

AS90 Equipment Support Agreement (ESA)

Scope & Structure



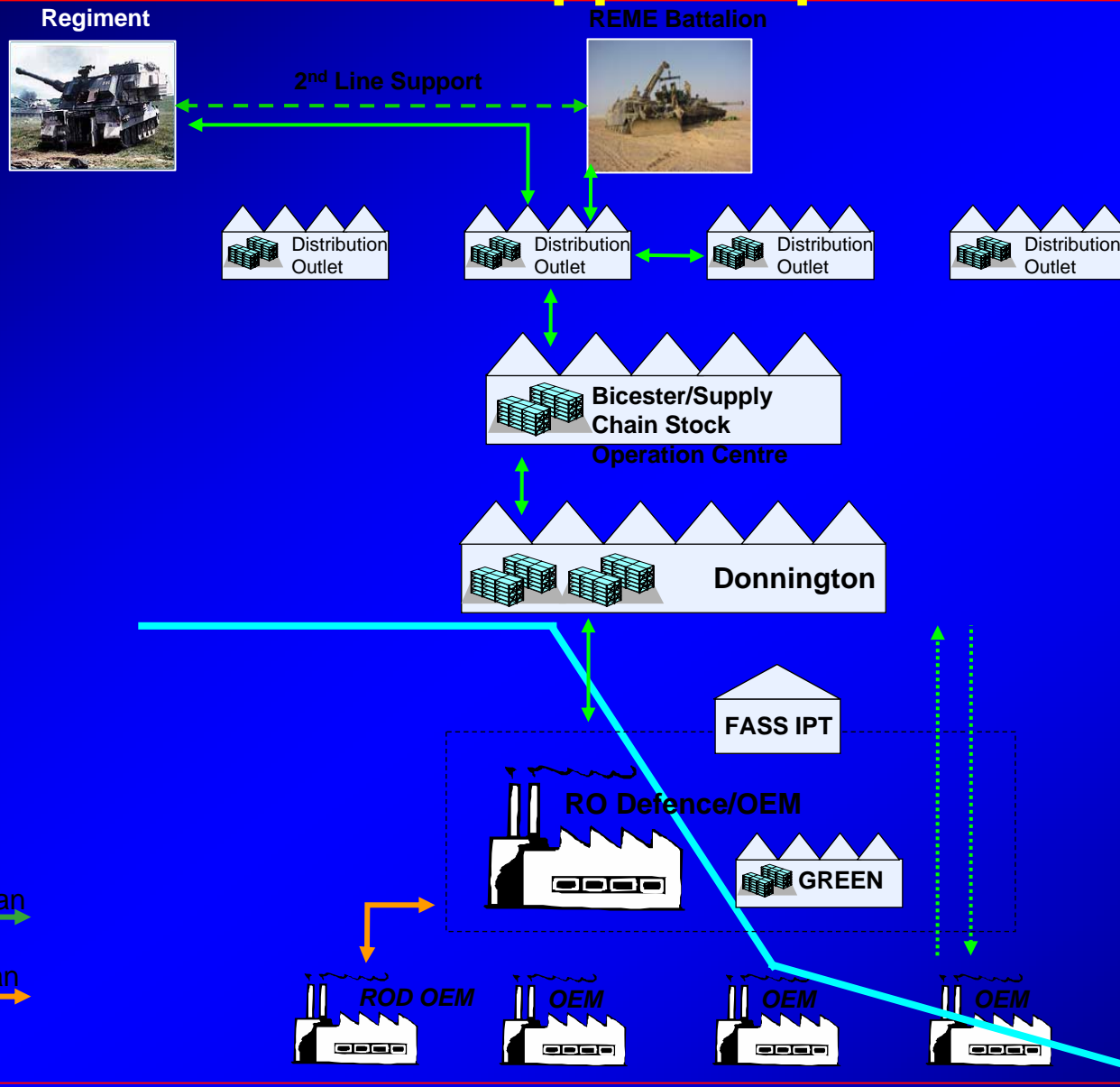
Martin Rea & John Harrold

AS90 ESA - Introduction and Objectives

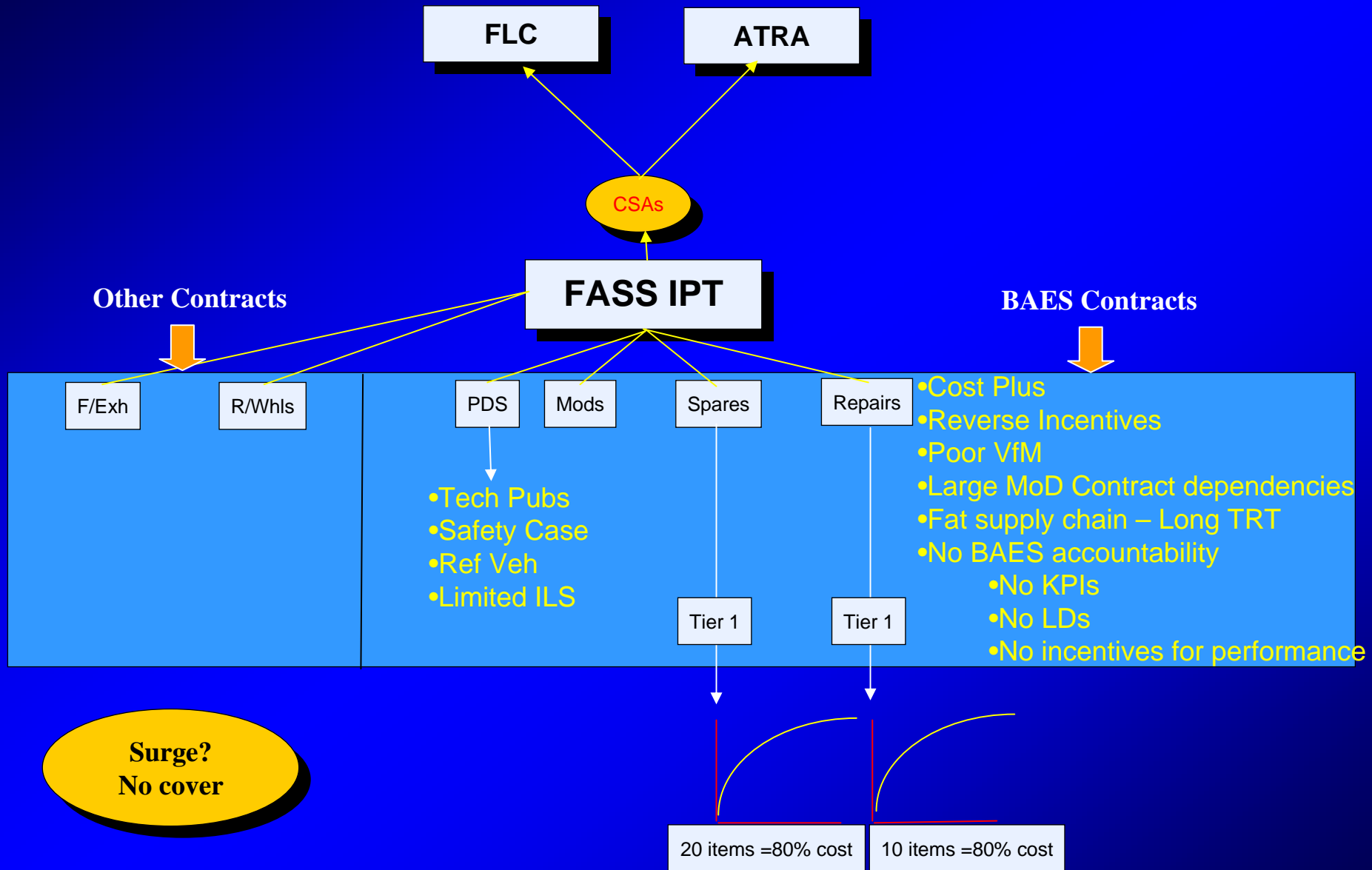
Objectives

- To brief you on the AS90 Equipment Support Agreement (ESA):
 - Current support strategy (Diagram)
 - Proposed support strategy (Diagram)
 - ESA Benefits
 - Enablers & critical success factors
 - Pilot Project Timelines
 - ESA Scope
 - Commercial strategy

