higher—I am answering because this is a logistics questions not equipment programme; it is not in here, but it is still very relevant—levels of stock of those equipments. The chiefs of staff have now prescribed enhanced combat body armour as obligatory for everybody and we have now devised personal equipment packs to make sure that any units on high readiness, likely to deploy, have this together with them as they go so they do not have to rely on the supply chain to bring it separately to them. The enhanced combat body armour is not a personal issue, because it is too expensive to be that, but it is issued at the unit level and to these high readiness units, so it is there when it is needed. There has indeed been work to strengthen what we think was an over-criticised area, but nevertheless an area where we could do better.

**Q26 Jim Sheridan:** General Fulton, once again from your perspective in terms of the front line, page 20 of the Report, paragraph 2.17, correctly in my view identifies the importance of allowing time for proper training and adequate time to train. I think you would agree that human resource capability is just as important as equipment capability. You will also be aware, I have no doubt, that there is an ongoing discussion, particularly north of border, about proposals to merge regiments *etcetera*. Has any assessment been carried out? In fact one of the arguments that the people made was that this will deny people opportunity to train and recruit. Has any assessment been carried out, in terms of merging the regiments, on how that would impact on training and recruitment?

**General Fulton:** I am not aware, Mr Sheridan, and it is not my area of expertise I regret. If I could pick up the importance though which, in the context of urgent operational requirements, is attached to training with the equipment once in theatre, we have

certainly learned the importance of that. Of course it was a very fine judgement as to whether it was better to deliver equipment just before people went into action and then they had rather a short time to train with it, and there were instances of that, or whether it was better to withhold the equipment because they had not had sufficient time to train. The Minimi machine gun was such an example which arrived shortly before they went into action, but it was considered to be acceptable to issue people with it and it proved to be very successful. In terms of urgent operational requirements there is a very fine balance and commanders at every level will have to take the decision about whether it is better to push forward and try to get this equipment forward, but nevertheless allow time for people to train with it.

**Q27 Jim Sheridan:** This is perhaps an obvious question, but what would be the consequences of people not being given enough time to train on equipment?

**General Fulton:** There is a different level of complexity for different equipments and therefore you could not lay down a hard and fast rule about whether there was sufficient time or whether there was not. There is an example in the Report of the one shot mine disposal system where people had time to get to a certain level of training but not to the full level of training and to get to that basic level of training—it does not describe it as basic, but to that basic level of training—was sufficient to do the job. I think that is the decision that commanders have to take, faced with that decision at that moment in that operation.

**Sir Kevin Tebbit:** One of the criteria we have to take into account in deciding whether we can do things by UOR process is whether it takes a long time to train on before you can incorporate it in the full structure. May I just answer your first question, which is not here but is a big question of the day? The proposals to form larger formations, bigger regiments, rather than to have single battalion regiments are designed themselves to improve availability of trained forces. Instead of having infantry regiments which change role every two or four years and have to completely retrain, we have battalions which permanently perform one role and soldiers are posted between those within the same regiment by trickle posting, which the army reckon will generate effectively increased battalion infantry capability by about seven battalions. To the extent that that issue you have mentioned is relevant, it actually should improve availability and training quality, rather than damage it.

**Q28 Jim Sheridan:** Just going back onto the equipment issue again, are you happy that Britain in particular has the manufacturing capacity to meet this rapid procurement programme?

**Sir Kevin Tebbit:** It is a very good question. Before we go into this area again, we have to be satisfied that we can procure the stuff and that we are not held hostage as it were, by anybody else. That happens to be one of the criteria and we have two groups within the Defence Procurement Agency, the Supplier

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 Ministry of Defence
 

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Relations Group and the Price Forecasting Group, which spend a lot of their time making sure that we have security of supply, whether in the UK or from a country which we know will be reliable. If we happen to find that we have got it wrong, then we think again and change arrangements so we have that security of supply.

**Q29 Jim Sheridan:** In terms of foreign competition, British manufacturers of defence equipment argue that they do not operate on a level playing field, that is, they do not have the same purchasing powers that American companies do. As well as being told by everyone that Britain has to operate within the European rules, there is a perception, and I put it no stronger than that, among British companies that our European counterparts go through the motions, so to speak, but British companies do not have that opportunity, simply because the MoD are too strict in enforcing that rule, therefore placing them at a disadvantage.

**Sir Kevin Tebbit:** When it comes to defence equipment of course, the European Union rules do not apply, because we have an exemption for defence in that. More generally, we do have a policy of competition, but we also place that in the context of a defence industrial policy, where we do take into account the implications for British industry. I agree with you that we are, I think, the most open trading nation there is; others are less open. We are also working to try to ease some of those restrictions we face, whether it is in Europe or indeed whether it is in the United States over difficulties in gaining access to technology that we need or project information for our exporters.

**Q30 Jim Sheridan:** May I just ask one final question? You mentioned the role of defence suppliers. Having spoken to some of the defence suppliers, and I do apologise that I have to read this, one of their genuine concerns is that when it comes to it the MoD staff continually talk about wanting offers from industry that provide 80% of the capability at 50% of the cost, depending on whom you are talking to. What they are saying is that it is a great principle, but they rarely see it happening because the DPA evaluation teams are not empowered or organised to assess non-compliant proposals.

**Sir Kevin Tebbit:** It may go outside the scope of this particular Report, but I would be very happy to take that comment and hand it to my colleague, the Chief of Defence Procurement, and make sure you get a proper answer to that.<sup>4</sup> That does not sound to me to be an accurate reflection of how we do our procurement.

**Q31 Jim Sheridan:** It just concerns me and there is genuine concern that this sort of rapid procurement process could be held to hostage. Market forces will determine that if you need something in a hurry, it will cost you an awful lot more money than it would

if you had a long lead-in time. That genuinely concerns me and that is more open to foreign competition.

**Sir Kevin Tebbit:** It sometimes can: it can actually work the other way round. There is an example in this Report where a decision not to proceed with a long-term programme, but to buy as we needed it on a UOR basis, is actually proving to be better value for money. There are not many, I would agree, but there is one example in this Report.

