

National Audit Office

Contracting Processes Study
16 November 2005

AGENDA

- Welcome
- Background – Summer 2002
- ENIF Scoping Study
- Extension to ENIF Scoping Study
- NITEworks® Initial Gate Business Case
- The Assessment Phase Contract
- Outputs and VFM
- Conclusions
- Questions

Background

- Exchange of letters between CEO BAES and CDP in October 2002
 - Agreed to progress joint initiative to deliver Experimental Network Integration Facility (ENIF) to help deliver Network Enabled Capability.
 - Agreed to make progress quickly
 - Respective organisations enhanced to facilitate rapid progress.
- Industry engagement
 - BAES partnered with QinetiQ Nov 02 and with MoD agreement EDS, Lockheed Martin, LogicaCMG, AMS, Raytheon and GD invited to participate in Nov 02

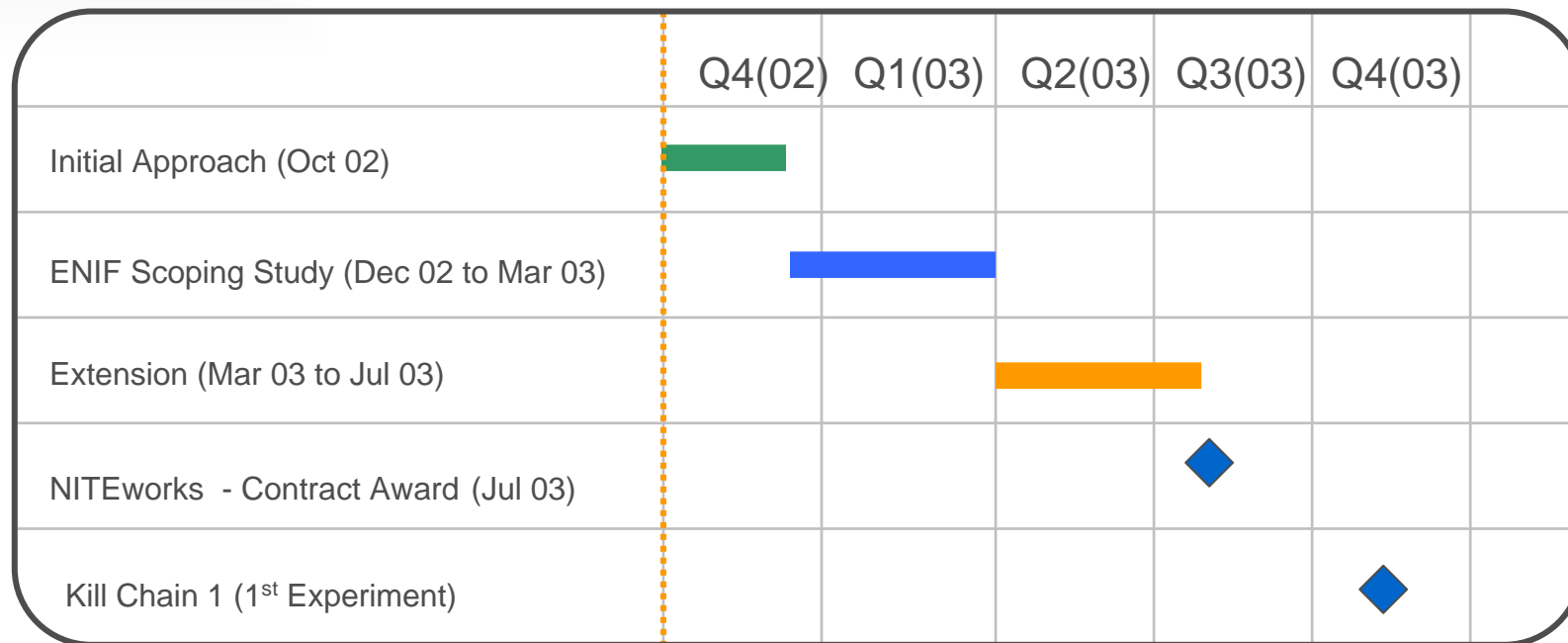
Experimental Network Integration Facility (ENIF) SCOPING STUDY