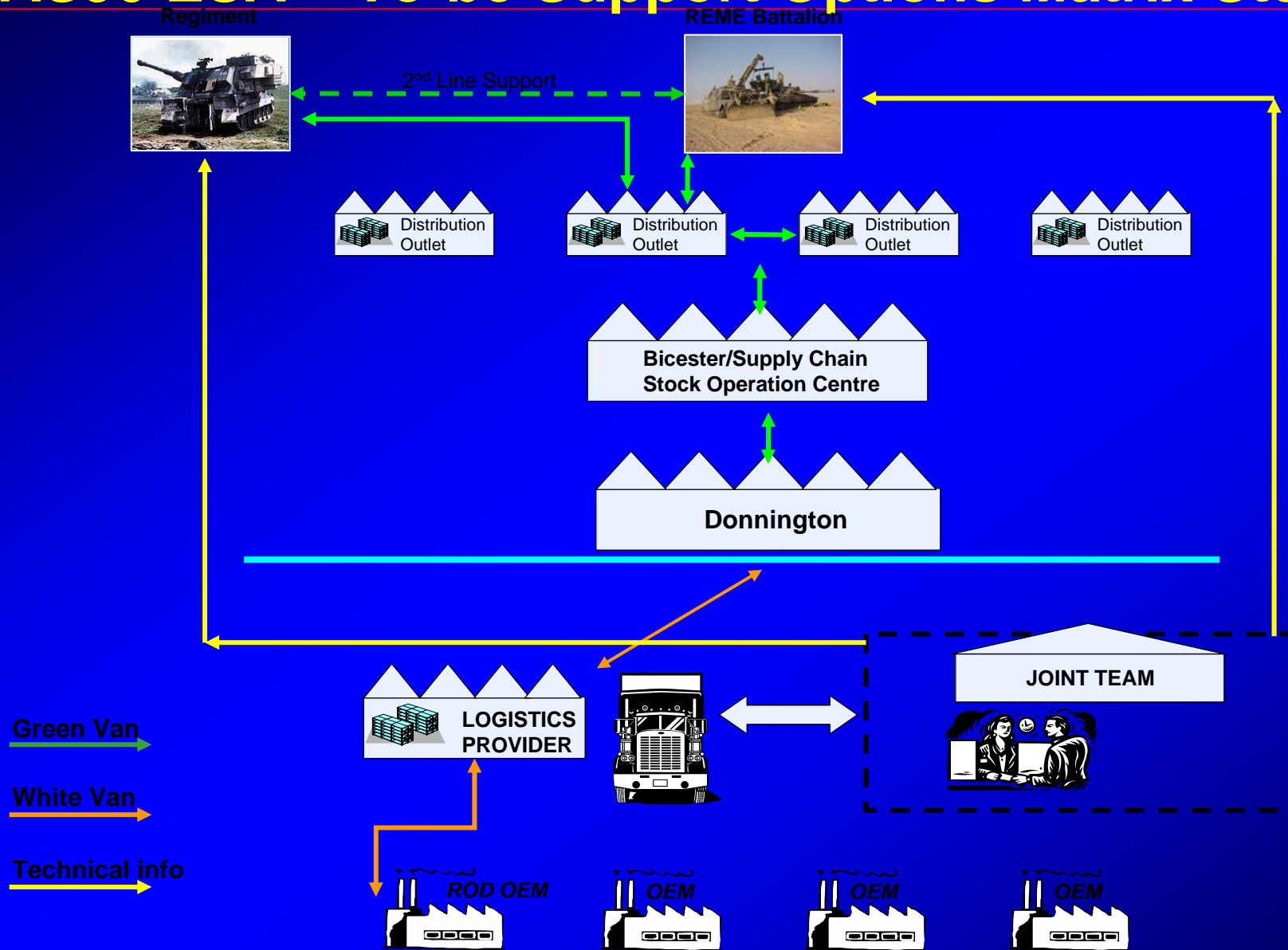
AS90 ESA – As-is Support Options Matrix Step 2