**Q32 Mr Bacon:** On page 17 in paragraph 2.3, it says that the NAO “found that the analysis of the outcome of Urgent Operational Requirements is fragmented and that the department has not comprehensively analysed outcomes for all Urgent Operational Requirements for the operation in Iraq. The Department uses reporting by exception and has not attempted to centrally capture, consolidate and analyse data”. Am I right in taking it, from your answer to the Chairman earlier, that this paragraph is now out of date?

**Sir Kevin Tebbit:** It is getting out of date. We certainly did have the information, but I think the key point is firstly that it was held in separate bits, by different people in the chain of UORs. When it came to effectiveness data, the commanders, who were obviously the only people who could give it, tended to report it on an exception basis. In other words, they said something if it was surprisingly good or if it was surprisingly bad, but they did not necessarily comment on UORs. They were focused on the totality of their equipment capability, how they were fighting their battle and they tended not to identify these elements. Subsequent to this Report and in my own preparation for this hearing, I have said that it clearly is relevant, because this is done outside the normal procurement process, so we need to make sure we are doing it well and we are getting value for money, that we should have this information and I now have it all, but it meant undertaking a one-off exercise.

**Q33 Mr Bacon:** But at the moment, is it still the case, and would be for any future conflict, that you do your UORs and then there would be reporting on an exception basis afterwards and then you would be trying to catch up again? Or are you trying to institute something where it will not happen like that?

**Sir Kevin Tebbit:** We are accepting the recommendations of the Report. Clearly I am slightly nervous because UORs depend on speed and agility and I do not want to end up with a very bureaucratic system which reports wonderfully, but on something that does not give the fighting forces what they need because we are going down the route proposed in the Report.

**Q34 Mr Bacon:** If you are just doing it on an exception basis, how can you be confident that the feedback you are getting is adequate to enable you to pick up problems with effectiveness? Are you just hoping that if it is a really bad problem, it will, as it were, rise to the top?

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 Ministry of Defence
 

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**Sir Kevin Tebbit:** The commanders' operational reports will almost invariably say something about all of them, but drawing it out is not something that has naturally happened. Exception basis was the way in which it was then reported back. We clearly can do it, because I have done it in preparing for this particular hearing. I think we should make a point of doing it again in future and, of course, if I may say so, the equipment customer needs this information anyway, in a different form. He needs to know whether to take the UORs into core programme and keep them in place for future, if they have been that good, or whether not to and to get rid of them after a year because either they are worn out or they have been expended or whatever.

**Q35 Mr Bacon:** In the following paragraph, 2.4, it says "When the Urgent Operational Requirements were in train, during the build-up and execution of operations in Iraq, Departmental staff were continuously engaged in acquisition and progress was actively monitored", as one would expect "The Department prepared weekly reports on the progress of the key requirements". That was all going on as you went along and presumably there were people inside the department whose task it was to keep track of these things.

**Sir Kevin Tebbit:** Absolutely.

**Q36 Mr Bacon:** When you turn to page 30, paragraph 4.9, bottom right-hand corner, you see in the *Lessons for the Future* report, which you sort of alluded to earlier, one of the problems was that there were "... some difficulties in obtaining complete and accurate information on the progress of Urgent Operational Requirement action". Yet at the time it was happening you had a group of people, all in one place in your very expensive new building, or at least it will be in your expensive new building, but nonetheless they take it in one place, a relatively small number of people keeping track of these things. Why was it so difficult to obtain a full picture at the time? How many people were involved in tracking all this?

**Sir Kevin Tebbit:** Actually in the UK, making sure that it went to industry, came out of industry, was ready for despatch, probably no more than, at the senior level, five or six.

**Q37 Mr Bacon:** You could get them all round one table.

**Sir Kevin Tebbit:** And we did and we did know about that. Where the information becomes fragmented is once it has gone into the logistics bridge, pushed into theatre. We were not tracking it then as a separate UOR item because it was all a question of what the commanders' priorities were. His priorities were not necessarily the same as the UORs. Although the UORs were urgent because we did not have them in the force structure, they were not necessarily more important than bits of existing inventory that we needed.

**Q38 Mr Bacon:** It was just an A-N-other piece of kit.

**Sir Kevin Tebbit:** Exactly. It is at that end, in the field, where we needed to get better information and flow-back of information.

**Q39 Mr Bacon:** And you still do need to get better.

**Sir Kevin Tebbit:** And the NAO's proposal has been taken. So, for example, we are now getting a unitary UOR register so we have the same spreadsheet format for everybody to use.

**Q40 Mr Bacon:** When you sat in front of this Committee to talk about Telic, you said, somewhat in passing, that the MoD had managed to spend £120 million on asset tracking without getting where you wanted and you agreed that you had been trying to buy a Rolls-Royce where a Toyota would probably have done. Where do you now stand on this whole question of asset tracking?

**Sir Kevin Tebbit:** Toyota is coming along. I did produce to the Chairman a written report on progress on logistics which I sent on the 15 November. I have it in my hand here.

**Q41 Mr Bacon:** May I ask you about the £110 million that you refunded? Where did you get it from? You refunded the Treasury £110 million in the end, did you not?

**Sir Kevin Tebbit:** These will be deductions from our provision over the next five years in our forward programme. Since we have had it up front, the Treasury will take it out over the next five years, when it would otherwise have been arriving.

**Q42 Mr Bacon:** So it is just 110 divided by five which you are not going to have for other things over the next five years.

**Sir Kevin Tebbit:** They advanced us that money for this operation.

**Q43 Mr Bacon:** So you will lose that in the rounding in terms of your future expenditure, will you?

**Sir Kevin Tebbit:** I fear I am likely to. Since I am the accounting officer, I shall have to make sure that I do. My defence heart tells me something different, but my head tells me that is what I have to do.

**Q44 Mr Bacon:** May I ask you about contingency planning? Plainly you are always going to have a tension between the financial cost of having everything you might want and the constraints upon you and you are always going to be juggling between having stuff in advance and having UORs. At the same time, you have various potential hot spots around the world of various kinds, one could think of North Korea, or Iran or Zimbabwe. One hopes it does not turn even worse in Zimbabwe but presumably there is some sort of contingency planning for what might happen if things went even worse, say, or, for example, in Iran or elsewhere in the Middle East. To what extent do you plan out a variety of scenarios and then say to yourself, the UORs, were we to go down this particular scenario a, b, or c, would be the following and the cost of them would be the following? Presumably if you

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 Ministry of Defence
 

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were to do that, you could to some extent de-risk the planning that you are engaged in for a whole variety of different scenarios that you may encounter.