- Report by 31 March 2003
- Part 1 – Managing an Innovative Organisation
 - 9 Statements of Work
- Part 2 – Generating Evidenced Capability Options
 - 2 Statements of Work
- Part 3 – Conducting Quality Experiments
 - 5 Statements of Work
- To produce jointly a draft contract

Extension to ENIF Scoping Study

- Begin build up of Core Team
- Develop Industry partnering arrangements
- IPR
- Parallel pricing of draft contract

NITEworks Timelines



NITEworks® Initial Gate Business Case

- Procurement Strategy - Single source for BAES as prime contractor
 - An enterprise such as NITEworks requires the close involvement of both MOD and a wide spectrum of industry; unlikely that individual companies or consortia would be able to bid a complete solution independently. Competition would cause the industrial base to fragment into competing consortia, none of whom would be able to offer the full range of skills and facilities. MOD may then need to intervene on completion of the competition to ensure that a best of breed proposal was provided which ensured the engagement of all key contractors. Such a strategy would undermine the short-term price advantages to be gained from competition, require time to break down the barriers created by competition and may transfer risk back to MoD.
 - BAES is design authority or original equipment supplier for majority of weapons systems supplied to MoD
 - No other major industry interest in NEC will be locked out of the NITEworks® club; with output rights licensed to all.
 - Review the benefits and disbenefits of competition during assessment phase

NITEworks® Initial Gate Business Case

- Cat A as considered novel and contentious – IGBC ultimately approved by Chief Secretary to Treasury on 18 July 2003.
- 3 year Contract awarded to BAES 21 July 2003
- £47m contract value (£17m firm price for core element + £30m maximum price to fund experiments post maturity gate 2 when they are defined sufficiently to be firm-priced)

Early Ambitions For NITEworks

Perceptions of senior 2/3/4*s in MOD in 2002/3

- A new way of UK Industry and MOD working together
- Helping MOD perform cross-LOD capability trade-offs (especially in NEC domain)
- NW partnering being an *“agent for change”*

- Wasn't then couched in terms of Warfighting Experimentation (WFE)
- Wasn't narrowly couched in terms of specific programme benefits from evidenced WFE themes
- However, WFE was chosen as a good means for performing cross-LOD capability trade-offs together

What Is NITEworks?

MOD directed & funded
£47M - £21M for core,
£26M for experiments

9 Industry Partners
32 Associates

A unique partnership of
MoD & Industry

~ 40 core staff -
flex in theme teams
& facilities

Wide customer base -
1C, 2C, DPA, Dstl
& Industry

Unique Industry Engagement-Partners

BAE SYSTEMS



GENERAL DYNAMICS
United Kingdom Limited



MBDA
MISSILE SYSTEMS

Raytheon
Systems Limited

QinetiQ

THALES



DPA

[dstl]