AS90 ESA – Current Scope



AS90 ESA – To-be Support Options Matrix Step 4/5



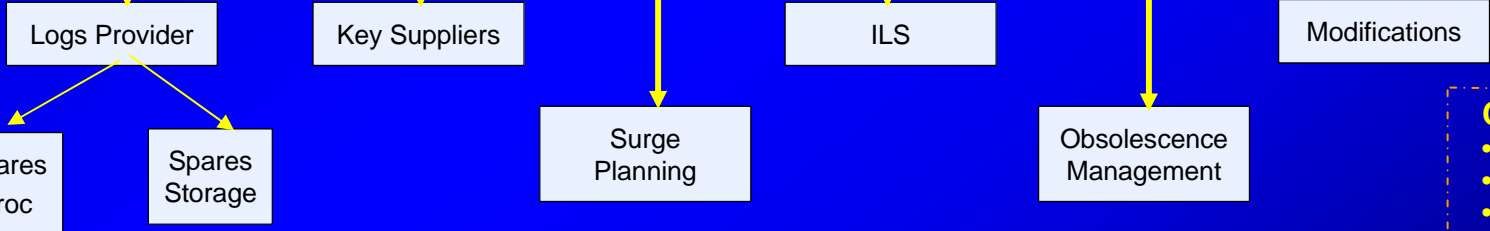
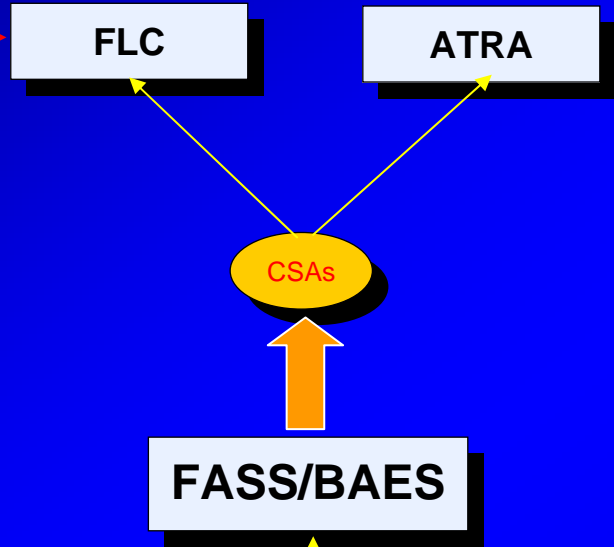
AS90 ESA – Proposed Scope

Contract Provision

- Repairables availability
- Spares availability
- Tech Info availability
- Vehicle availability +ve incentive

Operator Obligations

- Usage forecasting
- Data collection (OHM)
- Returned Asset Time



Key Features:

