

1 (3.30 pm)

2 SIR PETER SPENCER KCB

3 SIR JOHN CHILCOT: Good afternoon and welcome once again.

4 Welcome to our last witness of the day. Sir Peter
5 Spencer, you were Chief of Defence Procurement between
6 May 2003 and March 2007, I believe?

7 SIR PETER SPENCER: I was, yes.

8 SIR JOHN CHILCOT: In that capacity you were formally the
9 Head of the Defence Procurement Agency but the post also
10 includes membership of the Defence Management Board and
11 Defence Council itself?

12 SIR PETER SPENCER: It did.

13 SIR JOHN CHILCOT: Now just two preliminaries which we say
14 on every occasion. We recognise that witnesses give
15 evidence based on their recollection of events and we of
16 course check what we hear against the papers to which we
17 have access and which are still coming in.

18 I remind each witness on each occasion they will
19 later be asked to sign a transcript of evidence to the
20 effect the evidence they have given is truthful, fair
21 and accurate, consistent with recollection.

22 With that out of the way, can I turn straight to
23 Sir Roderic Lyne?

24 SIR RODERIC LYNE: You took over as Chief of Defence
25 Procurement, I guess as luck or chance would have it

1 rather than for any other reason, about six weeks after
2 the campaign in Iraq was initiated. When you came into
3 the organisation did you feel confident that it was
4 an organisation that could support a high operational
5 campaign?

6 SIR PETER SPENCER: Well, in terms of how the support to
7 that operation had gone all the evidence was that it
8 could and did.

9 SIR RODERIC LYNE: Because you had moved into very different
10 waters and then they were going to become even more
11 complicated two years later with the deployment into
12 Afghanistan, but it was a good structure for what it was
13 suddenly being asked to do?

14 SIR PETER SPENCER: Yes, it was, and the reports that were
15 published at the time confirmed that. I mean, the
16 Ministry of Defence in "lessons learned" pointed out how
17 well the purchasing of UORs from the defence procurement
18 agency had gone, how well in the main most of the major
19 equipments performed and that was subsequently
20 independently confirmed by the National Audit Office and
21 the House of Commons Defence Committee.

22 SIR RODERIC LYNE: We have looked at those reports and we
23 may have one or two questions relating to those reports
24 later. In fact the House of Commons Defence Committee
25 report in 2006 noted that when you did take up the post

1 you commissioned a wide-ranging review of how the DPA
2 was performing.

3 Was there a particular reason for you to make
4 a review of it?

5 SIR PETER SPENCER: Yes. There was a very strong reason and
6 not one directly related to Iraq, and that was the fact
7 that the outcome of the annual audit of project
8 performance in 2002/2003 was a complete disaster, with
9 a huge set of project cost and time overruns, and this
10 was despite the fact that the Defence Procurement Agency
11 had been set up as part of the implementation of the
12 smart acquisition initiative. So there were some pretty
13 fundamental questions which needed to be answered. So
14 I did the obvious thing, which was to conduct some
15 fairly thorough due diligence on the way in which the
16 agency was operating and to dig down and find out what
17 the cause of these problems were and what needed to be
18 put right.

19 SIR RODERIC LYNE: I know we are digging back seven years.
20 Do you recall what your principal findings were about
21 what needed to be done to address these problems?

22 SIR PETER SPENCER: I remember very clearly, but just to --
23 by way of context, I got the diagnosis to be conducted
24 by McKinsey's, who had been the source of advice to set
25 up the Defence Procurement Agency and Smart Acquisition

1 in the first place, so that they could take an objective
2 view as to the extent to which the procedures and the
3 arrangements which they had suggested to the MoD had
4 been put in place. To put in a nutshell, of the seven
5 principles of Smart Acquisition only one had really been
6 implemented properly, and that was what I told the House
7 of Commons Defence Committee when I was questioned on
8 this during 2003.

9 SIR RODERIC LYNE: So having done the review, got that
10 result, you then presumably had quite a lot to do to
11 institute the changes that were required?

12 SIR PETER SPENCER: Yes. It wasn't just something which the
13 Defence Procurement Agency could do by itself. This was
14 something which the whole of the Ministry of Defence
15 needed to do together. So far as the Defence
16 Procurement Agency was concerned we put together
17 a programme which we called DPA Forward and that had
18 some very clear areas of improvement which we needed to
19 address to improve the performance of individual
20 integrated project teams, to greatly improve the
21 governance, but also to improve the working
22 relationships between the military customer who
23 sponsored each of the projects from London and the
24 teams. At the same time a fundamental and pervasive
25 problem which spread across the whole of acquisition was

1 something which was termed at the time the "conspiracy
2 of optimism", and this has continued to this day and has
3 been reported on recently by the National Audit Office
4 report, and a problem that the Ministry of Defence has
5 had for many years in facing up to the true cost of some
6 very ambitious programmes, and that has tended to have
7 a rather unfortunate impact on individual and corporate
8 behaviour, which has been widely and I think in my view
9 quite accurately recorded, but I can rehearse some of it
10 if you would find it helpful.

11 SIR RODERIC LYNE: I think we will have some detailed
12 questions on individual projects down the line.

13 Final one from me at this stage. Bernard Grey in
14 the report that he wrote last year, which of course is
15 after your retirement, commented that the project staff
16 had what he called surprisingly limited, or often had
17 surprisingly limited skill levels and qualifications.

18 Was that something that going back to the 2003
19 onward period you were conscious of and you saw?

20 SIR PETER SPENCER: Yes, I did, and we did quite a lot about
21 it. It was very evident that there were far too few
22 people doing project management who had been properly
23 trained in project management and we instituted
24 arrangements for that to be corrected. There was
25 a shortage of commercial expertise and a shortage of the

1 skills which are needed to do what industry or commerce
2 would call due diligence.

3 I also had a concern about a number of people who
4 had been appointed to be team leaders for quite complex
5 projects, who did not have the experience of managing
6 projects and did not have some quite important elements
7 of expertise, and certainly during my time we held
8 people accountable and some 12 project leaders were
9 invited to stand down during my time, because they
10 simply weren't coping. We did not humiliate them
11 publicly, but it wasn't -- it was clear that we could
12 not allow this to continue.

13 The other area of concern that I had was that
14 members of the executive board of the agency should have
15 the skills and the experience to have credibility and
16 authority in performance managing their team leaders,
17 and I resisted attempts made to appoint to that board
18 people who didn't have those skills.

19 SIR RODERIC LYNE: Thank you.

20 SIR JOHN CHILCOT: We would like to understand as best we
21 can the relationship between the Defence Procurement
22 Agency and the equipment capability side of the Ministry
23 of Defence. Sir Kevin O'Donoghue as your successor
24 described his role in that balance as being to deliver
25 equipment requirements as set by the capability area.

1 Is that broadly true, and in your time: a customer who
2 states a requirement, an agency that procures to that
3 statement of requirement?

4 SIR PETER SPENCER: That at its simplest level is the
5 relationship, but I think the -- I can only speak for
6 the Defence Procurement Agency, but the providers of the
7 project have an obligation to inform the fund-holding
8 customer of the realism of the requirement, of the risks
9 involved, and of the time and financial contingencies
10 which would need to be built in if it was so important
11 to go for a requirement which was at the top end of what
12 is possible.

13 SIR JOHN CHILCOT: That's not just a static one-moment
14 relationship. It presumably continues through the life
15 of any major project, any procurement project?

16 SIR PETER SPENCER: Indeed, and although we had the
17 relationship customer/supplier, they were essentially
18 part of the same team, and indeed that team necessarily
19 included the then Defence Logistics Organisation, who
20 would subsequently take on the in-service support and
21 maintenance of new equipment and systems, and, vitally,
22 representatives from the three frontline forces: Land,
23 Fleet and Air, because the very worst circumstances
24 occurred when what had been asked for was procured, met
25 the requirements which had been set, but they were not

1 requirements with which the frontline operator
2 identified.

3 SIR JOHN CHILCOT: Thank you. I just have two other general
4 questions on this and then a little bit more detail
5 further on.

6 The two general ones. First is: throughout the
7 period -- our period of inquiry 2003-2009, and before,
8 a large number of UORs having to be procured, and we
9 have had a certain amount of evidence or at least
10 understanding as to whether there was a clear enough
11 sense on the equipment side that it was not only
12 procuring the stuff to use in the field as urgently as
13 possible, but also the training, maintenance,
14 replacement aspect of a UOR project.

15 Do you want to comment on that?

16 SIR PETER SPENCER: Well, I think it rather depends on the
17 particular UOR and in some cases something was required
18 and the overriding need was performance and speed of
19 delivery. As you will have heard from other people, the
20 initial purchase usually had a year or so's worth of
21 spares.

22 The question of how that equipment and spares then
23 got integrated into the capability in terms of how the
24 end user was shown how to use it and how it got
25 integrated into the rest of the military capability

1 which was being enhanced clearly is a frontline issue.
2 In the main during the period leading up to before the
3 actual fighting in Iraq the emphasis was on getting the
4 stuff into theatre. So that's what the Defence
5 Procurement Agency was asked to do and that is what it
6 did.

7 SIR JOHN CHILCOT: Does the agency feel -- did the agency
8 exert any responsibility for telling the capability
9 side, "Look, you are going to need, because this is
10 quite a complex piece of kit in this UOR, quite a lot
11 not only of spares but of training items to train your
12 people on before you can actually deploy it effectively
13 in theatre"?

14 SIR PETER SPENCER: I mean, I really couldn't give you
15 a personal answer on that. What I would say is that in
16 the majority of cases where UORs were being procured,
17 military people were embedded in the project teams. So
18 my feeling is that it was highly probable in most cases
19 that those aspects were identified.

20 Whether or not people want to work in a position to
21 be able to delay the delivery as opposed to get it into
22 the front line and use it as best you can, is
23 a different question. I think as operations moved on
24 into peacekeeping over a prolonged period then there was
25 more time in which those issues could be looked at and

1 addressed.