**Sir Kevin Tebbit:** We said at the beginning that our equipment plan by and large is to try to identify those things which have got widest possible utility across all the scenarios that we might need. We do not say, “Ah, let us leave a gap that we will consciously fill by UOR”, because that would be by definition improper. The only reason for being able to justify UORs really is that we could not reasonably predict either the scale of the operation or the specific nature of the operation. So we do plan generically across the board.

**Q45 Mr Bacon:** Are you saying you do not expect to have capability gaps that you will fill?

**Sir Kevin Tebbit:** In an ideal world, that should be the starting point.

**Q46 Mr Bacon:** Here in the real world, perhaps I have misunderstood this, but I understand that you assume you will have capability gaps of a kind and of a size that you will fill with UORs. Is that wrong?

**Sir Kevin Tebbit:** Let me just go a little bit further. Sometimes there are areas where the technology is there, but it is still immature, so it is premature to have the actual capability that we really need, so there would be a gap until the technology and the right sort of equipment emerge. There are lots of examples of that at the moment, so we are going for short-term fixes, often through UORs, to see us through until we have the right sort of technology solution for the long-term programme. That is one of the sorts of areas where you might find yourself in this situation. You might find areas where you judge that it is too expensive to have a capability in relation to other priorities for the equipment plan as a whole, but suddenly, if you are going into an individual combat situation, that priority then rises and it becomes much more important to have it. Then you go down the UOR route.

**Q47 Mr Jenkins:** Well Sir Kevin, I bet when you read this Report you were quite pleased, were you not?

**Sir Kevin Tebbit:** I was pleased for my people because it is, as the Chairman said at the beginning, a great credit to a lot of people who work very hard.

**Q48 Mr Jenkins:** It certainly is, yes. I bet you thought you would come along with this Report to the Committee and that nasty Mr Steinberg. I bet you are disappointed that he is not here.

**Sir Kevin Tebbit:** I expect you to focus on the weaknesses. I have been around for a while.

**Q49 Mr Jenkins:** Are there any weaknesses in this Report? I looked through the Report and thought it was a very good Report. I turned to page 32 and paragraph 4.15, but half way down the paragraph, on line 8, starting on line 7, it says “There are no performance indicators to monitor whether Urgent Operational Requirements progress towards delivery efficiently”. I know I am taking that out of context but the whole context of the paragraph gives

me a sort of uneasy feeling that we do not really tie this down. If we do not have any indicators, are you now going to tell us and assure this Committee that there are indicators in place?

**Sir Kevin Tebbit:** What I can tell you is that I now know what happened to every single one of the UORs. I know that of the whole 390-odd that there are now, because of course the operations have been going on longer, this Report covers just the war-fighting phase, only nine of them have not been found to be either effective or highly effective. Five of those have been of limited effectiveness and four of them of none at all. That is consistent with the sampling of this NAO Report that the things were about 96% effective and I think that is a good measurement of performance. However, the NAO have offered us much more detailed measures of performance and we now have a two-star officer, an admiral, whose job it is to be the senior responsible owner of the UOR process. I shall ask him to pursue these recommendations to see whether we can put in place tighter metrics, more detailed metrics which help. I would not want the wrong sort of incentives to be pushed into the system. For example, the UOR process is about speed and doing things very rapidly. I do not want staff to become so cautious, because they want to hit all their targets, that actually the stuff does not have a chance of getting into theatre on time.

**Q50 Mr Jenkins:** So the answer is no.

**Sir Kevin Tebbit:** The answer is yes, we will do more to look at better measurements, more detailed metrics.

**Q51 Mr Jenkins:** But we do not have the performance indicators in place.

**Sir Kevin Tebbit:** Not beyond the ones that I have mentioned, that we know whether they arrived on time or not, whether they arrived in time to be useful and how useful they have been. That we do know.

**Q52 Mr Jenkins:** But we do not know about the actual cost provision. If we look at paragraph 4.14, it says that we have difficulty in saying that the actual cost and whether the outturn costs of individual urgent projects were good value for money.

**Sir Kevin Tebbit:** We do now know the costs of the requirements. We did not know the outturn costs to start with because we were still, at that stage, forecasting to 90%. Now we do have the outturn costs because we have gone far enough down the road.

**Q53 Mr Jenkins:** Are the outturn costs on budget?

**Sir Kevin Tebbit:** We are refunding £116 million.

**Q54 Mr Jenkins:** That is a different question, is it not?

**Sir Kevin Tebbit:** This was a separate budget created in the Treasury from the reserve for urgent operational requirements.

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 Ministry of Defence
 

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**Q55 Mr Jenkins:** So you start off with a requirement, you want a piece of equipment, x piece of equipment and you estimate it is going to cost £100,000. You send them off to buy that piece of equipment and it comes back and it is £200,000. It is outside the original budget. Is that costed, is that fed back into the system, do you make sure that there is an indicator as to what you should be targeting next time?

**Sir Kevin Tebbit:** That does not happen.<sup>5</sup> As I say, we get approval to 90% of our estimates.<sup>6</sup> We have our own internal cost processes and scrutiny. It is just like the equipment programme in general: a proposal comes up from the front line, they want this; there is proper scrutiny of the proposal, whether it is valid and whether the costs are acceptable and what they are. That is then shared with the Treasury who have an interest in making sure this is pinned down and then, if appropriate, we proceed, but our approval is to 90% of the costs. It is taking a risk, if we do not get it right, and since most of these things are bought off the shelf, they are short-term purchases, you know what they are going to cost, it is pretty accurate.

**Q56 Mr Jenkins:** When Mr Allan was asking you about these Global Positioning Systems, I thought I was thinking along similar lines, but the lines I was thinking of followed two tracks. The first one, I was rather amused by your term when you were talking about the All-Terrain Mobility Platform, General, and you said the Mark 2s did not comply with health and safety. I thought that was a strange term to use. There we are, putting young people into a machine, sending them into a war zone where people are trying to kill them and we are worrying about the health and safety of the machine itself. I understand what you mean, but it strikes me as rather an odd term to use.