- Output KPIs
- Accountability (LDs)
- Incentivised cost reduction

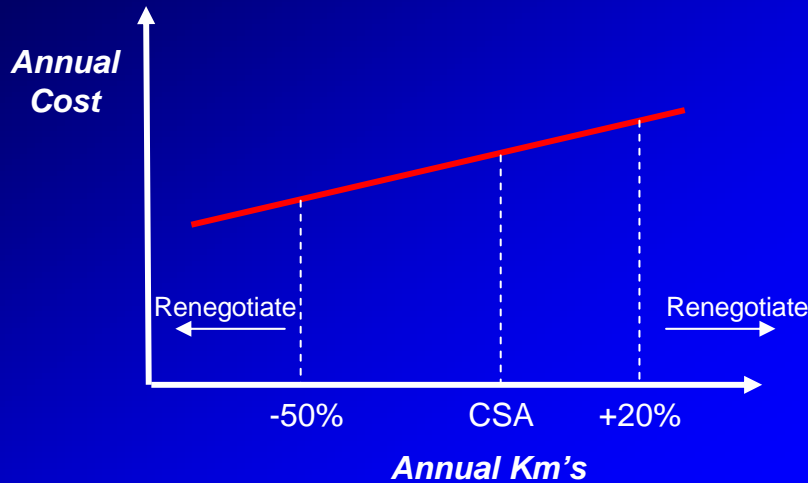
- Incentivised availability
- Clear defined Customer obligations
- Joint approach & team
- Responsible for delivery (no dependencies)

Contract Amendments

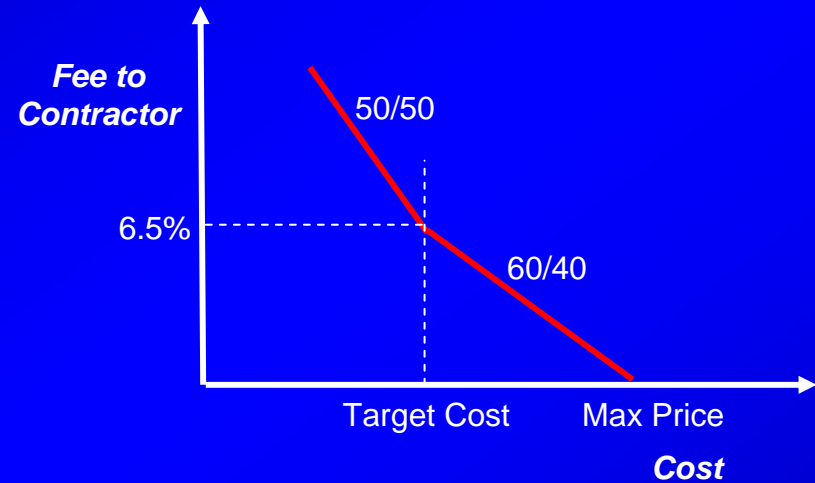
- Capability
- Legal Obsolescence
- Surge implementation