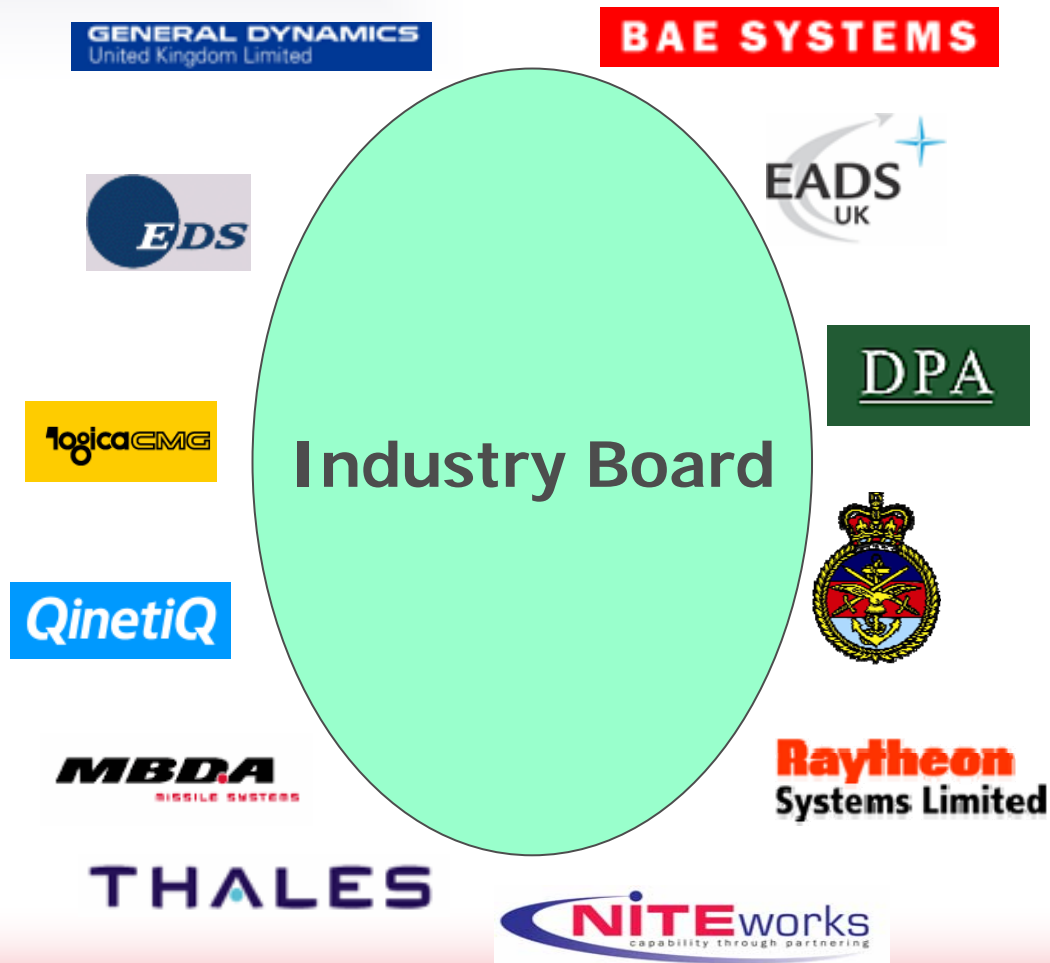
- Significant NEC presence
- UK company
- Provide people long-term
- Provide substantive background IPR
- Share risk and reward
- NDA, Collaborative Agreement, Behaviours Charter

Unique Industry Engagement-Associates



- Significant interest in NEC
- Provide people short-term
- Rarely provides background IPR
- Includes Industry Associations representative
- Larger group
- NDA, Collaborative Agreement, Behaviours Charter

NITEworks Industry Board

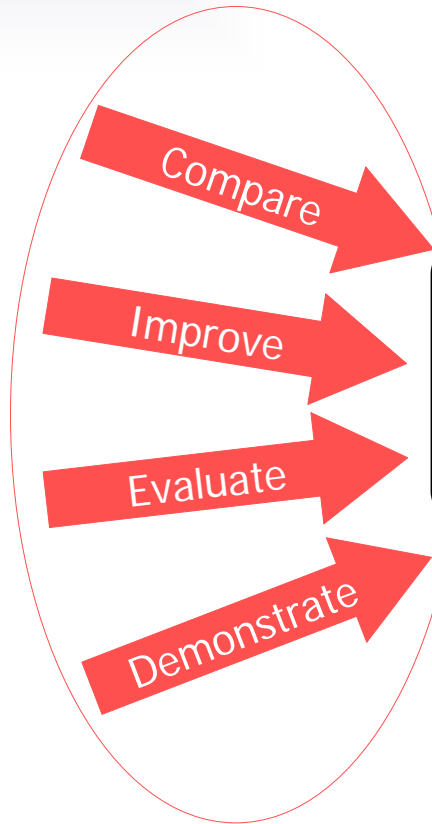


- Peer structure to MOD 2* sponsor group
- Senior Industrial non-executive body
- Comment on Industrial issues – enhance value of NITEworks to Industry
- Provide forum in which to raise issues on behalf of Industry to MOD 2* level
- Provide confidence that NITEworks operates within Partnership “rules”
- Assist NITEworks in contributing to delivery of NEC