**General Fulton:** Except that we do have to comply with health and safety regulations in peace time. Bear in mind that a lot of the time these are going to be used for training and therefore, there are issues associated with roll-over protection, with seat belts, strappings and the way fuel is handled.

**Q57 Mr Jenkins:** Mark 2s are quite capable of being used for training, are they?

**General Fulton:** The Mark 2s did not, in their original specification, comply with health and safety, which is why we got rid of them. They were then refurbished by the contractor. When we got them back, the extra work that we had to do was to bring them up to a specification which allowed them to comply. Then they were okay to be used, but only after all that work had been done.

<sup>5</sup> *Note by witness:* UOR costs are bound by the approved spending limit. Approved limits can only be changed by submitting a Review Note to the approving authorities justifying the change

<sup>6</sup> *Note by witness:* UOR Business Cases are approved to a spending limit at 90% ie we are 90% confident that the UOR outturn cost will be on or below that spending limit

**Q58 Mr Jenkins:** They are capable of being used in training now before we move onto the Mark 3.

**General Fulton:** Once we had done the work on them.

**Q59 Mr Jenkins:** They are capable of being used in training.

**General Fulton:** We take equipment. If it can be used in training, it can be used in operations. We cannot draw a distinction between what we can use on operations and training. There has to be one standard of equipment.

**Sir Kevin Tebbit:** We do not need them so much. May I just say we are getting rather more for them than £6,500 now? We are trickling them into the market. The last one got £15,000, so we are not doing quite as badly as that. We do try to realise best prices. The point is that 16 Air Assault Brigade do not use these things normally, not in that number. It was because of the very specific role they had that we needed more, but we do not need them in fact in normal circumstances.

**Q60 Mr Jenkins:** I was hoping, now they are in a position where they can be used and they comply with health and safety, that we could actually get rid of them to another nation.

**Sir Kevin Tebbit:** We are getting rid of them to individuals like mountain rescue teams or adventure training people. They are the sort of people who are buying them.

**Q61 Mr Jenkins:** I am back to the Global Positioning System now and, as the General said, we have a piece of equipment here for £4,000, 10 times the cost, that will last 20 years. I do not have a computer that is 20 years old and I do not have a piece of kit that is 20 years old, in fact, if I have got a piece of kit that is five years old, it is normally obsolete. Do you think 20 years is a good lifetime?

**General Fulton:** Did I say it would last 20 years?

**Q62 Mr Jenkins:** I thought you gave an indication that it might last a lifetime.

**General Fulton:** If I did, I apologise, because I do not know what the expected life of the military GPS is.

**Q63 Mr Jenkins:** We do tend to buy things which are very well constructed and on occasions I have been in places where they say that a piece of equipment will withstand a bomb blast from 10 metres away. It is a pity the operator will not, but the equipment will last. Are we over-engineering this equipment?

**General Fulton:** I think the right approach is to look at the way in which this equipment is going to be used. Clearly there are certain uses on the battlefield, for example in an artillery OP right up in the front line, where we do need firstly, the extremely high precision and secondly, we do need the protection. There may be other uses of Global Positioning Systems, for example in the lines of communication, moving soft-skin vehicles up and down roads, where you neither need the same precision, nor do you need the same level of protection. I think it is a question

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 Ministry of Defence
 

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of matching the requirement to the need and understanding both and not then either over-engineering or paying over the odds.

**Q64 Mr Jenkins:** What about need then? The tactical data links for tanker aircraft have been a recurring requirement. We have had them fitted in Kosovo, in Afghanistan and in southern Iraq. If they are so invaluable to air crews, and I do not doubt they are, why are they not fitted permanently into all our tanker fleet?

**Sir Kevin Tebbit:** We had a programme in 1996 which was cancelled and that would have done that. That was a programme which was going to cost £97 million in 1997 prices. It was cancelled because at the time it was felt it was not a high enough priority to justify the cost. We then found ourselves operating with the United States in Kosovo, in the air campaign and these things became very important. We bought some through the UOR process for that campaign. After the campaign, we kept them. Then in Afghanistan, again operating with the United States, because the system does link into their system called Link 16, we bought some more. And we bought further enhancements for more tanker aircraft, this time for Telic. This is the one example I am aware of where it has actually been more cost effective to enhance and upgrade the fleet by progressive UOR action than would have been with that original investment of £97 million. It is a bit special, because retiring the Sea Harrier aircraft has meant we have been able to take equipment from them and put them onto the Nimrod and VC10 tanker fleet. But it has actually been quite a useful way forward.

**Q65 Mr Jenkins:** I should like to ask you about the impact. When the Department has to deliver these 212 urgent operational requirements, I know it costs only 4% of your budget, but what effect does it have on major programmes with regard to the manpower in the department or the suppliers? Does it actually push any of our programmes back by having this fire-fighting approach, jumping in and saying you want this pretty quickly?

**Sir Kevin Tebbit:** It is certainly true that the same staff that do our normal equipment programme did this, as it were, as their night job in addition to their day job and people in industry as well. They seemed to do it with absolute commitment and relish and, as far as I am aware, there were no slippages. These are the sort of people General Fulton actually employs directly and I do not know what he thinks.

**General Fulton:** I do not think it has had any effect on the rest of the equipment programme. What I do think it represents is the department going onto a war footing at exactly the time that the rest of the armed forces were and none of my people begrudges one minute of the time they spend doing this because they know that their colleagues, those in the units from which they have just come, or units to which they will go, are also preparing for the most important thing that the country is engaged in at that time. Yes, they do have to work harder, but I think it is exactly what they ought to be doing.

**Mr Jenkins:** Excellent. We cannot blame that for the slippage in our legacy programmes then.

**Q66 Mr Williams:** I share with the Chairman the agreement with the Report, that it is a good Report as far as the Department is concerned and as far as the people who carried out the necessary emergency arrangements were concerned and would join him in congratulating them. I suppose in a way the switch to small rapid reaction forces increases the risk element: the risk on the one hand of not having what is required and on the other hand having equipment you may hardly ever use. Is this problem that you are trying to address here one which is actually increasing as our strategic concept of defence changes?