AS90 ESA – Commercial Key Features

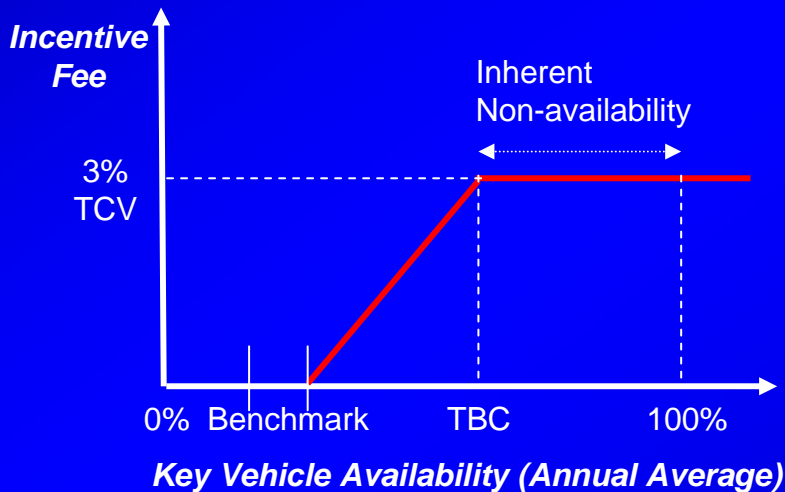
1. Payment by Distance Driven



2. Cost Reduction



3. Vehicle availability inclusive



4. Accountability

Liquidated damages (read penalty) against spares and repairables KPI's

AS90 ESA – Partnering Benefits

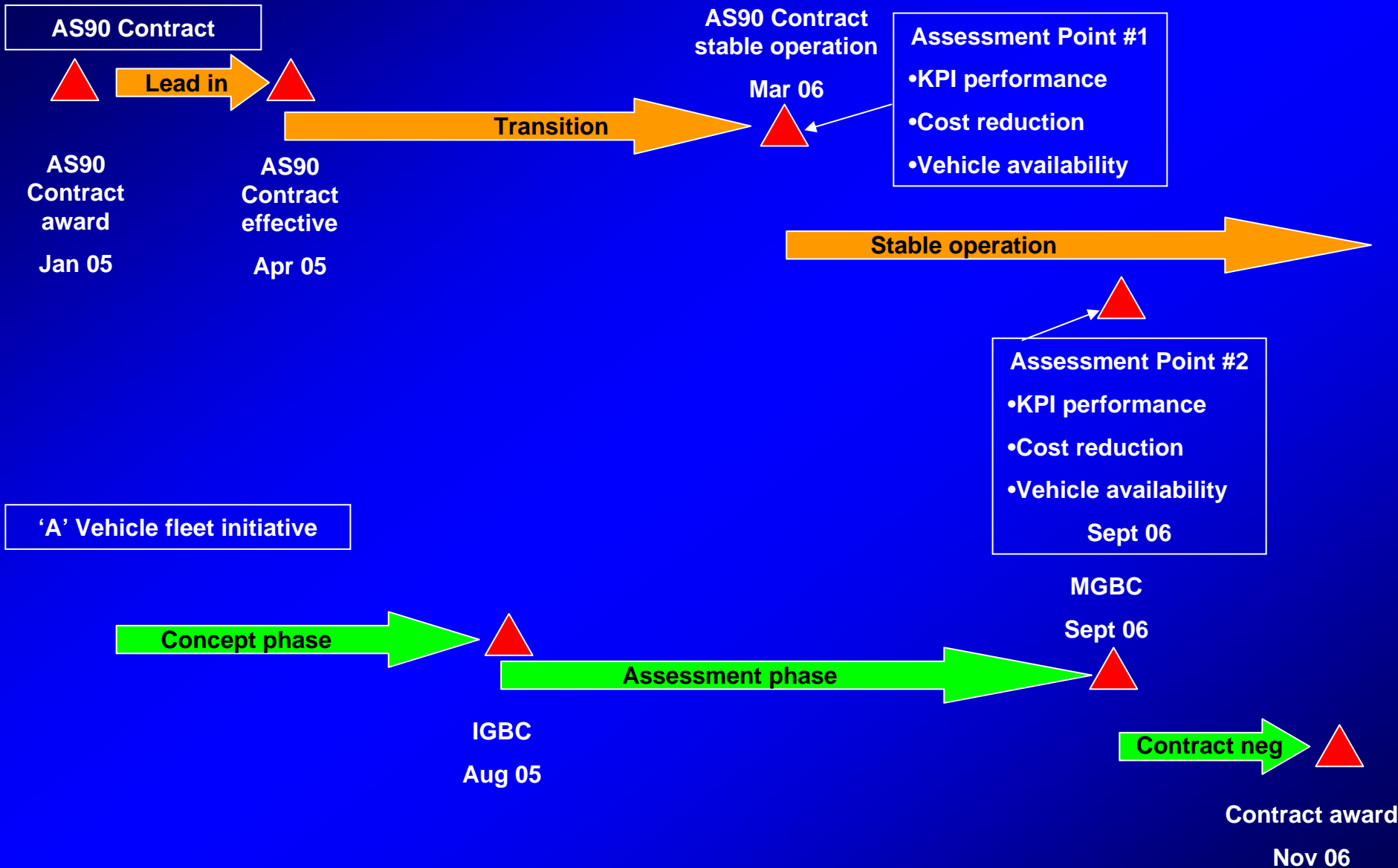
- Significant cost savings creating financial headroom to address obsolescence.
- Builds foundation for continuous cost reduction
- Better enables Joint Team to meet customer requirements
- Improves contracting approach and relationships with Industry
- Incentivises industry to reduce costs and develop the product
- Offers significant improvements to the availability of spares and repairables through improvements in the supply chain
- Improves MODs ability to manage Surge
- Ensures that risks are aligned and transferred to the appropriate organisation, MOD or BAE SYSTEMS
- Contributes to the DLO Strategy and transformational staircase by moving towards contracting for availability and capability by changing the relationships with Industry