2 SIR JOHN CHILCOT: Thank you. Moving away for a moment from
3 UORs to -- well, it is hardly routine but routine
4 acquisition projects, a question again about the
5 relationship with the capability side.

6 Just take one example, if we may. Bowman, which was
7 a very major project and involved a big impact, at least
8 on land forces, in terms of taking whole brigades out of
9 rotation and fielding Bowman for them, where does the
10 procurement agency sit in terms of ensuring a full
11 understanding around the whole of the military system in
12 the MoD about what is implied by a project of that kind?

13 SIR PETER SPENCER: Well, I think the agency has a -- or had
14 a clear obligation to ensure that the end users
15 understood the sheer scale of what was involved.

16 If I can again go back, I mean, I spent some time in
17 the Royal Navy, as you know. It is not meant to be
18 anything other than an objective statement so that it
19 was literally astonishing the difference between the
20 army compared to the navy and the air force in terms of
21 the communications and Command and Control technology
22 which was deployed.

23 It is a much tougher, much bigger, hugely complex
24 programme for the army to do. What the army has
25 achieved in under ten years I think is absolutely

1 stunning, because they have actually achieved in
2 a fraction of the time what the other two services did
3 over a much longer period and learned a lot of hard
4 lessons along the way.

5 In the first instance with Bowman in terms of the
6 early bits of communication capability, the personal
7 role radio which was deployed successfully during
8 operations, that was well received.

9 I think the issue that became much more difficult to
10 handle were the expectations by the army of what it was
11 going to get as opposed to what had been specified, and
12 it's a point I touched on a bit earlier, which is if you
13 are not involving the front line in this, then you do
14 get a disconnect inadvertently between the so-called
15 military capability customer in the centre in the MoD
16 and what the front line want.

17 So there were expectations to have a degree of
18 Command and Control in terms of the sort of picture
19 which was being sent around using the communications
20 bearer, which were based more on what people could
21 achieve at their desk using the Internet as opposed to
22 what could actually sensibly be supported by the
23 communications available at that time.

24 I spent quite a lot of time talking both to
25 successive chiefs of general staff and to Commanding

1 Chief Land Command, because there was quite a lot of
2 really good working relationships at working level, but
3 also quite a lot of misunderstandings, because a lot of
4 different people in fairly senior positions had
5 different levels of understanding of the art of the
6 sensible and the possible.

7 So I think in that sense, all told, given the
8 starting point, over the long-term there was quite
9 a good outcome, but it was a very rough way of getting
10 there, and there were particular difficulties in terms
11 of being able to equip armoured brigades to deploy for
12 a number of reasons, including the difficulties of
13 fitting to a fleet where the engineering state of
14 different vehicles in the fleet tended to vary quite
15 a bit.

16 SIR JOHN CHILCOT: Thank you very much. I would like to
17 follow up on this subject of the role of the Defence
18 Procurement Agency as both a conduit for information
19 about performance of equipments but also as an educator
20 both at the front line on the one side, the user, but
21 also perhaps the manufacturer and supplier at the other.

22 Could I start by asking: what was the essential
23 information flow from the theatre, the Iraq theatre,
24 back into your agency about how different equipments
25 were performing? Did it come through PJHQ or some other

1 channel?

2 SIR PETER SPENCER: Well, there was certainly a flow through
3 PJHQ but also through the directors of equipment
4 capability as they then were, who were the main line of
5 communication. A lot of individual people in the
6 project teams, particularly the uniformed people, would
7 go out into theatre as well.

8 So, I mean, I was always confident there were good
9 clear lines of communication. We knew what the problems
10 were and were responding to them as fast as we could.

11 SIR JOHN CHILCOT: Was there also an informal flow of
12 information from people coming back from theatre and
13 moving into the agency? Was there any kind of flow that
14 have kind?

15 SIR PETER SPENCER: There was. Particularly in two
16 particular project areas known as special projects,
17 which I would rather not discuss now, but we had some
18 very, very current expertise of live operations which
19 fed very powerfully into some of the procurement
20 material.

21 SIR JOHN CHILCOT: Then looking to the feedback of the
22 information you were getting from theatre, by whatever
23 channel, into training and doctrine, how did that work?
24 Does that go through the equipment capability side of
25 the MoD?

1 SIR PETER SPENCER: No. In 2003 it was fragmented to say
2 the least. Part of the changes MoD-wide and how we got
3 a better grip on acquisition was to take a look at the
4 Office of Government Commerce, construct of a so-called
5 Senior Responsible Owner, who we tended to call a single
6 point of accountability, and to recognise that somebody
7 had to lie in bed at night worrying about whether or not
8 a capability was going to be delivered. We have had
9 some spectacularly unfortunate examples where equipment
10 was ready, mainstream equipment was ready, but the
11 training package was not in place. The army had --
12 their nomenclature was lines of development, which was
13 part of their doctrine, which we used across all three
14 services and, as is now the case in the MoD, all of
15 those lines come together to a single individual so it
16 is checked for coherence.

17 SIR JOHN CHILCOT: I think we are both going to have to go
18 a bit slower, both of us.

19 SIR PETER SPENCER: I am so sorry.

20 SIR JOHN CHILCOT: Both of us.

21 Just picking up a point from Kevin O'Donoghue's
22 evidence from his perspective as your successor -- I am
23 sorry. He is not your successor, is he?

24 SIR PETER SPENCER: We merged the organisations and he
25 became the Chief of Defence Materiel.

1 SIR JOHN CHILCOT: He too expressed some concern about
2 information flows. Is this simply part of the nature of
3 the way the world is? That with a live theatre
4 operation going on at long distance information is bound
5 to be a bit patchy and a bit difficult to get, or is it
6 something that can be fully organised up to a high
7 standard of satisfaction by someone in your position?

8 SIR PETER SPENCER: I thought that the flow of information
9 wasn't bad actually, under the circumstances. I think
10 the issue sometimes is, for perfectly good reasons,
11 depending upon what role people have played in
12 an operation, they may have different views on
13 priorities.

14 I have noted, for example, a frustration voiced by
15 some of the people who have come to this committee
16 about: certain things were not available, but that was
17 really the question of the choice of priorities in the
18 Ministry of Defence about what it is they wanted to
19 have.

20 So from the Defence Procurement Agency point of view
21 we are clearly constrained or were constrained to
22 purchase a requirement which had been approved and for
23 which funding had been made available.

24 SIR JOHN CHILCOT: It would be interesting to hear a little
25 about the role of the agency in informing both the

1 equipment side and ultimately I suppose the front line,
2 about what is becoming available, which they may not
3 know about, in the ordinary way of manufacturers
4 developing projects and products. Is there such a role
5 or does that really sit with the capabilities?

6 SIR PETER SPENCER: No, there is a future technology group,
7 or was, inside the Defence Procurement Agency and a lot
8 of work that they were doing was technology
9 demonstration, but it would be an over-simplification to
10 assume that that was a conduit through which all
11 information flowed.

12 Industry goes and touts its wares wherever it can.
13 So very often perfectly respectable proposals would come
14 from the front line by people who had been shown
15 something by industry and said, "Wouldn't this be a good
16 idea?" Now as long as there was a discipline in the
17 process so that we did not try to chase too many things
18 simultaneously, the fact it was taken into consideration
19 was fine.

20 Where it could get out of hand is where those who
21 were not responsible for spending funds, particularly
22 during the course of their current development, were
23 effectively commercially tasked or contracted to do work
24 which was not part of the approved requirement. It did
25 not happen very often, but when it did it could be quite

1 painful to sort out, because the key issue of this was
2 making the front line feel part of what was going on as
3 opposed to a helpless prisoner of the outcome, and views
4 on that varied from project to project and a major
5 element of what we did during the four years while I was
6 there was to improve the relationships with the front
7 line users so they became part of the project. They
8 felt that they were being treated in the right way as
9 a major stakeholder in the outcome of the programme.

10 SIR JOHN CHILCOT: Thank you.

11 A couple of other things. One is still on this same
12 theme about the production side and what's becoming
13 available, I can well see that in the defence industries
14 they themselves have a very powerful commercial interest
15 to make the military aware of what's coming along, but
16 increasingly, am I right, in areas outside mainstream
17 defence hardware, for example, in civilian
18 communications, there are things where companies may not
19 realise there is a potential military use or big
20 customer, and where the military may not, unless
21 somebody puts them in the know, know what's coming
22 along.

23 Is that something that the DPA had/has some
24 responsibility to watch, to scan the horizon for?

25 SIR PETER SPENCER: Yes, and quite a lot of good ideas did

1 come through and quite a lot of major projects, at least
2 in the initial stages, were set up to be a
3 commercial-type purchase. The trick then becomes to
4 ensure that by purchasing something which is commercial
5 you also purchase something which is militarily usable,
6 and it is the militarisation bits which occasionally can
7 be the tricky bit if it is not recognised right up
8 front.

9 SIR JOHN CHILCOT: If something can be broken a soldier will
10 break it. Militarisation. I just wonder if you could
11 expand on that.

12 SIR PETER SPENCER: No. I beg your pardon. Let me give you
13 an example. Years ago we bought a ship called HMS
14 Scott, which is a survey vessel. We bought it from
15 a commercial shipyard. We then put it through the
16 normal acceptance into service procedures, which
17 required an awful lot of things to be demonstrated and
18 proven which you just would not normally get during
19 a commercial purchase. You also have to fit a ship like
20 that with military standard communications and also
21 a higher level of resistance to damage in the form of
22 damage control than you would in a normal commercial
23 ship.

24 So you can get yourself very badly misled by
25 thinking you will pay exactly the same price as

1 a commercial owner. You have to look at the bespoke bit
2 and understand that some of that will be more expensive
3 and more difficult to do than you would wish.