**Sir Kevin Tebbit:** That is a very interesting question and it is one I ask myself. In fact, when I was preparing for this hearing, I was trying to get information on what proportion of our force that we took to the Gulf in 1991 was augmented by UORs and indeed what we did at the Falklands, because I did not have that comparator and I thought that would be quite interesting. Sadly, I am still waiting for the information because it seems to be in archives and I am trying to recreate it. I think I will continue doing that, because it is an interesting question.

**Q67 Mr Williams:** It would be interesting.

**Sir Kevin Tebbit:** In terms of where we are now, the problem is of course that we do have an increased number of relatively small-scale operations, but we also have, in this case, a very big large-scale operation as well, so it is quite hard to give you a specific answer. My sense is that we certainly have to keep agile and fast. We need to do that in our basic infrastructure as well; our basic programme should be geared towards that. We cannot switch that programme onto that more agile footing as fast as I would like because of these very big programmes we have which have existed over a large number of years and we cannot move as quickly in that respect because of contractual obligations. In any case, those big platforms are going to be needed for the future. But we do need to think of how we can do better to respond to fast-moving situations, not necessarily just through the UOR process.

**Q68 Mr Williams:** It is clearly a very different situation from when you had the large land mass type operation which was envisaged during the Cold War.

**Sir Kevin Tebbit:** We knew where it was, we knew the opponent, everything, the strategy and tactics were exactly clear.

**Q69 Mr Williams:** In the case of Iraq and for reasons outside our consideration it was a rather long-drawn out process between the initial decision to start deployment and the eventual decision to go to war. At what stage do you start with your UOR operation? Immediately from the instruction to start deployment, or do you gamble on the fact that it is gunboat diplomacy that may never come to anything? How do you make that decision?

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 Ministry of Defence
 

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**Sir Kevin Tebbit:** I think there are several stages. The very first stage, starting from sort of the spring of 2002, was staffs, informally, simply asking themselves questions about whether, if they had to do anything, the UOR process was viable, was in good shape, sort of internal contingency planning that was not even planning. The actual planning as such, I would have said, began in September 2002 when there were discussions with the Treasury about money, as a first tranche, and the stage at which planning got to the stage where we could go out to industry was, I think, November, I am sure it is in the Report, after the Secretary for Defence made a public statement and we were able then to do that. Through that period, through the autumn, there were difficult judgments as between going quickly to get UORs done and not going in the areas where to do so would signal determination to go to war rather than to pursue a diplomatic route. So there were some sorts of equipment where we could just go ahead, because getting more of the same was not particularly delicate or signalling, as distinct from certain procurements which would be very clearly focused on war fighting. But then, at the final stage of course the plans changed. Until the middle of January, we still were planning for a role in northern Iraq, having gone through Turkey. It was not until the middle of January that that option was closed off and we had to switch very, very short-term indeed, to a southern Iraq option. The real achievement was the UORs which were procured specifically for that; this All-Terrain Mobile Platform was suddenly in the frame at that stage. The mine-sweeping measures and other things for the amphibious forces did not appear until January, because before then we were thinking of a heavily armoured intervention from a different location. What arose at the end was an unusual combination of force packages, so there was a very frantic last phase where things were different from the previously assumed type of build-up.

**Q70 Mr Williams:** We are told about the Treasury's role in this, that they manage a special reserve effectively. Is this part of the normal contingency reserve, or is it a separate reserve again for emergency action.

**Mr Glicksman:** It is specially identified and the Chancellor of the Exchequer has indicated publicly the size of this reserve in budget announcements and spending review announcements.

**Q71 Mr Williams:** What is the size as a matter of academic interest?

**Mr Glicksman:** At the moment it stands at £3.8 billion, but the Chancellor of the Exchequer keeps it under review and, if necessary, he will change it.

**Q72 Mr Williams:** Mr Bacon has referred to £110 million, but is there an expedited procedure for releasing this money? From the Ministry of Defence's point of view is it a bureaucratic process to go through to get Treasury to release the cash, or is it almost automatic on demand?

**Sir Kevin Tebbit:** Within that heading, which is for everything not just equipment of course, for all additional costs, provided the items are scrutinised and agreed with Treasury officials, by and large it goes through. What we have to do is create supplementary estimates in the defence budget coming through at various times of the year to take that money onto our vote with the authorisation of the Treasury.

**Q73 Mr Williams:** Take the situation that you have identified as really interesting in January, that you expected to come in through the north with heavy armour and then you are coming up through the south. How long from identifying that this was going to need X million extra—and I know you could not give a final sum—how long from your initial identification of that need would it take you to get the release of the money from the Treasury?

**Sir Kevin Tebbit:** Provided the Treasury agreed the basic costs, that was assumed. We could go forward with the programme and then it was a question of parliamentary authorisation to regularise that position.

**Q74 Mr Williams:** Will the £658 million that you have referred to have any repercussions as far as your major equipment programmes are concerned or is it entirely accommodated? I understand that it says that where there are accelerated availabilities that is taken into account, but where there are new requirements, do these then have to be met in any way out of your major defence programmes, or is it just completely absorbed by Treasury?

**Sir Kevin Tebbit:** Other than those programmes which we are taking into our core budget, other than the ones we were already planning for in future years which have to be deducted, the Treasury do not make any deduction on the defence programme as a result of these extra costs. I can speculate as to whether there might have been more money for defence if we had not had these big demands on the reserve, because £3.8 billion is a lot of resource and I sometimes wonder whether some of it might have been available for the normal defence activity had it not been required for this. That apart, basically there is no deduction from the defence programme, but when we want to keep things which we had not previously budgeted for, and I think the Report accurately says we are thinking of keeping something like 44% of the equipment used in the operation and actually we are now going to try to keep about 50%, because it is logical to do so. If we have had equipment that has been hardened or tested in battle conditions and it has worked and been really useful, then we do try to take it into the core programme and clearly then we have to accommodate it and other things would have to be pushed out in order to do that. We would have to reprioritise.

**Q75 Mr Williams:** Mr Bacon referred to the £110 million which is being repaid to Treasury. Was this an argued-over figure or was it a fairly easily identifiable figure? How was it arrived at?

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 Ministry of Defence
 

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**Sir Kevin Tebbit:** Quite clearly these were things we had in the full programme. We got money from the Treasury to advance their arrival into the force structure. They were pretty clearly identified and deductions made in the future planning finances. It was sufficiently straightforward for it not to come to my personal attention. Officials sorted out that money.

