

MGMS IPT

Introduction

- MGMS IPT are responsible for the 996 - a medium range air surveillance and target indication radar fitted to Royal Navy Platforms.
- 996 provides target indication data to the missile systems and surveillance information to the command system.
- Complete failure of 996 would leave the platform combat ineffective and un-operational for fleet use so there is great interest in what is happening with it.
- The 996 is supported by BAe Systems Integrated System Technologies.
- MGMS IPT provides 55% of Insyte's business.
- Via a partnering approach named FISS (Future-In-Service-Support), the 996 contracts have been incrementally rolled up and benefits are being demonstrated. The IPT claims a saving of 20% already identified through the reduction in overheads using this method. This contract was let on the 1st January 2005. Before that, the contract in place was very 'transactional'.

Commercial

- Operating costs are around 2% of total spend at DLO. Pressure to reduce headcounts when understaffing causes problems did not seem logical to the IPT who felt it was better to look to make savings on the large amounts spent through contracts.
- It is common to find that team members are overstretched and have other commitments due to the pressures in place to reduce headcounts. There have been occasions when the SCO had to wait two weeks to meet the Project Manager.
- Despite the SCO's confident approach to instilling a new partnering arrangement, he feels it is not just about personality and can be embedded in the culture of MoD. It can also move out to MoD third party organisations.
- The SCO feels that Management Accountants are driving the business and there is limited correlation between DLO funding and output.
- Pricing & Forecasting Group were seen by MGMS IPT to be at a disadvantage in that they become involved in a project as an external body who have not been 'living and breathing' the project. However, it is felt that there is scope for IPTs to give better briefings to PFG.
- The IPT SCO also feels that The Lean Support Continuous Improvement Team is driven by making savings using theoretical models which do not inject the realism required.

Procurement Strategy

- It is beneficial to MoD to work closely with an industry partner in working up new requirements/producing a business case before putting projects out to tender. Insyte have been utilised in this way but it made them nervous that they were being used as a 'stalking horse'. Solid partnering relationships can help overcome such concerns.
- A credible, realistic baseline is very important and must be obtained up front. This is established via the correct environment, driving into the contract and then reassessing any changes in environment and the acceptability of performance. Review of contracts was formerly a weak area.

- The new contract arrangements change behaviours and prevent the flexibility to cut funding. This enables the future of the IPT and the contractor to be secured.
- Innovation should be encouraged. DLO are able to come up with very good ideas and should not assume that business knows best. Joint development is key.
- Incremental technology insertion is the approach favoured by MGMS IPT. There are no repeat charges for the same development work as it has already been paid for. Clauses to this effect often exist but are not understood or used.
- This contract is Fixed Price and TCIF is not used. MGMS IPT's approach is seen as fairer to industry as TCIF strips back cost benefits and drives the wrong behaviours.
- If TCIF exists for the share of savings below the already established 20%, there is no real incentive for Industry to chase it, especially as Gainshare ratios tend to favour MoD.
- In the UK there is a tendency for contractors to chase aftermarket sales, this is their 'cash cow' and the IPT SCO believes this is a situation which MoD helped to create. Now industry can be made via Contracting For Availability to focus on prevention.

Engaging Suppliers

- The IPT used to have a terrible relationship with the contractor. It was adversarial with 'point scoring' behaviours exhibited on both sides. The relationship is vastly improved due to this new partnering project.
- There is senior management commitment and buy-in but this has required a lot of education in the new partnering approach.
- The wording of the contract was built up in conjunction with Insyte. An example of a new condition is that Insyte must produce a quarterly report showing where they have looked for opportunities for savings under the Gainshare agreement.
- Through this arrangement, Insyte have a secure future and a constant revenue stream and long term financial planning is easier.

Performance Management

- The IPT has become very focussed on the end user and has moved some staff to be nearer the end user.
- Now, the focus of the contractor is not on making income figures as large as possible but on preventing issues becoming costs. This breaks the cycle of wanting things to go wrong and is a move towards contracting for availability.
- A 10 year commitment is too much is performance won't be satisfactory. This contract has a Demonstration Phase of 2 years; if correct standards are not achieved, there are many exit strategies at MoD's disposal.
- According to the Government Profit Formula, industry can make around 8% profit. In reality, industry need to do better than this to sustain their business. They can achieve extra profit by thinking outside the box and making savings.
- The long term commitment made to a contractor by this IPT has given the contractor the confidence to hire better contract managers and be creative about ways to reduce their costs instead of passively waiting for MoD to award them more work.

- Negative Incentives are not used by MGMS IPT. If Liquidated Damages are invoked, contractors can easily hide ways of covering the costs. Also, LDs can take years to reclaim.
- KPIs (Key Performance Indicators) are all output based and clearly contractual. PIs (Performance Indicators) are used to provide early warning that a KPI may not be met. A monthly report is produced which monitors outputs against KPIs.
- MoD can withhold payments if the contractor's performance dips. Industry do not want their cashflow to be reduced and this can incentivise them. These payments are recoverable within a certain time period if the contractor improves their performance as required.
- Where a performance issue is outside the contractor's control, debate is required but can readily be resolved in the framework of a healthy partnering arrangement.
- The 'no fault found' process has also been eradicated. Kit is inspected at dockside and not subject to unnecessary transportation.
- There are many existing exit strategies available eg DEFCONs. Now there is Break which the Trade Associations have signed up to. This allows Industry to recover costs up to the Break point where the break occurs for reasons outside their control.
- The IPT wishes to maintain 10 year relationships and positive exit strategies can allow both parties to have more confidence in these long relationships.
- Open book accounting by the contractor is in place but is not used. Inspection of the contractor's books is not considered by the IPT to create an atmosphere which is conducive to building trust.
- Sensible dispute resolution conditions are in place where disputes gradually work up through the personnel levels when solutions cannot be found.
- The Post Project Evaluation (PPE) document for the project was jointly produced with the contractor. The results will be jointly implemented, with 17 principal actions being identified. The PPE is very comprehensive and tackles all areas/contributors in their roles throughout the project with both positive and negative issues openly addressed.
- A recurring theme in PPE is the need for early engagement of all partners e.g. AMS and PFG who should be clearly briefed on the project from the outset. It was recognised that ownership and management of milestones contributed to project success and that all parties should remaining firmly 'in the loop' at all stages of the project to avoid 'surprises'.
- It is recognised by the IPT that many of these communication issues will more easily resolved if the IPT designates a 'focal point'. This is someone to whom all knowledge is made known, regardless of its relevance to the individual role of that person. Regular review meetings with managers from each function can then be held to share knowledge and progress.

The Future

- Positive ripples from the 996 contract will allow the FISS approach to be applied to Seawolf and Seadart projects which also belong to MGMS IPT. Two major suppliers who would normally compete for the same work were brought together into a three way partnering arrangement for Seawolf. This has worked well so far.

- The IPT will continue their drive to get MoD to support Technology Insertion rather than purchase of brand new systems with all their associated additional costs.
- The IPT SCO feels that the sooner DPA and DLO become one organisation the better. This would enable through life contracting to occur which would be a logical progression from the achievements already made.