4 Now, if you are in circumstances where there is
5 pressure on the budget, that is where you get the
6 pernicious behaviour I touched on earlier, where people
7 don't really want to know. They want to get the thing
8 on contract, because then they think it can't be
9 cancelled. That has been the route of a lot of problems
10 in a lot of major programmes.

11 SIR JOHN CHILCOT: Thank you. I just have two other
12 questions, if I may.

13 One is about the acquisition cycle when you have
14 an ongoing operation in the theatre. Information is
15 coming back. Then a new or an evolving requirement is
16 identified. For example, in protection against IEDs or
17 something.

18 How does one manage the tempo of information need
19 coming through and meeting that need as can best be done
20 realistically? Does that all go through the equipment
21 capabilities side?

22 SIR PETER SPENCER: The equipment capabilities side had to
23 be involved because they held the funds, but it was not
24 in any way a bureaucratic process. I mean, the whole
25 process of developing counter-measures was a very rapid

1 cycle. The team was heavily dominated by military who
2 had expertise in that area, were frequently in theatre
3 and, as we mentioned earlier, occasionally people came
4 to us for a tour before going back into theatre.

5 So in that respect it was so-called spiral
6 development on quite a fast timescale, incremental,
7 looking at what was happening, feeding lessons back,
8 seeing what else could be done. That was where we
9 depended heavily on certain companies such as Qinetiq
10 and the Defence Science and Technology Laboratories.

11 SIR JOHN CHILCOT: Thank you. Last question from me.
12 Criteria for assessing how UOR project is going. We
13 have had some evidence and it is also embodied in the
14 2003 "Lessons for the Future" report on Telic 1, how you
15 track data relating to the progress of a UOR. Because
16 it is being done at speed, quite hard to keep track, in
17 particular when there is a considerable number of UOR
18 projects going on at the same time.

19 Is there anything to learn from that that is not
20 already in the lessons learned archive?

21 SIR PETER SPENCER: I don't think so. I mean, inside the
22 DPA itself one of the Board members who was a major
23 general took the lead on this and he had a very tight
24 system which he kept watch over. In the main there were
25 no instances I am aware of where there was a sort of

1 failure to understand where UORs were and when they were
2 going to be delivered and in the main they came in well
3 ahead or on time. One or two inevitably were outliers.

4 SIR JOHN CHILCOT: Thank you very much. I will ask
5 Sir Martin Gilbert to take up the theme, I think still
6 on UORs.

7 SIR MARTIN GILBERT: The question of UORs. Could you tell
8 us during your time as Chief of Defence Procurement what
9 are the main categories of equipment for which you were
10 purchasing UORs?

11 SIR PETER SPENCER: Well, it was the full range of the
12 equipments which were being deployed into theatre. So,
13 for example, some aircraft needed counter-measures to
14 protect them for flying into potentially hostile
15 airspace. A lot of platforms needed to have their
16 communications updated in order to maintain
17 interoperability with our allies, the Americans.

18 Then there were a whole lot of bits of personal
19 equipment which went quite quickly, some of quite low
20 value. I mean, there were some UOR actions taken to
21 speed up the delivery of major capabilities. So the
22 Storm Shadow air to ground provision missile was brought
23 forward and integrated into a Tornado ground attack
24 aircraft considerably ahead of when it had been planned
25 so the missile could be used operationally, and it was.

1 There was an deployable accommodation programme,
2 which was due to deliver in 2004 and was brought forward
3 and was delivered 13 months ahead of its in-service date
4 and a little bit before the UOR in-service date. So
5 there was activity across the piste in a lot of
6 different project areas.

7 Then there were these two special project areas
8 doing much more sensitive stuff related to IEDs and
9 counter-measures and some quite sensitive communications
10 programmes.

11 SIR MARTIN GILBERT: You touched, with Sir Roderic Lyne, in
12 your answers to Sir Roderic on the question of project
13 team leaders. Can you tell us how you ensured those
14 teams which were involved in delivering UORs had
15 sufficient resources to deliver their projects as
16 quickly as possible?

17 SIR PETER SPENCER: I think the question answered itself in
18 as much as we were delivering, and nobody came to me and
19 said, "We have not got the resources to be able to
20 deliver this".

21 Now it may well be that there was a bit of moving
22 around within a project team to take somebody off
23 a longer term issue to boost the effort required for the
24 more urgent requirement, but that was well inside the
25 delegated authority of team leaders who used their own

1 common sense to do that, ensuring that they got the
2 priorities aligned with those that were being given by
3 the military.

4 SIR MARTIN GILBERT: Were you having at any time to ensure
5 you had the best people for team leaders?

6 SIR PETER SPENCER: Well, as a general principle for all
7 procurement my aim, and we to a considerable degree
8 achieved it, was to enhance the process of selecting
9 team leaders and to enhance the skills of team leaders.

10 SIR MARTIN GILBERT: Sir Kevin O'Donoghue told us that the
11 procurement side only became involved in the UORs once
12 the requirement had been set. Was this your experience?

13 SIR PETER SPENCER: I think in the early stages, yes, for
14 the initial operation, because frankly the Defence
15 Procurement Agency was not privy to that operational
16 planning, but in terms of once a UOR was initially
17 proposed, there had to be a dialogue between the team
18 leader, or the team and the military, as to what it was
19 they wanted, what integration work was required and what
20 the -- you know, how much it was going to be in terms of
21 money, and how long it was going to take in terms of
22 time.

23 SIR MARTIN GILBERT: Looking back over your period, do you
24 recall any time when there was a sudden jump in the
25 number of UORs or was it essentially a steady process?

1 SIR PETER SPENCER: Well, there was obviously a big number
2 in 2002/2003. It then settled down across the piste
3 between the DPA and the DLA at around 40 or 50 a year.
4 Then there was a surge around the time of Afghanistan,
5 but not a surge that had a great impact in terms of
6 suddenly being hard to do in terms of providing the
7 resources, something which was responded to.

8 SIR MARTIN GILBERT: That's important. Thank you.

9 We have heard from previous witnesses that the focus
10 on speed of delivery of the UOR, which is understandable
11 given what they are for, sometimes meant that limited
12 time was available for tests and trials.

13 What impact did this have on the kit you bought and
14 the ease of its use for the soldiers on the ground?

15 SIR PETER SPENCER: I am aware that there were concerns
16 about whether or not equipment could be used as easily
17 as it might have been if somebody had been trained in
18 a more leisurely way, but I don't think the option was
19 there in most cases. The equipment was needed in
20 theatre, that's where the troops were, and some limited
21 training and demonstration could be given. But in terms
22 of, you know, the dominant word here is "urgent", and it
23 was to get the capability into theatre.

24 I am not aware of any major instances where
25 equipment was delivered which simply couldn't be used

1 and, if that's the case, then it was never brought to my
2 attention. Therefore I don't think it was a major issue
3 at the time.

4 SIR MARTIN GILBERT: I would like to turn now to the
5 question of costs. Did you yourself initiate any work
6 to assess what the average mark-up cost would be of
7 a UOR requirement just for regular work?

8 SIR PETER SPENCER: No, I didn't.

9 SIR MARTIN GILBERT: It wasn't part of your concerns or it
10 was ...

11 SIR PETER SPENCER: My concerns were dealing with the
12 mainstream major equipment programme, which was
13 £6.5 billion a year, which was not under control. The
14 cost effectiveness of UORs is important, but it paled
15 into insignificance compared with the major problem
16 I was dealing with and which needed to be grappled with
17 very urgently.

18 SIR MARTIN GILBERT: Was there at any point during your
19 period as Chief of Defence Procurement that funding
20 became a limiting factor in your provision of UORs?

21 SIR PETER SPENCER: No, because the project team would have
22 told the sponsor how much it would cost and if they had
23 the money we went ahead with it. If they didn't,
24 presumably they reprioritised. I mean, money wasn't
25 inexhaustible and they are always, in any operation

1 there are going to be more ideas than there is going to
2 be money to fund it. Once things had settled down this
3 seemed to be a fairly robust working relationship with
4 the Treasury which ensured there was the right degree of
5 scrutiny of requirements. I wouldn't accept the
6 proposition that there were unreasonable mark-ups, but
7 certainly there was no evidence given about that at the
8 time, but if that subsequently emerged then clearly it
9 needs to be looked at.

10 SIR MARTIN GILBERT: In terms of the speed of delivery of
11 the UORs to theatre, were you satisfied with the
12 timescales?

13 SIR PETER SPENCER: I was satisfied because we were meeting
14 the timescales that had been set.

15 SIR MARTIN GILBERT: In terms of the timescales, do you feel
16 they enabled the troops, the army, to keep pace with the
17 demands, with the extra demands the UORs were for?

18 SIR PETER SPENCER: Well, it is not something I am really in
19 a position to give you a view on. There were a lot of
20 military minds deciding what it is they wanted and when.
21 Clearly we inform that debate, but ultimately when the
22 decision was made, it was a decision made by our
23 military sponsor, military customer, and we got them
24 delivered and we delivered to time and cost.

25 SIR MARTIN GILBERT: Were there any UORs or categories of

1 UOR procurements which did not proceed as you would have
2 wished?

3 SIR PETER SPENCER: Well, it is not a case I can recall.
4 I mean, it was never -- UORs in my time at CDP were
5 never a major issue and I used to call regularly on the
6 three chiefs of the general staff, the chief of the
7 defence staff and the three commanders in chief. If
8 there had been concerns about UORs, they would have been
9 raised. They had concerns about procurement but UORs
10 was not top of the list. Because in the main that was
11 operating at the right level, where it was delegated and
12 was delivering very satisfactorily.

13 SIR MARTIN GILBERT: So you would agree with what Sir Kevin
14 O'Donoghue told us that essentially industry stepped up
15 to the challenge and the speed with which UORs were
16 acquired was met?

17 SIR PETER SPENCER: Yes, and some bits of industry were
18 really quite outstanding, and we should give them credit
19 for that.