**Q76 Mr Williams:** Someone raised a question earlier on and you referred to IT. Only the other week we had the OGC here talking about the red gateways and yellow gateways and green gateways. I gather you are outside their gateway system. Why is that?

**Sir Kevin Tebbit:** Because we have a large programme, not just of IT but of other things, the whole equipment programme, we already had an existing process of scrutiny, gateways and phases of projects. As a result of the strategic defence review we had a specific McKinsey review of defence procurement. They gave us a model for this process which we are using. It is not exactly the same as the OGC one, but we are aligning it, we are part of their process. We do benchmarking exercises and peer reviews of each other's programmes and that sort of thing. It is not a significant difference.

**Q77 Mr Williams:** In that respect, do you remember, Sir John, when we were dealing with OGC they agreed that it would be helpful to have your support and our support in terms of monitoring the red gateways and having quarterly reports from you. Is there any benefit in doing something of that sort, or is it already implicit in what you are doing as far as MoD is concerned?

**Sir John Bourn:** It does of course lie within the work that we do. I have been discussing with Mr Alton how we set up that system for civil procurement and I will talk to Sir Kevin about the possibility of covering, either as part of that system or separately, the defence project arrangements.

**Sir Kevin Tebbit:** We sit on his steering group. The MoD is sitting on the OGC steering group. The differences are probably more of form than of substance.

**Q78 Mr Williams:** You will accommodate them within this new quarterly system you are hoping to evolve.

**Sir John Bourn:** Yes.

**Q79 Chairman:** Following up an earlier line of questioning from Mr Williams, I want to get the chronology right. I am looking at a report in *The Guardian* dated 19 November 2004 on the publication of this NAO Report. I want to read out the first part of this Report in *The Guardian* to see whether you believe it is a fair description of what happened because the chronology in the wider aspect of all this is terribly important. It is headed "MoD ordered Iraq supplies 'in a rush'". You may wish to comment on that. It says "The Ministry of Defence did not begin to order equipment it needed to invade Iraq until months after it began to consider the implications of war, a report by parliament's

financial watchdog discloses today. Detailed operational planning began only after Tony Blair's speech to MPs on September 24 2002, in which he launched the government's controversial dossier on Iraq's banned weapons programme, says the National Audit Office. That speech triggered a frantic search for equipment, including missiles, radars and communication systems, it says. Between then and the invasion six months later, the MoD processed nearly 200 'urgent operational requirements' at a cost of £510 million. Military commanders started to discuss the need to order equipment for an invasion of Iraq back in May 2002". We have that date of May 2002 and then we have the earlier reference to Mr Blair's speech on 24 September 2002. "Senior MoD officials have already admitted that delays in getting vital equipment, including body armour, to British troops in time for the invasion were the result of political considerations. Sir Kevin Tebbit, the ministry's most senior official, told MPs earlier this year: 'Clearly there was a political inhibition against action that would make it clear that we would take the military rather than the diplomatic route'. Is that a fair description in *The Guardian* of what happened?

**Sir Kevin Tebbit:** Not entirely and I should not like to be held to newspaper reports.

**Q80 Chairman:** That is why I am giving you a chance to reply to it.

**Sir Kevin Tebbit:** Exactly. Firstly I should say that what was done earlier in the year, let me be more precise, was initial scoping by staff of whether and how they could respond if called upon; internal work within the department, not work with industry.

**Q81 Chairman:** This was from May 2002?

**Sir Kevin Tebbit:** Yes and indeed in the NAO Report which we have agreed, on page 23, it starts there. It is certainly true that no decisions were taken and that the Prime Minister's speech was obviously a very important point.

**Q82 Chairman:** For you.

**Sir Kevin Tebbit:** Yes. It is not true that there was a frantic search; I should have thought it was rather more measured than that. We did go into urgent mode, urgent operational requirements.

**Q83 Chairman:** After that speech.

**Sir Kevin Tebbit:** Not immediately, because we could not, as I said before, in all areas engage with industry because a twin track was being pursued at that time.

**Q84 Chairman:** I understand that; you did not want to look as though you had given up the diplomatic track. I understand that.

**Sir Kevin Tebbit:** As I said before. The problems of getting equipment into theatre in time have been exaggerated. It was for the military commanders to say whether they had and when they had full operational capability, that is to say they had everything they needed to do the task they had been

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 Ministry of Defence
 

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assigned. That was done and they signalled that before the beginning of hostilities and that covered all of the areas that mattered: equipment, training, communications, command and control. The materiel was clearly there in time. To the extent there were delays and difficulties in what we call the coupling bridge, the logistic stream getting into theatre, there were weaknesses in that supply chain but not in terms of industry providing the UORs. They got to the ports in time, but there were some difficulties and delays in getting the stuff up to the front line; not surprising, given the speed with which we had to change plans to the south and the fact that it was going through one choke point, just one location to get it. The article overstates the “frantic” nature of the activity.

**Q85 Chairman:** I am sure you are never frantic, Sir Kevin.

**Sir Kevin Tebbit:** It does show that we expect to have six months’ preparation time for a large-scale operation. In the real world, the need to pursue diplomacy and keep pursuing diplomacy until the very last chance, suggests that we are not always going to get that much time, which means we have to have a pretty smart system.

**Chairman:** That is fine. Some colleagues have some short supplementary questions, if you do not mind.

**Q86 Mr Bacon:** I remember when the Falklands situation arose and Mrs Thatcher asked Harold Macmillan to go to see her to get some advice before she had even gone as far as forming her war cabinet, the first thing he said to her was “Keep the Treasury out of it”. I am just wondering whether it is a fair comment to say that at the moment of being at war, or being about to be at war, the Treasury is basically in rather a weak position compared with normal peacetime. To some extent they just have to rely on you, as accounting officer, as well as the department, to have some eye for the overall cost of things.

**Sir Kevin Tebbit:** No, I do not think that is fair. I cannot comment on how the Prime Minister organises his cabinet, but in terms of our work with the Treasury—

**Q87 Mr Bacon:** I did not ask you to.

**Sir Kevin Tebbit:**—over the extra cost of the operation, no, there was full transparency. This is an expedited version of our normal procurement process, which is done in conjunction with the Treasury. The fact that it was expedited means that both sides, Treasury and MoD, were working faster.