AS90 ESA – Enablers & Critical Success Factors

- Securing experienced External Assistance with good understanding of Land environment from the start
- Developed a competitive and credible PSC
- Developed a Partnering Framework, built on:
 - Trust
 - Senior ‘buy-in’ to ROCE
 - Agreed joint outcome MOD/Industry
- Gaining stakeholder ‘buy in’ at an early stage
- Close working relationship with scrutineers, PFG, PDG and DESA
- Recognition of the need to change at BAE SYSTEMS Board level
- Stakeholders and Customer acceptance of responsibilities and need for change
- Good effective Communications Plan, with regular Team, Stakeholder and Business Case meetings

...trust at all levels

AS90 ESA – Pilot Project



AS90 ESA - Support Scope

- **Availability of Repairables & Spares @ Donnington/Bicester**
 - Restricted to AS90 specific items (covers all major cost drivers)
 - Delivery into DTMA traffic within Demand Timelines stated in JSP 336
 - Use of 'Swivel Chair' – No change to FLC demand process
- **Availability of technical information – technical query service via Maintenance Support Group (MSG)**
 - MSG system adopted as FLC first & last point of contact
 - 3 categories of Technical Query
 - Queries to be actioned/completed within agreed timeframes
- **Obsolescence management**
 - Full platform Obsolescence Management Plans to be developed and maintained by BAES
 - Full cost of obsolescence resolution borne by BAES excl: legislative requirements

AS90 ESA - Support Scope

- **Full technical support infrastructure:**
 - Maintenance of Technical publications
 - Maintenance of Reference vehicle
 - Responsible for all aspects of platform Safety Case (Ownership remains with IPTL)
 - Responsible for design/trial and implementation of all reliability, maintainability and safety modifications (Capability mods funded separately but managed within ESA)
 - ILS functions
 - Reliability
 - Configuration control
- **Field Service Reps (FSRs) operating at FLCs providing:**
 - Technical advice to REME and Users
 - Equipment education to improve reliability and influence availability
 - Modification teams

AS90 ESA - Support Scope

- **Joint MOD/BAE SYSTEMS Team (JT) based in Andover, with Leicester & Barrow satellites**
 - JT led by BAES answerable directly to IPTL
 - Encompasses full ESA management and delivery team – Finance/Commercial & Performance measurement
 - Performance validated independently by FASS commercial staff
- **Surge planning**
 - Surge Plans based against the ESSAM outputs
 - Plans to be updated 6 monthly
 - Plans to provide best VfM approach to achieving sustainability against the DPA scenarios
 - Surge funding outside scope but managed through ‘open book’ accounting by the ESA Team

AS90 ESA – Partnering Contractual Approach

- Paid by track/km driven
- Vehicle availability incentivised (payment linked to MOD benefit)
- Cost reduction incentivised through Target Cost Incentive Fee (TCIF)
- All inclusive service
 - Capability/surge as contract amendments
- 10 year contract, first 5 year firm price, re-negotiation of subsequent contracting period at the 4 year point
- Key KPIs
 - Spares/repairables availability, with negative payments
 - Technical information availability
- Payments/withholds against key deliverables



Questions