20 SIR JOHN CHILCOT: Is it possible to give us a "for
21 instance" or two without breaching confidentiality.

22 SIR PETER SPENCER: I think the combination of MBDA and
23 Qinetiq integrating Storm Shadow early into Tornado is
24 far from trivial. KBR bringing forward the intended
25 accommodation by 13 months meant they really had to grip

1 it and get on with it.

2 So there were some really good examples, and
3 certainly in the -- some of the covert work which was
4 being done in the Defence Science and Technology
5 Laboratories and in Qinetiq was leading edge technology
6 by some very clever people delivering answers to really
7 challenging, technical problems quickly and very cost
8 effectively.

9 SIR JOHN CHILCOT: Thank you.

10 SIR MARTIN GILBERT: I know that my colleagues will ask some
11 specific questions later about patrol vehicles, but
12 General Reilly told us that the vehicles later used to
13 counter the IED threat simply were not in production.
14 Are there examples where equipments were delayed in
15 service because there was not a production capacity
16 either not available or not existing at the time?

17 SIR PETER SPENCER: I think the question was a difficulty in
18 specifying what the requirement was going to be, because
19 the requirement changed over time as the IED threat
20 became more severe and as the amount of explosives being
21 used became bigger.

22 So your views on the required protection under those
23 circumstances does tend to sort of develop quite
24 rapidly, and one of the major problems that the army had
25 had for over a decade was deciding what it wanted its

1 new fleet of armoured fighting vehicles to be.

2 So by the time the test came in live operations it
3 was clear a lot of things which subsequently turned out
4 to be needed were not available. They did not affect
5 the main fighting stage of the operation, but they
6 certainly had a big impact on, as you well know, the way
7 in which operations were conducted thereafter.

8 SIR MARTIN GILBERT: Were there any occasions when you had
9 personally to intervene to ensure that the UORs were
10 delivered on time?

11 SIR PETER SPENCER: No. UORs weren't the problem. The
12 problem was what sort of vehicle was needed. One of the
13 complications about the way in which procurement was
14 fragmented in the period of 2003-2007 were that there
15 were projects in the Defence Logistics Organisation that
16 were doing new procurement who were under command of the
17 Chief of Defence Logistics but actually accountable to
18 me for their new procurement.

19 By the same token there were some equipments which
20 were relatively new coming into service which were part
21 of my agency but had an accountability to the Chief of
22 Defence Logistics for their in-service support. So this
23 was part of the complexity which we were managing.

24 Why am I telling you this? Because, as Kevin
25 O'Donoghue told you, Mastiff procurement which you might

1 think came out of the Defence Procurement Agency, was
2 actually done from inside the Defence Logistics
3 Organisation because a lot of the army teams or the land
4 teams were through life projects, and it didn't really,
5 in terms of how Kevin O'Donoghue and I worked together,
6 matter too much physically or organisationally where
7 they were located so long as the tasking arrangements
8 and the accountability and the lines of responsibility
9 were clearly delineated.

10 SIR MARTIN GILBERT: Can you have give us some indication of
11 the proportions of UORs that came from existing
12 technologies which were on the shelf and those which had
13 to be new developments?

14 SIR PETER SPENCER: A large majority were on the shelf.
15 What characterised successful UOR procurement in the
16 main was that we were going for something which already
17 existed and may have needed to be adapted for
18 integration purposes, but we knew what the performance
19 was. This contrasts starkly with some of the more
20 ambitious requirements which were set in mainstream
21 procurements, which is where the divergence begins.

22 SIR MARTIN GILBERT: To what extent was the collaboration
23 with allies a factor with regard to timely access to our
24 requirements?

25 SIR PETER SPENCER: If we needed equipment from the

1 Americans, in the main that was forthcoming unless they
2 had a major procurement of their own which needed to be
3 satisfied first, but I didn't get drawn into any of
4 the -- to resolve any problems in that area, because
5 there weren't any, at least not any that were brought to
6 my attention. I can't give an absolute answer.

7 I mean, if it had been a problem somebody would have
8 come to me and said -- chiefs of staff aren't backwards
9 in coming forwards. If they think something is not
10 right in procurement then they let you know.

11 SIR MARTIN GILBERT: This is not, of course, the Inquiry
12 into examining defence equipment provision in the round.
13 No doubt this is something you have had to discuss -- we
14 know you have had to discuss it before other committees
15 many times in your career. However, we are examining
16 matters which are relevant to the supply of equipment to
17 UK forces in Iraq and we will shortly move on to some
18 specific equipment areas, but can you give us some
19 examples now of projects which were started following
20 the invasion of Iraq which have been important to
21 operations there and have been delivered for use during
22 the campaign but not as UORs?

23 SIR PETER SPENCER: I mean, Mastiff is the obvious example,
24 but there were some projects for which aspirational
25 dates were set before any form of proper project

1 programme had been put together. I think this is the
2 source of quite a lot of confusion and in some cases the
3 frustration which has been expressed to this committee,
4 because dates which are quoted as in-service dates
5 I simply just would not accept, because an in-service
6 date -- and the MoD was very clear on this in its Smart
7 Acquisition reforms, is the date you set when you go
8 through what is termed the Main Gate approval decision.
9 That's the point at which you should have de-risked the
10 investment and have a much better understanding of what
11 the time is going to be and what the cost is going to
12 be.

13 So anything which was not approved by 2003 which
14 involved anything other than off the shelf purchase was
15 always going to be something which lay well beyond the
16 sort of dates we are talking about in Iraq, apart from I
17 guess the fifth C-17 heavy lift aircraft, which is
18 a good example.

19 SIR MARTIN GILBERT: Were there any problems in motivating
20 your project teams with regard to delivery of items
21 which weren't UORs?

22 SIR PETER SPENCER: No. They were great. They loved it.
23 They weren't all as good as I would have wanted them to
24 be, but project management really gets to people and,
25 you know, they live, eat, dream and breathe it. It was

1 great. It was a good place to work. I enjoyed it.

2 SIR MARTIN GILBERT: So in terms of the necessary skills of
3 capacity to deliver the UORs, the DPA was -- was it
4 totally mastering it?

5 SIR PETER SPENCER: It felt good about what it achieved and
6 it felt good about what other people said it achieved
7 because nothing is more convincing than somebody else
8 marking your homework.

9 SIR MARTIN GILBERT: The Grey review noted that sooner or
10 later what they called the extraordinary would have to
11 give way to business as usual. What had been the
12 barriers to delivering more equipment to Iraq through
13 the regular equipment process?

14 SIR PETER SPENCER: Well, there were no major equipments
15 that I can think of, but I would be grateful for
16 a prompt from you if you have something in mind, which
17 were due to be delivered during the period 2003-2007
18 which the armed forces were waiting for. There were
19 a couple of equipments whose in-service dates had
20 already been put back before the Iraq operation because
21 of problems that had occurred, and they were legacy
22 projects which as a generality had not been properly
23 de-risked before making the major investment decision,
24 and we lived with the inevitable consequences and we
25 still do.

1 SIR MARTIN GILBERT: Were there lessons which you learned
2 from the UOR delivery that were able to apply to your
3 regular equipment programme delivery?

4 SIR PETER SPENCER: Yes, and they are not new lessons
5 either. First of all is that ideally you go for
6 something which is already mostly developed as opposed
7 to a complete blank sheet of paper.

8 Secondly, you go for incremental acquisition so that
9 you build a bit, test a bit, and you buy stuff which has
10 design margins both physical and functional so that you
11 can adapt in the light of unfolding operational
12 circumstances as opposed to trying to see the future.

13 Thirdly, it is fundamental that you involve the
14 front end user right from the very outset so you do
15 procurement with him or her as opposed to him or her.

16 SIR JOHN CHILCOT: We have a little way to go in this
17 session, so I think we will take a break now for ten
18 minutes and come back at 4.30. Thank you.

19 (3.20 pm)

20 (A short break)

21 (4.30 pm)

22 SIR JOHN CHILCOT: We resume for the final part of the
23 afternoon. I will turn to Baroness Prashar. Usha, over
24 to you.

25 BARONESS PRASHAR: Thank you very much. Can we move on to

1 a different subject. You have already mentioned it but
2 it is part of Afghanistan. Because you were a member of
the
3 Defence Management Board in 2005, when the decision was
4 taken to reduce UK's military contribution to defence in
5 Afghanistan, what advice did you provide to the board
6 and ministers on the ability of the Defence Procurement
7 Agency to support two simultaneous operations.

8 SIR PETER SPENCER: I don't recall any occasion when that
9 was a topic of conversation. It was assumed that we
10 would be able to support those operations and we did.

11 BARONESS PRASHAR: So there was no discussion at board
12 level?

13 SIR PETER SPENCER: Well, there were general discussions
14 about the ability of the MoD as a whole to conduct the
15 Afghanistan operation alongside everything else that was
16 going on and as a member of the Defence Management Board
17 I was present when those discussions took place and
18 would have contributed in a relatively minor way,
19 because clearly the key issues were operational
20 capability and the ability to provide the logistic
21 support.

22 In terms of new procurements there were no specific
23 requirements placed on the DPA in support of the new
24 operations in Afghanistan, but we had already
25 demonstrated our ability to respond to the requirements

1 to provide UORs and we continued to do so.

2 BARONESS PRASHAR: When the decision was taken to uplift the
3 UK's military commitment to Afghanistan, was there any
4 initial surge on UORs that you were having now to
5 deliver on top of those for Iraq?

6

7 SIR PETER SPENCER: The numbers went up. They just about
8 doubled for that year, but that was something which the
9 organisation took in its stride.

10 BARONESS PRASHAR: Did you have to take any steps to ensure
11 that there were enough resources, both human and
12 financial, to support the procurement?

13 SIR PETER SPENCER: The finances we needed were operating
14 costs for the teams. So that wasn't an issue. The
15 money for the UOR came from the Treasury in the normal
16 way for the UORs. So that was not a constraint.