**Q88 Mr Bacon:** Do I understand from what you were saying earlier that in what one might call the normal course of MoD business your yearly budget does not take account of the costs of war fighting separately from normal peacetime activities? Is that right?

**Sir Kevin Tebbit:** That is actually right. The budget is there to provide a defence capacity, capability, which can be applied to individual war fighting situations.

**Q89 Mr Bacon:** But the moment it is applied, you will expect to get more money from the Treasury for that particular purpose.

**Sir Kevin Tebbit:** The extra cost of the operation, for actually doing all the fighting, is a call on the reserve.

**Q90 Mr Bacon:** Mr Glicksman, what is the cost each month? I read in the newspaper that the Americans were spending \$4 billion a month. How much are we spending each month?

**Mr Glicksman:** That is more a question for the accounting officer.

**Q91 Mr Bacon:** But you have to supply him with the money so he can spend it, have you not?

**Sir Kevin Tebbit:** It is probably about £4 billion over three years; about £900 million a year on average.

**Q92 Mr Bacon:** £900 million a year.

**Sir Kevin Tebbit:** It is not going to stay stable because we are going into different phases. As the Treasury have said, the Chancellor earmarked £3.8 billion for the operation and not all of that will be to the MoD; some of that will be to DFID.

**Q93 Mr Bacon:** So the £3.8 billion is in total, is it?

**Sir Kevin Tebbit:** Yes.

**Q94 Chairman:** We must be careful not to get into a wider consideration of the entire Iraq situation.

**Mr Glicksman:** It is the net additional cost of the operation. I might have misled the Committee: it is not just for the urgent operational requirements, it is the total net additional cost.

**Q95 Mr Bacon:** How much of that has been spent?

**Mr Glicksman:** I only have information from MoD’s accounts for the previous two financial years and that was just over £2 billion, but in addition there will be supplementary estimates in MoD’s budget for this year and I do not have a figure for those.

**Sir Kevin Tebbit:** The cost for UORs, for equipment, is £811 million to date.

**Q96 Mr Bacon:** Where does the other £1.3 billion come from?

**Sir Kevin Tebbit:** Transport, local costs, employing Iraqis to support us, those sorts of things.

**Q97 Mr Bacon:** Is it possible we could have a note of the up-to-date position on the total additional and the net additional cost and where it has fallen?

**Sir Kevin Tebbit:** Certainly.<sup>7</sup>

**Mr Bacon:** That would be great, thank you.

**Q98 Mr Allan:** Sir Kevin, £4 billion is coincidentally the value of the defence information infrastructure contract, as I understand it.

**Sir Kevin Tebbit:** It might be, but that would not be all for the MoD; that is total UK costs in Iraq.

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 Ministry of Defence
 

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**Q99 Mr Allan:** Yes, I am moving on from Iraq because although the defence information infrastructure is not the core subject of this Report, it does appear to be critical to you being able to produce information for these kinds of reports in future.

**Sir Kevin Tebbit:** It is not the biggest in government, but it is the second, next to the Department of Health.

**Q100 Mr Allan:** Department of Health which is £6-odd billion. Following Mr Williams's line of questioning, am I right then in assuming that project will not go through the OGC Gateway Review process?

**Sir Kevin Tebbit:** It will go through the analogous process we have, but this is semantics: it is broadly the same. It has the same issues of assessment phase, concept phase, they are moving to initial gate and then main gate. It has the same process.<sup>8</sup>

**Q101 Mr Allan:** So your assurance to us as Accounting Officer is that your process is exactly equivalent to the OGC process.

**Sir Kevin Tebbit:** Absolutely and if it were not, then I would change it to make sure it was.

**Q102 Mr Allan:** Because it is such a big project I wonder whether you would be able to supply us with a note describing progress on that project with particular reference to the recommendations of the National Audit Office in respect of large IT projects like this, saying who the senior responsible owner is, how the Gateway Review process you are doing is being done and what kind of outcomes you have had.

**Sir Kevin Tebbit:** It is outside this context, but I am happy to do that.<sup>9</sup>

**Q103 Mr Allan:** It might just be helpful, because it does seem to be critical to reports like this.

**Sir Kevin Tebbit:** We have applied all the lessons listed by the OGC in terms of common causes of failure and made sure that we have learned those lessons and applied the right process. I am happy to do that.

**Q104 Mr Allan:** A note to show how that is happening would be helpful.

**Sir Kevin Tebbit:** We are very close to contract closure at the moment, so clearly there are certain aspects I should not want to discuss at the moment. In terms of process and how we are managing it, I am happy to do that.

**Q105 Mr Jenkins:** I notice that in the Report things like accommodation and medical supplies are urgent operational requirements. Surely, as a Ministry of

Defence, we know that if we are going to go anywhere we are going to have to have accommodation, we know if we start any shooting we are going to have medical supplies, so what you are doing here is taking the opportunity to prise some more money out of an ever-generous Chancellor and funding the MoD budget, are you not?

**Sir Kevin Tebbit:** In the case of the accommodation, that was already in the programme and we accelerated it slightly. I think I am right in saying that is one of the areas where there is an adjustment in the budget. We could not do it better than we did because we did not know where we would need to put the accommodation until the war fighting ended. It was not one of those things which needed to arrive in the middle of March, it was something which arrived when it was needed. That was an example of pulling forward a programme which was already there. In terms of medical gaps, it was a good example of a large-scale operation generating extra requirements to those we had already in the inventory. It is very important, particularly in the medical field, firstly to say that all treatment was given to anybody who needed it within the prescribed time lines; we managed to ensure that everybody who needed treatment got it. Secondly, this is one of the areas where we do have to make sure we have a proper risk register of medical modules, so that we know that if we do have any shortfalls which do not happen to be in the inventory, whether it is because of shelf life or whatever, we can get them fast. That is one of the areas where we have to be absolutely certain we can get the medical equipment we need into theatre quickly.

**Q106 Chairman:** Scattered through this Report are examples of where you have been very resourceful in finding solutions very quickly. There is one in Box 2 on page 9 for Storm Shadow and later on there is one about the equipment for mine sweeping on page 15. So you can be very resourceful. Why can we not see this in normal defence procurement?