Process

Capability Chains

Questions

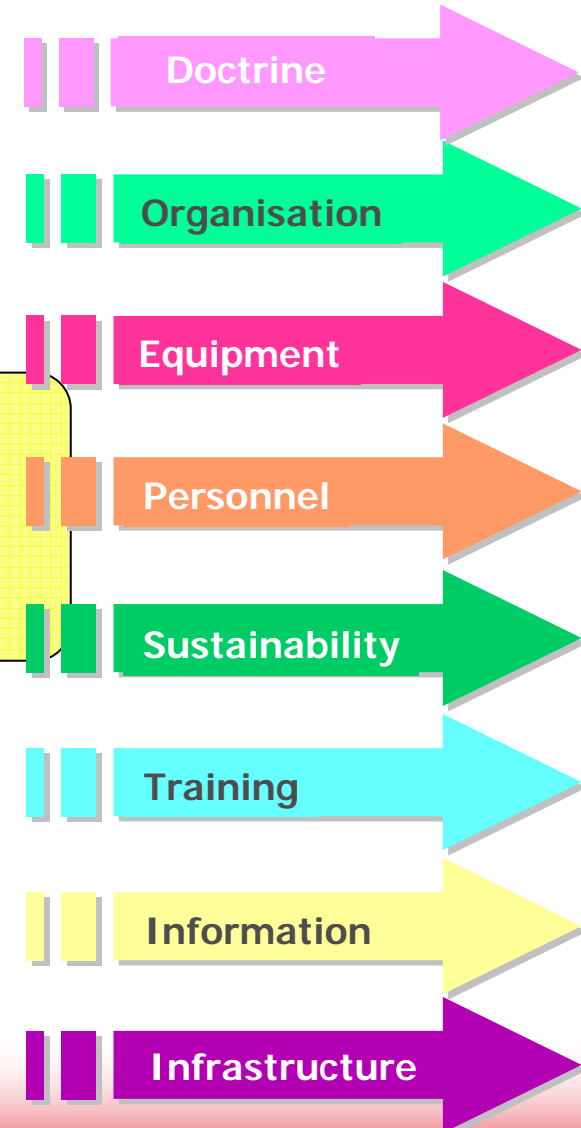


Battlespace
Context
Information

Human
Technical
Analytical
Resources

NITEworks

Evidenced interventions



Management of the Assessment Phase Contract

- GFX includes MoD civilian and military staff, embedded onto NITEworks® floorplate
- Club Rules which set out agreed IPR arrangements
- Code of Behaviours that apply to MoD, BAES and other companies' staffs.
- Shared working environment hosted on BAES servers.

- BAES have to obtain prior written agreement of MoD before placing any sub-contract, and normally there has to be a Deform 177 in place between MoD and potential sub-contractor

Management of the Assessment Phase Contract

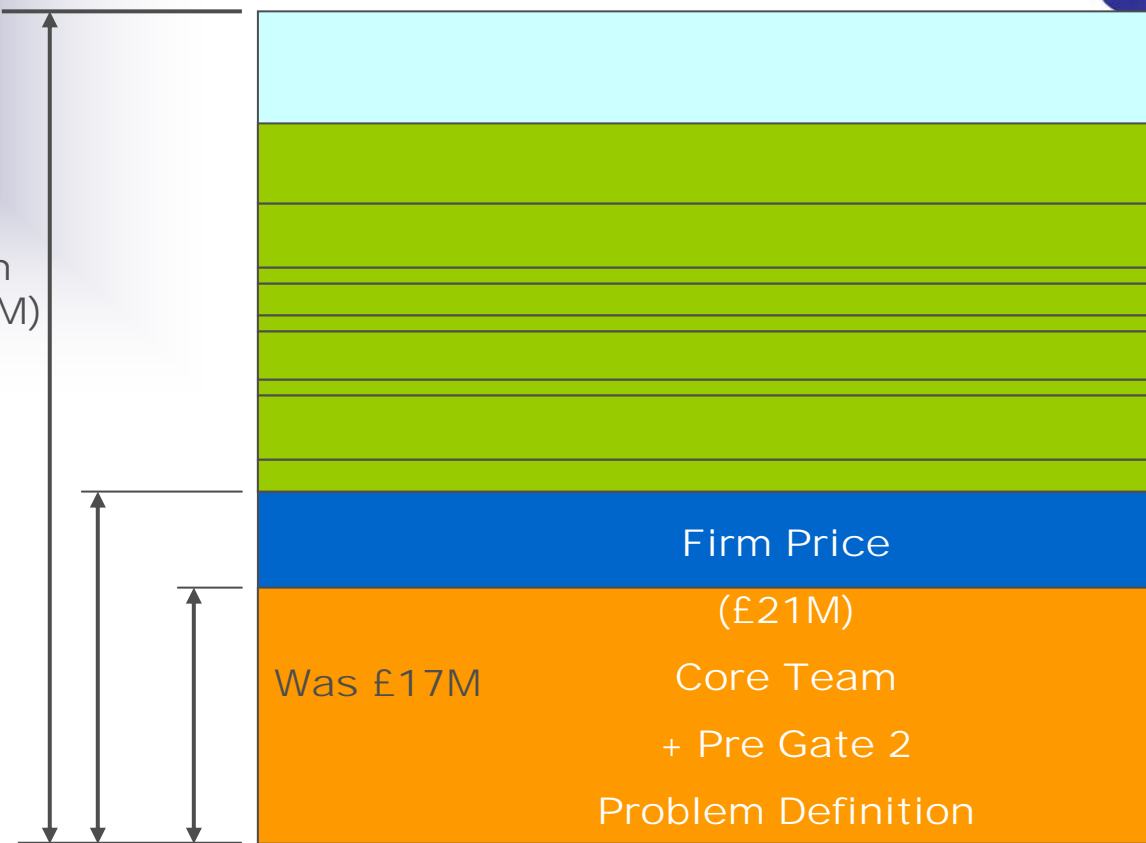
- IPR
 - Significant MoD and industry background IP into NITEworks®
 - Foreground owned by MoD, but licensed back to Alliance Partners for UK Govt purposes (Associate Participants receive licensed foreground only for the experiments that they participate in).
 - Background IP owned by Alliance and Associates is licensed to MoD and the Alliance and Associates to perform the NITEworks® contract and sub-contracts.
 - Industry background IP in Outputs sidelined