17 BARONESS PRASHAR: Looking at it, you had been in charge of
18 the DPA for just over two years when the decision to go
19 into Afghanistan was taken. Were you able to apply any
20 useful lessons on your experience of deploying UORs for
21 Iraq at the outset of that operation?

22 SIR PETER SPENCER: I think there had been a continuous
23 process of learning lessons at the project level. There
24 wasn't an agency-wide initiative that needed to be put
25 into place, and we continued to have one member of the

1 board, a two star general, who took a very close
2 interest in this.

3 So in terms of the way those lessons on being learned
4 at the sort of low tactical level were concerned, that's
5 what he was doing and very successfully.

6 BARONESS PRASHAR: Did the volume of UORs for Afghanistan
7 begin to outstrip those for Iraq during your tenure?

8 SIR PETER SPENCER: I really couldn't give you an answer.

9 BARONESS PRASHAR: Can you tell me how you prioritised
10 between the two operations?

11 SIR PETER SPENCER: We didn't need to prioritise because the
12 business came down into the project teams and we
13 responded to the priorities that were set by the
14 military.

15 BARONESS PRASHAR: Okay.

16 Can I now move on to the formation of the defence
17 equipment and support issues? The Defence Procurement
18 Agency and the Defence Logistics Organisation merged on
19 1st April 2007.

20 SIR PETER SPENCER: That's right.

21 BARONESS PRASHAR: And that created a defence equipment and
22 support agency?

23 SIR PETER SPENCER: Not an agency. It created Defence
24 Equipment and Support.

25 BARONESS PRASHAR: Support. I see. Now did such a change

1 at a period of high operational activity affect the
2 ability to procure equipment for Iraq as and when it was
3 needed?

4 SIR PETER SPENCER: No, it didn't, and others have commented
5 on this, including Bernard Grey, that it went remarkably
6 smoothly, and that was because the way in which we
7 approached it was to so far as possible leave the
8 integrated project teams undisturbed and to design the
9 overall sort of future structure and organisation in
10 such a way that as they got absorbed into it it didn't
11 get into the way of what they were trying to do.

12 BARONESS PRASHAR: So it was a merger at the top but the
13 operational teams were left as they were?

14 SIR PETER SPENCER: They were left as they were initially
15 and then as different stages of the implementation were
16 rolled out -- and this post-dates my time, but the plan
17 was, and I think it was followed through, to determine
18 just how projects were going to come together in
19 a different way.

20 For example, there were requirements to relocate
21 projects from East Anglia and from Andover. Clearly we
22 didn't want to disturb projects at a time when they were
23 heavily involved in supporting operations or heavily
24 involved in difficult procurement, but the relocation
25 took place steadily over time, and it -- I mean, the

1 whole of Defence Equipment and Support built upon
2 an initiative that Kevin O'Donoghue and I had already
3 taken under an initiative called Joint Working. So we
4 had already formed a common joint organisation to
5 provide technology and technological advice. We had
6 already formed a joint organisation for handling
7 personnel matters.

8 The whole way in which projects go through a long
9 life cycle and then get refreshed led towards the view
10 that through life capability management meant through
11 life projects really, and that the division between the
12 DPA and Defence Logistics Organisation had consequences
13 which needed to be managed quite carefully, and that
14 DE&S would take away some of the problems that had
15 emerged from that.

16 For example, if a project reached maturity in the
17 Defence Procurement Agency, it then needed to relocate
18 to the part of Defence Logistics Organisation which
19 looked after it. Persuading a project to move from
20 Bristol to East Anglia was actually quite difficult.
21 Lots of people didn't want to go and didn't have to go.
22 So there were some real practical difficulties in all of
23 this which just got in the way, and you would lose key
24 skills at quite important stages. So I felt very
25 comfortable with DE&S. I thought it was the sensible

1 thing to do. It was hugely ambitious and, as Grey
2 pointed out, setting up the Defence Procurement Agency
3 and the Defence Logistics Organisation ten years ago
4 were themselves very ambitious big changes.

5 The pity of it is huge amounts of benefit have
6 accrued but they have been blighted by the problems
7 relating to getting on top of the major problem, which
8 is managing these very big, ambitious projects in a much
9 more responsible way.

10 BARONESS PRASHAR: So what you are telling me, you dealt
11 with the practical difficulties without really affecting
12 the delivery capability?

13

14 SIR PETER SPENCER: That is correct. I am sorry I gave such
15 a long answer.

16 SIR JOHN CHILCOT: Thank you. I am turn to
17 Sir Lawrence Freedman.

18 SIR LAWRENCE FREEDMAN: I would like to talk about protected
19 patrol vehicles. You have already alluded to some
20 of the issues here.

21 When you became CDP what was the procurement
22 strategy then for PPVs?

23 SIR PETER SPENCER: For PPVs which were in-service such as
24 they were with the DLO and we had -- the major interest
25 so far as support to Iraq was concerned were providing

1 counter-measures to vehicles to add to the protection.
2 There was a small project whose name I really can't
3 remember, but it was quite a small number of vehicles
4 which came into service about two or three years into my
5 time, but the major programme was a brand new fleet of
6 armoured fighting vehicles which were still at that
7 stage being looked at in terms of precisely what the
8 requirement was and rejoiced in the acronym FRES.

9 SIR LAWRENCE FREEDMAN: FRES?

10 SIR PETER SPENCER: Correct.

11 SIR LAWRENCE FREEDMAN: How did FRES fit in? Was this
12 related to PPVs or was it for a sort of different sort
13 of role?

14 SIR PETER SPENCER: FRES was a hugely ambitious programme
15 which was never going to be delivered in this decade.
16 It effectively replaced all of, other than the top end
17 of the armoured spectrum of tanks and Warriors, what the
18 army uses to protect its people, and had very ambitious
19 requirements for Command and Control and communications.
20 It needed to be a family of vehicles which had logistic
21 commonality to save on through life costs. Great idea.
22 There were very difficult requirements stated for
23 mobility and protection and weight. These are
24 traditional over the centuries in many fighting
25 platforms in any of the three services. Pushing the

1 boundaries of the possible.

2 So there was a lot of frustration vented about the
3 ability to provide something instantly, to which my
4 answer was and remains: if the army could locate the
5 shop where this was being sold and state its requirement
6 to match what was being sold and give me the money,
7 I would have bought the next day. So there was a lot of
8 frustration.

9 SIR LAWRENCE FREEDMAN: I mean, without going more deeply
10 into FRES, this seems to be one of the prime examples of
11 the general problem you were talking about before of
12 very large and ambitious programmes that ate up time and
13 resources.

14 SIR PETER SPENCER: The most successful procurements are
15 very often ones where we have bought something which has
16 either been available off the shelf or is a variation of
17 what's on the shelf. That's not always possible, but
18 those projects you need to be very selective and define
19 the requirements and test them and sort out the risks
20 and be prepared to trade performance, time and cost and,
21 in particular, be prepared to settle for a partial
22 solution, 80 per cent or whatever initially, and then
23 incrementally add to it, because the -- you are the
24 historian, not me -- history of warfare is that in the
25 main most major platforms have not been used for the

1 purposes for which they were originally procured. So
2 adaptability and flexibility has to be built into the
3 design from the outset.

4 SIR LAWRENCE FREEDMAN: That indicates the extent to which
5 you were dependent in many ways on the requirements that
6 are handed down to you in the procurement process?

7 SIR PETER SPENCER: Yes. Where I had a difference of
8 opinion, a fairly major one, with a number of team
9 leaders was their willingness to accept requirements
10 which in my view were actually irresponsible, and that
11 they had a duty to push back on that but without
12 antagonising the military customer. This required a lot
13 of skill terms of personal relationships, but the very
14 best projects had a very good relationship between the
15 IPT leader and the military customer, iterating round
16 the art of the possible and homing in on something which
17 was sensible to go for and then would form the basis of
18 building further capability in the future.

19 SIR LAWRENCE FREEDMAN: But you wouldn't put FRES into that
20 category?

21 SIR PETER SPENCER: FRES was a good example of Smart
22 Acquisition in as much as an unwise proposition was
23 killed off, and McKinsey's proposition originally
24 assumed many more projects would be started than would
25 be finished and that there would be a decisive sort of

1 process by which the no-hopers were quietly put down.

2 Where FRES does not match Smart Acquisition
3 principles is it took six years to make the decision,
4 and one of the other principles of Smart Acquisition was
5 streamlining the decision-making processes of
6 procurement. But it is a good example, and I don't mean
7 to poke fun at those that were setting the requirements,
8 how hard it is for the military sponsor to trade away
9 requirements when they believe that they do need
10 something which is going to be quite special and if they
11 settle for less then they will never get what's
12 ultimately required, and a misplaced sense of mistrust
13 in the system being able to fund capability in tranches.
14 In other words, I would rather have it all today than
15 run the risk of only having half today and not being
16 able to build on it in the future.

17 SIR LAWRENCE FREEDMAN: Which of course carries of risk of
18 not getting anything at all?

19 SIR PETER SPENCER: It carries the risk of settling for
20 something which is probably going to be okay. The old
21 adage "the best is the enemy of the good" is spot on
22 here. In most cases the good is good enough,
23 particularly if you have purchased something which is
24 capable of being further developed.

25 There are occasions when only the best will do in

1 certain, very discrete areas, notably in certain special
2 forces equipments and certain areas of air safety and
3 nuclear safety, but you need to be very selective when
4 you go to the highest ones, because it costs you a lot
5 of money.

6 SIR LAWRENCE FREEDMAN: Let's get back to the PPVs. How did
7 the PPV strategy develop? You have indicated you could
8 not buy anything off the shelf, so how did the PPV
9 strategy develop?