**Sir Kevin Tebbit:** Storm Shadow was a normal procurement and we managed to advance the last few months of it to get it into service a little early. Now we have fully declared its in-service date, 28 October. That is a success story. I take your point. The problem is that it is much easier to procure stuff off the shelf or bring forward a programme which is already pretty mature, especially when these are quite small programmes—they are usually adjustments, enhancements, at the margins of major projects—than it is to compare these—you cannot really compare them—with the major equipment programmes we are bringing forward, things which have to last for 20 or 30 years, which have to have applications across a wide front of contingencies which will need to be capable of updating and changing over a long period of time. The very big programmes we are dealing with are very different in scope and size and breadth of application from the sorts of UORs we are talking about here. These are usually low value items, £2 million or £3 million as opposed to multi-billion programmes.

<sup>8</sup> *Note by witness:* MoD normally requires that programmes should undergo reviews at critical stages linked to the Smart Acquisition process. In the case of DII, which is a key enabler for the Defence Change Programme, it was agreed by MOD, Treasury and OGC that the programme would be reviewed using the OGC Gateway™ Review process

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**Ministry of Defence**

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**Q107 Chairman:** Thank you very much. As I said at the beginning, this is generally a good Report and we thank you for the way you have answered our questions this afternoon. Clearly we can always make improvements, but when our people are going into battle, we do not want somebody in your position in the future always looking over their

shoulder for fear of taking any risk whatsoever because they might get a severe grilling at the Committee of Public Accounts. I am sure that would never be your attitude, Sir Kevin, would it?

**Sir Kevin Tebbit:** Thank you very much, Chairman. I shall convey your remarks to the staff that did all this, because it was a first-class effort.

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**Supplementary memorandum submitted by the Ministry of Defence**

*Question 30 (Jim Sheridan): Defence suppliers are concerned that when it comes to it MoD staff talk about wanting offers from industry that provide 80% of the capability at 50% of the cost, but they rarely see it happening because the DPA evaluation teams are not empowered or organised to assess non-compliant proposals’.*

“The Department encourages, and considers, innovative proposals from Industry to deliver defence capability where it can be demonstrated that this provides good value for money through life. Published Departmental guidance is contained in ‘Guidelines for Industry No. 12 Code of Practice on the Handling of Innovative Proposals’.”

Whilst the Department requires compliant bids that meet the specified requirements and terms and conditions, Invitations to Tender contain an explanatory clause describing the arrangements for submitting and dealing with alternative innovative proposals. The MoD evaluation of such proposals broadly follows the same well-established process used for compliant bids and will involve the full acquisition team. However, wider stakeholder consultation will be necessary in circumstances where the proposed innovative solution offers benefits that extend beyond the specified performance, cost and time envelope.”

*Question 97 (Mr Bacon): Is it possible we could have a note of the up-to-date position on the total additional and the net additional cost and where it has fallen?*

MoD identifies the costs of operations in terms of the net additional costs it has incurred. The costs that the Department would have incurred regardless of the operation taking place, such as wages and salaries, are not included and we judge that no useful purpose would be served by attempting to attribute these costs to specific operations. Savings on activities that have not occurred because of the operation—training exercises for example—are taken into account in arriving at the net figures. Details of these adjustments are not held centrally.

A breakdown of the figures published in the MoD’s Resource Accounts for the costs of Operation Telic in 2002–03 and 2003–04 is attached. The figures for UORs reflect actual spend in these two years against a total value for all approved UORs, including those where spend is still being incurred, of £811 million.)

An estimate of costs in 2004–05 will be included in the MoD’s Spring Supplementary Estimate. It is not possible to provide earlier estimates given that some aspects of the costs of operations, such as stock consumption, can be calculated only at or near to the year end when any unused stocks still in theatre can be assessed.

**COST OF OPERATION TELIC**

	2002–03 £ million	2003–04 £ million
Manpower (Reservists, Allowances)	34,583	214,181
Accommodation and Infrastructure	53,506	74,637
Equipment Support and Stock Consumption	279,136	258,872
Depreciation, Cost of Capital Charge and Provisions)	73,989	133,454
Civil Air and Sea Charter	89,643	104,356
Other Costs and Services (eg IT, Communications)	47,138	194,072
Resource costs of UORs	51,536	70,991
<b>Resource Expenditure Total</b>	<b>629,531</b>	<b>1,050,563</b>
UOR/Other Capital Expenditure	218,000	260,000
<b>Capital Expenditure Total</b>	<b>218,000</b>	<b>260,000</b>

*Question 102 (Mr Allan): Would you be able to supply a note describing progress on the DII project with particular reference to the recommendations of the NAO in respect of large IT projects saying who the Senior Responsible Owner is, how the Gateway Review process you are doing is being done and what kind of outcomes you have had?*

The Senior Responsible Owner for the Defence Information Infrastructure (DII) Programme is John Taylor, MoD’s Director General Information.

MoD normally requires that programmes should undergo project-independent reviews at critical stages linked to the Smart Acquisition process. An internal MoD review was carried out on the DII programme at the end of 2002. In the case of DII, which is a key enabler for the Defence Change Programme, it has since been agreed by MoD, Treasury and OGC that the programme would be reviewed using the OGC Gateway™ process. Assessments for Gateways 2 and 3 of the OGC process have been carried out—the latter in July 2004. MoD is currently considering a Gateway 4 assessment.

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The Gateway 3 Review found that DII was in the upper 10% of projects in terms of the quality of its management. A key recommendation, to be acted on before the next review, concerned the management of benefits. This recommendation has been accepted, fully resourced and is being implemented. The programme was not assessed as exhibiting any of the common causes of failure identified by the NAO.

DII is in fact already delivering real capability and reduced risk through the incremental approach championed by the NAO. Early DII implementations are in place at the refurbished MoD Main Building, at Fleet Headquarters, and under Project Synergy—the programme to provide Communications and Information Systems to support ongoing operations in Iraq.

DII (Future), the most substantial part of the programme, and the element that will establish a single information infrastructure across the whole of Defence, is currently in the final stages of selecting a delivery partner, in anticipation, subject to approval, of a contract award during the first half of 2005.

*23 December 2004*