Management of the Assessment Phase Contract

- IPR
 - Volume of Defform 177 paperwork
 - Agreed an amendment regime for Defform 177s as new tasks placed on sub-contractors
 - Agreed an accession regime for Associate Participants to ease the paperwork burden

Maximum Price (£47M)

Theme Cost



- Key Assumptions
- Open Book pricing with PFG
 - Themes Firm Priced (from Max)
 - Joint MoD/industry Risk Management
 - Post Costing - Core and Theme
 - Alternative Options (Cost plus or TCIF) under consideration
 - Post Main Gate - mixed funding model

Delivery

Kill Chain 1 and 2

ISTAR 1 and 2

Indirect Fire Integration

Joint Ops Picture 1 and 2

Classified 1 and 2

Multi National Expt 3

CBM(L)

Log C2

Battlespace Management

Combat ID

Effects Based Ops

Internal Cross Theme
/Architecture Work

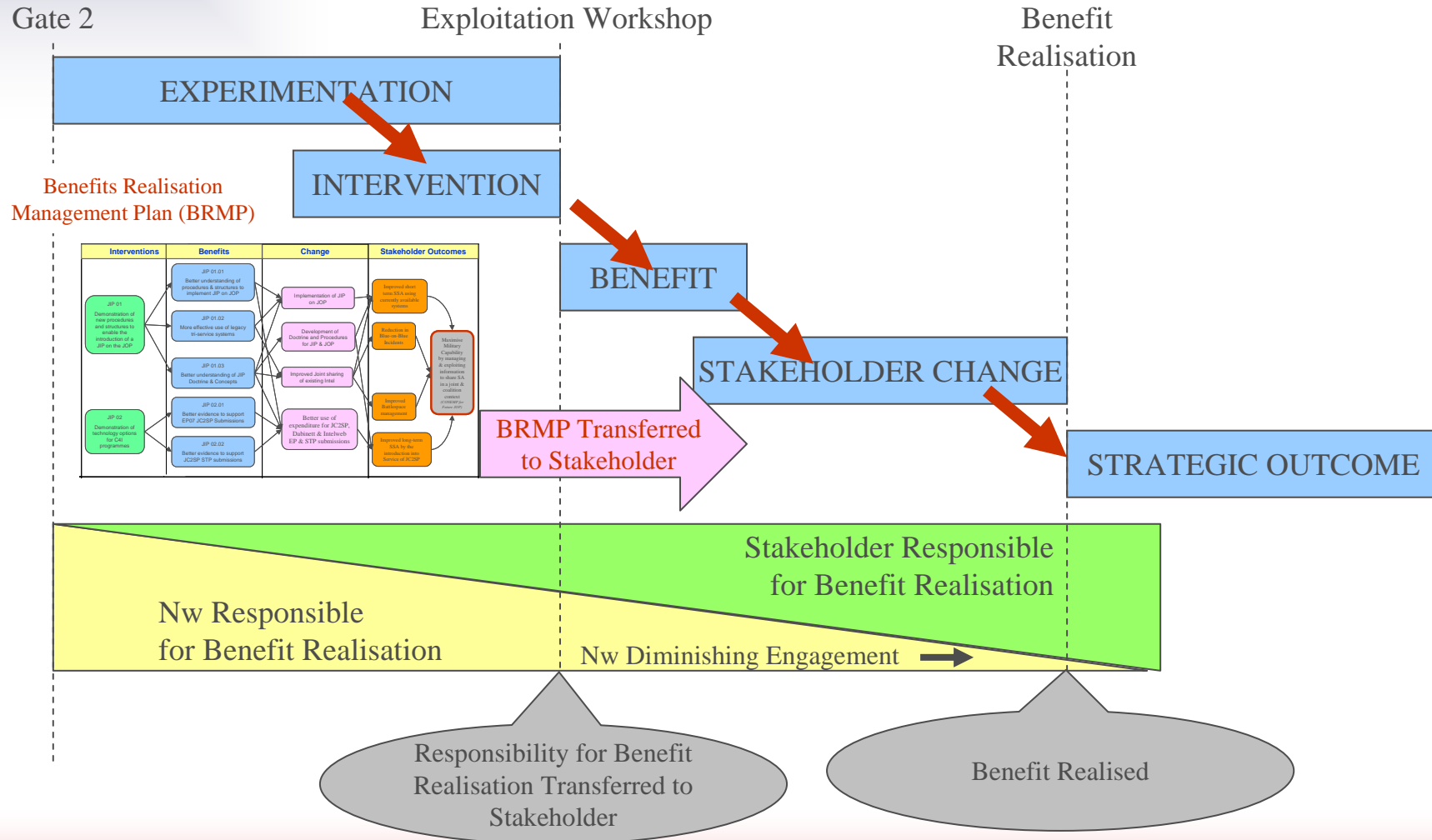
Mine Counter Measures

Joint Int Picture

Ops Int Support Groups

Med Wt Capability

Benefits Lifecycle



Industry Engagement

Industry Engagement	KC 1	MNE3	ISTAR 1	JOP	Classifi	IFI	CBM(L)	KC 2	ISTAR 2	Combat	UWB	LTP05	BM	X Th	NEC in	EBO
AMS	█					█	█	█				█				
BAE Systems	█	█			█	█	█	█			█					█
EADS												█				█
EDS			█	█	█			█	█							
GD UK				█		█	█							█		
LogicaCMG				█		█	█	█						█		
MBDA		█				█		█					█			
QinetiQ	█	█	█		█		█	█	█		█				█	
Raytheon				█		█	█	█		█	█		█	█		
Thales		█	█	█		█	█	█	█	█		█		█	█	
Associates	█	█	█	█	█	█	█	█	█			█				

MCM Video

Questions?

Conclusions

A commercially successful programme because...

Enabler

- MoD & Industry collaboration from the start of the procurement process.
 - relies upon early single source decision
- Commitment to integrated working arrangements, partnering & open culture throughout Contract delivery phase.
 - reflected in choice of staff & in contract terms
 - requires continuous focus & investment
 - traditional “post costing” conducted **during** delivery phase
- Partnering arrangements with full spectrum of (UK) Industry.
- Intellectual Property Rights managed through simple, common Terms.

Benefit

- Efficient route to Contract
- Vision & Objectives optimised for both MoD & Industry
- Joint ownership of Scope of Work
- Minimised overall Risk
- Absolute necessity to facilitate achievement of **pace** implicit in NITEworks activity & delivery
- Ensures full and real-time access to (common) information
- Promotes trust between MoD & Industry
- facilitates early assessment of pricing issues
- Proven vehicle to provide MoD with immediate access to broad Industrial capability
- Working model for IPR that removes constraints to collaboration in experimentation