10 SIR PETER SPENCER: The PPV strategy developed because quite
11 rightly Lord Drayson as Minister of Defence Procurement
12 was concerned by the difficulty in moving forward in
13 producing vehicles which were clearly desperately
14 needed. He became the catalyst to get a set of
15 requirements agreed to provide early vehicles which
16 would provide a better degree of protection than what
17 was available whilst laying the foundations for a longer
18 term strategy to meet the requirements of the army in
19 timescales beyond this decade.

20 SIR LAWRENCE FREEDMAN: Is this unusual that it needs
21 a minister to sort of galvanise the system in this way?

22 SIR PETER SPENCER: I think it's a -- it's a leadership
23 issue for the top of the shop in defence. I had great
24 admiration for what Drayson did. He understood
25 industries. He won the confidence of the commanders in

1 chief and he felt that matters had dragged on for so
2 long that they needed to be brought to a head.
3 I thought it was a good example of a minister rolling
4 his sleeves up and making something happen.

5 There are questions clearly as to whether or not
6 this sort of approach should be taken at an earlier
7 stage by other people in defence who are overseeing the
8 requirement.

9 SIR LAWRENCE FREEDMAN: Presumably it was discussed in the
10 defence board prior to this point. The issue was live
11 in the public concern?

12 SIR PETER SPENCER: Yes, it was.

13 SIR LAWRENCE FREEDMAN: But it didn't move forward. Is that
14 a comment on the ability of the defence board to take
15 these issues forward?

16 SIR PETER SPENCER: I think -- I hope it changes, but I am
17 only saying what I am on record as having said before.
18 If you are not passionate about succeeding in business,
19 as passionate about succeeding in the business of
20 defence as you are in the warfare, in other words if you
21 are not as passionate in the business space as you are
22 in the battle space, then you are not going to succeed.

23 It is very clear that there was no point in simply,
24 for the sake of a quiet life, going ahead and pretending
25 we could buy a FRES. If we had invested in FRES it

1 would have yet another catastrophic monumental
2 procurement failure. Of that I am absolutely certain.

3 What was needed was the leadership to define what
4 did need to be purchased and to go out and do it. That
5 leadership on this occasion came from Drayson and,
6 I mean, just to be fair, he will have consulted senior
7 members of the army at the same time. So I am not
8 saying that the army did not -- did not get engaged in
9 this, but -- I mean, I have noticed a question raised on
10 FRES about what -- or a point made by one of the
11 previous witnesses about it being a fiasco. It depends
12 where you actually put the boundaries of procurement.
13 If you put it from the very beginnings of an operational
14 concept to the final phasing out of service life, then
15 these things do have to be gripped, but the Defence
16 Procurement Agency played its role in informing about
17 the art of the possible. It took longer than one might
18 have wished then to break that out into a series of
19 smaller programmes as gap fillers because of the sort of
20 concerns that people had about the availability of money
21 then being left over to fund the main programme, and it
22 all goes back to whether or not your total ambition for
23 equipment procurement in defence is realistic in the
24 light of what it is actually going to cost you as
25 opposed to what you would like it to cost you.

1 SIR LAWRENCE FREEDMAN: That's very interesting. If we just
2 sort of stick with this issue and why it takes the time
3 it takes, I think, as you said some time before the
4 break, one of the issues with PPVs is the development of
5 the improvised explosive device threat, the IED threat.
6 Now there is a lot of analysis being done of the
7 development of this threat even before it became
8 critical. Other countries were starting to deal with
9 it. It goes back to this issue of who monitors what's
10 going on, if you like internationally in the market
11 place, to see how other countries were responding to
12 this issue and whether that can feed back into ideas for
13 how the UK can respond.

14 SIR PETER SPENCER: Yes, it does. People were well aware of
15 what was going on elsewhere, they were well aware of
16 what the Americans had. One of the options was to
17 purchase an American vehicle. It was also the case that
18 the army or the UK had been involved in two major
19 armoured fighting vehicle projects which it had decided
20 to withdraw from. One of them was Tracer, which was the
21 Americans. The other was Boxer with the Germans and the
22 Dutch. On each occasion when it came to it, despite
23 having put quite a lot of money into development, it was
24 decided what was being produced was not going to meet
25 the army's requirements.

1 I am sympathetic to the position of the army because
2 operational circumstances were evolving so rapidly and,
3 in terms of the way the equipment performed during the
4 early part of 2003, in the main it worked very well, as
5 you have heard, but from there on after the sort of
6 equipment which was not available fell well short of
7 what was needed to provide the right degree of
8 protection to our soldiers. That was when it became
9 difficult because it needed a decision made as to what
10 it was that was going to be purchased. There was not
11 going to be time to develop something from scratch.

12 SIR LAWRENCE FREEDMAN: There is a lot of different strands
13 then coming together. The review of armoured vehicles
14 announced by Des Browne in 2006 presumably was dealing
15 with FRES but these other issues as well. I mean,
16 I know FRES is not necessarily the way you would have
17 dealt with Snatch Landrovers. It was a different sort
18 of level. Do you think the interaction of these two
19 issues was unhelpful, that the FRES issue made it harder
20 to deal with the PPV issue?

21 SIR PETER SPENCER: I think the difficulty became in the
22 amounts of money which were available and if you were
23 going to use money from the Capital Equipment Programme
24 to deal with the short term as opposed to UOR action,
25 then that had a fratricidal effect on your ability to

1 move the FRES programme forward. So the programmers had
2 some quite awkward decisions to make so far as the
3 priorities were concerned. Our job was to inform that
4 decision-making process as best we could by our
5 understanding of what was available and what the prices
6 would be.

7 SIR LAWRENCE FREEDMAN: So it was actually the ability to
8 deal with PPVs through the UOR process, which I think
9 was how it was dealt with eventually, relieved some of
10 the concern that you were going to lose out on the core
11 defence programme?

12 SIR PETER SPENCER: I really cannot give you a definitive
13 view on that, because things moved on after I left and
14 some of this was still being sorted out, but certainly
15 I was conscious we had made a move to unblock some of
16 the thinking which seemed to have got stuck a bit in
17 2004/2005.

18 SIR LAWRENCE FREEDMAN: Thank you.

19 SIR JOHN CHILCOT: I think we need to move on to a different
20 procurement category. Rod?

21 SIR RODERIC LYNE: Inevitably when we get into IEDs and the
22 problem of PPVs we start thinking helicopters in the
23 Iraq context.

24 Perhaps we can start with -- the commanders
25 obviously wanted more for reasons that don't need

1 stating but we have heard from several of them. There
2 were these eight Chinook Mk 3s which had been ordered in
3 1995, years before you ever became Chief of Defence
4 Procurement famously sitting in hangars because there
5 were problems with their software. What were you able
6 to do about this?

7 SIR PETER SPENCER: I became aware of this about four months
8 after I had taken over. It was a curious procurement in
9 as much as the project team sat in the Defence Logistics
10 Organisation but were accountable to the Chief of
11 Defence Procurement for the new acquisition of these
12 aircraft. It is a pointer towards the weakness of
13 governance that I referred to earlier and which we
14 strengthened that this didn't immediately spring out of
15 the information system about how we were doing.

16 So I had one of those "Oh [something]" moments when
17 this suddenly emerged.

18 The first thing I did was really to baseline the
19 problem, which was really to understand how something
20 could get to be as bad as this, not in terms of wanting
21 to sort of hunt down and pursue the guilty, although
22 there is an element of learning lessons and making sure
23 those involved learn them, but also where we were going
24 to go from here.

25 I then spent a fair amount of personal time talking

1 with the Boeing chief executive about what the options
2 were for moving forward from here in terms of whether or
3 not it was possible to produce something for within the
4 money which we could make available to deliver against
5 the original requirement.

6 Part of the problem with the original requirement
7 was it was actually impossible. I mean, there were 100
8 essential requirements. I read all of them. One of
9 them said to give protection against any missile coming
10 from any direction. So you have some difficulty
11 reconciling yourself to the fact that an individual who
12 was doing project management actually signed up to this.
13 You know, that's quite interesting.

14 In mitigation I do know, and this just makes it even
15 more painful, this was a small project team who were
16 overwhelmed at the time with the results of the dreadful
17 accident in the Mull of Kintyre, which involved
18 a different version of Chinook, in which some really
19 fundamental questions were being asked about aircraft
20 safety.

21 Of course, this then reinforced in the minds of the
22 project team and everybody involved with air safety that
23 airworthiness certification to service for this aircraft
24 needed to be dealt with and none of this had been taken
25 into account when the aircraft were first placed on

1 contract. So the sort of information which was going to
2 be necessary in order ever to be able to certify them
3 for safety was just not available.

4 We were then involved in trying to dig our way out
5 of quite a difficult contractual position with a company
6 that themselves were extremely busy producing Chinooks
7 for the American armed forces and for whom this was
8 quite a small piece of business, but they were concerned
9 about their reputation, which was about the only lever
10 I had really, and I did my best to see to what extent we
11 could produce a sensible programme in which we were
12 confident we could deliver against a revised date and
13 a revised cost, a level of capability which was needed.
14 As you are aware, these were -- the reason why these
15 were different aircraft is they were for Special Forces
16 and there were some things which they did need to be
17 able to do.

18 That was still in play when I left and subsequently
19 the Ministry decided that there was no basis for wanting
20 to go forward to deliver the original spec and decided
21 to go back to turning them into what is as close as
22 possible the original aircraft, although some of the
23 structure is different. They have bigger fuel tanks and
24 so on.

25 SIR RODERIC LYNE: So we ended up with another platform

1 being used not for the purpose for which it had been
2 originally intended, although through a rather
3 circuitous route, and they became bog standard Chinooks
4 rather than the singing, dancing ones that finally got
5 into service.

6 SIR PETER SPENCER: But it is a good example to two things.
7 One is: how did this get through the loop, get through
8 the net, even back in 1995? The clue is in the amount
9 of money which was involved, which was 250 million. So
10 it is what we called a category C project I think. My
11 memory may have failed me. The approval levels were
12 really quite junior, the sort of one star brigadier
13 civil servant equivalent.

14 So at that stage although the scrutiny process
15 should have been brought to bear, it almost certainly
16 wasn't with the same degree of rigour as a bigger
17 programme would have done.

18 Secondly, there was -- it is always hard to imagine
19 why people think you would be able cost effectively to
20 buy a bespoke requirement for very small production run.
21 You don't need to do the numbers. Intuitively you know
22 it doesn't make sense.

23 Lessons learned from this. I got heavied up on, as
24 Chief of Defence Procurement, to agree that one of the
25 maritime support helicopters should be a marinised

1 version of Chinook. I just simply refused the issue.
2 I didn't need to look at it. I just knew -- I didn't
3 care what the company said. I just knew the amount of
4 aircraft you would have to replace to be able to operate
5 it in a maritime environment just did not make sense.

6 So there are cases where there was pushback, but not
7 generally ones which are recorded, because what you
8 record are the decisions that you went ahead with and
9 the consequences. It is also the case there are lots of
10 very successful procurements, believe it or not, but you
11 struggle to believe that, because the story is much more
12 interesting when it goes wrong. This was an example of
13 a profoundly inept piece of procurement which we like to
14 believe would never happen today.

15 One of the reasons why it shouldn't happen today is
16 because a key parameter which you will measure is the
17 amount of resource which is expended in advance of
18 making a decision to procure at Main Gate as a
19 percentage of your overall estimate. If you are
20 spending down half a per cent and 1 per cent there is
21 a strong correlation with disaster unless you are buying
22 off the shelf. If you are up between 6, 10,
23 15 per cent, depending on the technical complexity, in
24 the main you have a rather higher probability of
25 a better outcome. There are a lot of examples which the

1 NAO have independently recorded of the correlation
2 between the amount of effort spent de-risking in advance
3 of making the main decision to procure and the eventual
4 outcomes.

5 SIR RODERIC LYNE: That is fascinating, fairly horrifying
6 and also, to a degree, a story in its own right, and
7 I shouldn't pursue it further because our focus is
8 obviously on, of which this is a part, the shortfall of
9 helicopters in Iraq.

10 The NAO estimated in 2004 that there was a shortfall
11 of 38 per cent, a figure you are well aware of.

12 Were there any other things you were able to do
13 given the Iraq operation was lasting much longer than
14 had been expected, and then we had the uplift in
15 Afghanistan coming over the horizon the following year,
16 to get more helicopters of different types into service?

17 SIR PETER SPENCER: There were quite a lot of ideas which
18 got discussed with military about what instant
19 procurements might be available, but one of the issues
20 of course if you introduce a new class of helicopter
21 into service, it comes with an enormous through life
22 build, so these were not simple questions to answer. In
23 the main you don't do helicopters as UORs. So you need
24 to be making a sort of fairly considered investment
25 decision. I mean, I know the Ministry of Defence has

1 subsequently resolved some of these issues, but my job
2 really was just feeding back the sort of example I said
3 just now, which is, you know, if you are going to go
4 down this route, superficially it might look good but
5 just think what the real amount of work involved is
6 going to be and the risk. It was not trying to be
7 unhelpful. It was really to try to coax people into
8 buying stuff which was readily available and
9 subsequently the Ministry of Defence has gone back to
10 get more Chinooks, which is a tried and trusted project
11 and for which the degree of procurement risk is clearly
12 much lower than getting involved in developing a new
13 aeroplane.

14 SIR RODERIC LYNE: Am I right in thinking, and I am not
15 a helicopter expert, it also has more Merlins, which is
16 not the same as a Chinook, but can do some of the same
17 jobs, albeit slightly smaller?

18 SIR PETER SPENCER: Yes.

19 SIR RODERIC LYNE: So there were sort of multiple answers to
20 the question. As the need increased, one had to look
21 round and see what you could do within the time-frame.

22

23 SIR PETER SPENCER: Part of the challenge was the extremes
24 of operating condition in heat and altitude where lift
25 is a factor and has a huge impact on pay load and upon

1 the duration of a mission which you can fly, and some of
2 the helicopters which were in the inventory which had
3 been purchased against Cold War assumptions just simply
4 weren't man enough for the job.

5 SIR RODERIC LYNE: So in terms of both our quantity of
6 helicopters and the specific capabilities of the
7 helicopters we had, in doing this operation in Iraq let
8 alone Afghanistan, very different conditions to the ones
9 we anticipated in the Cold War, we were really pushing
10 right against the sides of our capability envelope.
11 Would that be right?

12 SIR PETER SPENCER: It depends really what view you take on
13 this, because there was a Defence Management Board
14 discussion on this during my time. It was probably
15 2004, but I am not precise, when this question came up
16 as to the extent to which the answer to the question was
17 more helicopters, or better ways of using existing
18 helicopters to get more flying hours out. It was not my
19 area of personal expertise but it did to some extent get
20 adopted, and I think you heard from Kevin O'Donoghue
21 that there are some perfectly respectable ways of
22 getting more out of a limited number of frames so long
23 as you then recognise the fact that it is going to cost
24 you a lot of money because you will be using up spares,
25 life spares and fuel at a much faster rate than you had

1 originally bargained for.

2 So that was part of the answer. The other part of
3 the answer is really operational, which is the question
4 as to a commander's judgment in theatre as to how much
5 lift capability he needs, and I was interested to see
6 one of your witnesses had pointed out that actually what
7 he wanted was more attack helicopters as opposed to more
8 lift helicopters.

9 I only mention this because they are very complex
10 questions and the dominant factor in making the decision
11 must be primarily a military one in terms of what the
12 military requirement is. The role of the logistics
13 organisation and the DPA as was, now DE&S, is to give as
14 responsible and accurate advice as possible on the
15 financial consequences of that.

16 SIR RODERIC LYNE: Final question on helicopters. Did the
17 billion pounds the Treasury clawed back in 2004 as
18 a result of an animated discussion about resource
19 account budgeting with the MoD affect the number of
20 helicopters that we had in Iraq up to the time the
21 withdrawal took place a year ago?

22 SIR PETER SPENCER: I can't give an answer on that, because
23 I was not involved in supporting those helicopters. All
24 I can say is that some of the behaviour to which the
25 Treasury objected I and my team decided we were not

1 going to do inside the DPA. So whether or not you take
2 sides over the Treasury clawing back I think is actually
3 quite a fundamental question and there is the whole
4 business of how the accounting rules work and how they
5 were intended to work.

6 SIR RODERIC LYNE: One of the consequences of the claw-back
7 we were told by an earlier witness was that a lot of
8 money was chopped off the helicopter procurement
9 programme and, if that had continued, more helicopters
10 would have come into service, albeit not necessarily in
11 time, given this was already 2004, to be flying in Iraq
12 in 2008/9.

13 SIR PETER SPENCER: The department has to make up its own
14 mind as to what the priorities are. If the Treasury
15 makes a settlement of certain level then the Ministry of
16 Defence within those resource limits needs to determine
17 how it wishes to spend the money. The Treasury didn't
18 say, "You can't buy helicopters". The Treasury said,
19 "Here is your sum of money". So those are key questions
20 to tax the whole of the top leadership and defence as to
21 where those priorities lie. Some of the thinking
22 I referred to earlier was in order to get other
23 helicopter hours there were ways to do it over and above
24 buying helicopters. Clearly having enough money to buy
25 helicopters would have been extremely useful, but the

1 Ministry of Defence decided to spend its capital
2 programme elsewhere. Goes back to the fundamental issue
3 at the heart of all this, which is being more realistic
4 about what money would actually buy you and to just
5 accept that you can't have every toy in the shop.

6 SIR RODERIC LYNE: Thank you.

7 SIR JOHN CHILCOT: I think turning to the last set of
8 questions, I am asking Lawrence Freedman to pick it up.

9 SIR LAWRENCE FREEDMAN: Yes, this is ISTAR. Jock Stirrup
10 told us in 2002 that MoD made a conscious effort to
11 shift more resources. I think he said about 15 per cent
12 more, into the procurement of ISTAR assets. So
13 presumably this was set when you came in as CDP. What
14 was the position then in terms of what you were
15 expecting to be able to deliver?

16 SIR PETER SPENCER: Well, we were expecting to deliver
17 against some fairly big approved requirements, and the
18 biggest which came up quite early in my time was
19 Skynet 5, which was a major satellite communication
20 capability, which has been extremely successful. It
21 came into service on time and the latest forecast of
22 cost is that it is coming in below the budget which was
23 forecast. I take no credit for that. I mean, it was
24 set up by my predecessor with great skill and the
25 project team worked really hard, because it is a PFI of

1 some complexity and considerable risk relating to
2 whether or not satellites being launched did not
3 actually succeed in being deployed.

4 The other areas which were quite big clearly related
5 to Bowman, which is a big communications capability, and
6 then there were a whole family of projects making us
7 more interoperable with the Americans in particular with
8 systems called JTID and Link 16.

9 Then there was a whole question of how we would
10 improve on the ability to provide continuous
11 surveillance through UAVs and that was an issue which
12 was the subject of quite a lot of discussion as to the
13 best way forward on that.

14 SIR LAWRENCE FREEDMAN: I wanted to look at the UAVs in
15 a bit of detail.

16 Just a sort of more general point, given the
17 emphasis on ISTAR network enabled capability in the new
18 chapter of this defence review, do you think there was
19 sufficient funding given to this, given the ambitions
20 that were developing in this area?

21 SIR PETER SPENCER: I think ISTAR is a classic example of
22 incremental. I think anybody with a complex, even at
23 the level of a single system complex Command and Control
24 system has tried to envisage a big bang project which
25 will deliver everything you need will get it wrong,

1 because the time it takes to develop will be such that
2 during that period all of your assumptions would have
3 been tested and some will have changed.

4 So I think the key issue there was for the military
5 to determine the -- to get the right architectures in
6 place, particularly relating to interoperability with
7 key allies and interoperability between the three
8 services. They put some really good people in place who
9 concentrated on it quite hard, but it is a very
10 difficult set of questions and there are quite a lot of
11 self-appointed experts who always tell you it could have
12 been done differently.

13 So in the main I thought that in terms of setting
14 out what they wanted I thought they went about it quite
15 well. Where I think it tests the Ministry of Defence is
16 it is easy to get people to sign up to the importance of
17 ISTAR until they are invited to cancel a major platform
18 project to pay for it. So if you would ask each of the
19 three chiefs of the general staff what their top project
20 was I very much doubt they would have said ISTAR. They
21 would have been more worried about some of the big,
22 expensive very capable major platform projects, because
23 they define their service in a way.

24 That said, Jock Stirrup is very able guy who I know
25 quite well, and I think from -- and he was the DCDS

1 equipment capability when I first took over. So we did
2 have a bit of an overlap and I am absolutely convinced
3 he understood the importance at the time and he was
4 putting in place the right people and the right
5 priorities for expenditure to deliver it.

6 SIR LAWRENCE FREEDMAN: If I am reading what you are saying
7 correctly in terms of the lesson to be drawn from that,
8 it is the quality of the overall defence view as against
9 single service views when it comes to setting
10 requirements. There are some things --

11 SIR PETER SPENCER: Absolutely. It creates a context in
12 which the three services operate.

13 SIR LAWRENCE FREEDMAN: If we move on to UAVs, the MoD's
14 Lessons for the Future paper in 2003 noted that they
15 offered "versatile capabilities as both surveillance and
16 reconnaissance defensive platforms and demonstrated that
17 they will play a key role in a future joint battle", and
18 Phoenix, the only UAV deployed for the invasion of Iraq,
19 was highlighted by commanders as a battle-winning
20 capability.

21 Within the overall ISTAR plan then what were -- what
22 was the role of the UAVs?

23 SIR PETER SPENCER: Well, I mean, UAVs were a primary
24 enabler for ISTAR -- intelligence, surveillance, target
25 acquisition, reconnaissance -- because they could be

1 fielded fairly discretely. They were difficult to see.
2 They can be persistent, and, of course, they help you
3 with limitations of line of sight in mountainous
4 terrain.

5 It was interesting that Phoenix, which had been
6 developed for a totally different purpose -- a good
7 example -- it was originally an artillery-spotting
8 device -- out-performed against expectation, although it
9 had major problems with reliability. You know, a lot of
10 them got lost and fell out of the sky, but, I mean, that
11 was known about as a limitation before the Iraq
12 operation.

13 Inevitably there was huge enthusiasm for more of
14 this. Some of it gets provided by coalition partners,
15 as you have heard. Some of it got provided by UORs, and
16 Desert Hawk is a small UAV which got purchased, but the
17 big money was riding on a project called Watchkeeper,
18 and the difficulty with Watchkeeper was it became very
19 political.

20 So a Minister DP who I accompanied to a House of
21 Commons Defence Committee hearing got himself in
22 a position where he called an in-service date on
23 Watchkeeper under political pressure before we had
24 really understood what the Watchkeeper requirement was
25 going to be, and I am afraid I just did not take

1 ownership at that date, because we still had some really
2 big questions to bottom out as to what the Services
3 needed Watchkeeper to deliver, and as you well
4 understand, the UAV bit, the platform bit, is only
5 one-third of the solution. There is the whole question
6 of with which communications is this vehicle going to be
7 able to be interoperable? Then there is the whole
8 question of how you control it and what the ground
9 equipment was going to be, and so until we got real
10 clarity on those issues we weren't in a position to be
11 able to go forward.

12 Now I think the Main Gate took place in 2005, the
13 approval. We spent about 7 per cent of the total budget
14 in the assessment phase. The last time I looked at
15 an MPR -- and I don't do defence these days; I do
16 something totally different; so it was only because
17 I was coming here I looked it up -- I looked in the last
18 published major project review it is doing pretty well,
19 on time and on budget. It is a complicated requirement.

20 It is proof we can do this if we do it properly, but
21 I was not popular with the minister, because he wanted
22 to go for the main -- you know, the in-service date he
23 had called.

24 There were occasions when politically the pressure
25 was to meet the date of a Main Gate, which again does

1 not make sense, because all you do is repeat the
2 problems you have had in the past. So you have to be
3 thick-skinned enough to stand up to that pressure
4 politely, but in a way which informs ministers that, you
5 know, a short term gain here is going to lead to a lot
6 of grief later, and the record is littered with examples
7 of that.

8 SIR LAWRENCE FREEDMAN: What you are saying is interesting
9 because we can see the sort of tension between doing it
10 right and the considerable pressures from commanders
11 that they need more. We have heard from a number of
12 GOCs, and especially after Basra became rather difficult
13 and they couldn't move around a lot and the limited
14 situational awareness, that they wanted more ISTAR
15 capability.

16 How were you able to respond to that sort of
17 pressure?

18 SIR PETER SPENCER: Well, there was -- together with the
19 equipment capability leads in London we did respond with
20 an interim solution, Hermes --

21 SIR LAWRENCE FREEDMAN: Hermes 450.

22 SIR PETER SPENCER: -- 450, which was a response to sort of
23 filling in temporarily, but even that, there were pressures.

24 Forgive me. I can't remember whether it was done by UOR
25 or done by conventional procurement, but the concern

1 originally was that were we to go for a gap filler
2 instantly, which was not going to be a UOR, that in
3 itself would delay coming into service the full ISTAR
4 capability which was needed for Watchkeeper.

5 So there were some quite hard decisions which needed
6 to be made in London by the military customer to decide
7 what they want to spend the money on, because they could
8 not have both simultaneously.

9 SIR LAWRENCE FREEDMAN: Time is pressing. Perhaps just to
10 ask if you could draw any more general lessons from this
11 experience of the commanders frustrated by the lack of
12 UAVs, by the lack of ISTAR, and the dependence upon
13 programmes that probably needed to be set in motion some
14 time before if they were going to reach them on time,
15 needed the sort of clarity in requirements that you --

16 SIR PETER SPENCER: For Watchkeeper to have delivered during
17 a period which is relevant to Iraq, it would have to be
18 set in motion well before the Iraq operation, and the
19 money wasn't there to do all of these programmes
20 simultaneously. So that was one of the decisions which
21 was taken.

22 The compelling lesson from all of this is if you
23 want something quickly to work, you go for something
24 which is available apart from anything you might need to
25 do to integrate it to work inside your own organisation,

1 because there will be some aspects of the way we operate
2 UK military forces which will be different, say, from
3 the Americans.

4 SIR LAWRENCE FREEDMAN: Thank you very much.

5 SIR JOHN CHILCOT: We are coming just pretty much to the
6 end. Just for the record to clarify, I should say that
7 we have been -- regarding the helicopter budget decision
8 back in 2004, we have been given evidence that it was
9 the MoD who took £1 billion out of the future helicopter
10 programme as part of a book-balancing measure rather
11 than Treasury claw-back.

12 SIR PETER SPENCER: That was the point I was making.

13 SIR JOHN CHILCOT: Indeed. I just wanted to make that
14 clear.

15 SIR PETER SPENCER: Thank you.

16 SIR JOHN CHILCOT: Thank you. This has been a valuable
17 session. We have heard not a little about lessons for
18 the future out of it.

19 Are there other reflections that you would like to
20 offer before we close?

21 SIR PETER SPENCER: Thank you.

22 First of all -- I mean, some of this will be
23 familiar -- financial realism is absolutely paramount.
24 It is a New Year's resolution that the MoD signs up to
25 most years and does not do. There is a strategic

1 defence review.

2 As well as realism there has to be decisiveness.
3 Decisions have to be taken and then move on, not just
4 a delay, because then project teams will hope that their
5 aspiration will come back into the programme.

6 Thirdly, the DE&S have done a lot of work to improve
7 the professional skills of the organisation,
8 particularly in project management, but it needs to pay
9 just as much attention to developing commercial skills
10 and all of the due diligence skills to take a look at
11 a proposition and to really take it apart.

12 The key test is whether or not people are spending
13 money as if it was their own. I used to say to people,
14 "You are telling me this is a 90 per cent probability.
15 That's a 10 to 1 on bet. So here is my £10. Where is
16 your 100?" That's really what it is telling you. When
17 people do due diligence properly in the commercial
18 sector, they do just that.

19 Finally, if you want to succeed in this business,
20 you have to be absolutely passionate and you have to
21 keep measuring the results. At the end of my four-year
22 stint the NAO, Comptroller and Auditor General, and the
23 House of Commons Defence Committee, and indeed Bernard
24 Grey, commented that we had turned performance around.
25 We were improving.

1 I say that just as a demonstration that it can be
2 done. It will be continuing in the DE&S at the moment,
3 but it just needs to be driven with exactly the same
4 passion, because otherwise huge amounts of money, as
5 Grey has demonstrated so elegantly, do get wasted in the
6 friction.

7 SIR JOHN CHILCOT: Thank you very much.

8 SIR PETER SPENCER: Thank you.

9 SIR JOHN CHILCOT: This has been, as I said, a valuable as
10 well as extremely interesting witness session. So I am
11 grateful to you and to those who have been in the room
12 this afternoon.

13 Closing this session, I report our next hearing will
14 begin tomorrow at 10 o'clock in the morning. We will be
15 hearing from Lieutenant General Sir Robert Fulton and
16 Lieutenant General Andrew Figgures, both of whom were
17 Deputy Chiefs of Defence Staff for Equipment Capability
18 during a large part of the Iraq campaign.

19 Then tomorrow afternoon at 2 o'clock we will be
20 hearing from Hans Blix, the former head of UNMOVIC.

21 With that the session is over. Thank you.

22 (5.25 pm)

23 (The hearing concluded)

24 --oo0oo--

25

