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Change – for the sake of enhancing capability

Ainsley Fraser argues for simplification and reform
of procurement bureaucracy

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For many firms involved in the public sector supply chain (problems are not exclusive to defence), 2010 will be at best as challenging and probably as confusing as any in the last decade. The addition of an election – with alternative policy options and promises being presented to appeal to voters first and commanders second – will add a big element of uncertainty too.

Over recent years, Britain's defence procurement system - and the attendant stages, conditions, compliance and due diligence, have become exponentially more bureaucratic. Maybe as a consequence, the supply chain has become progressively dominated by a relatively small group of significant Prime contractors. These are the organisations that have the physical and human resources to feed the voracious appetite of the system – as well as their own multi-tiered conglomerate structures.

No surprise then that programmes which overrun, move years to the right or derail altogether provide a hungry media pack with a ready source of stories to sideswipe the system and its government masters. But whilst the MoD may feel that dealing with its small network of preferred Prime contractors and their immediate satellites avoids the need to leave its established comfort zone, it also means that the process becomes progressively more remote from the Tier 1, Tier 2 and beyond suppliers – many of them SMEs – who actually

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bring many of the requirements to deliverable reality.

Are they recognised? To listen to the all too transient band of politicians who have revolved around the defence brief at various levels, government does recognise the SME community, in particular for the dynamic vitality, entrepreneurial spirit, technical excellence, jobs and revenue contribution it brings to the economy. But the support is often short lived – as these ambassadors are quickly reshuffled or depart for some other responsibility – before they have gained any semblance or true depth of knowledge of the department, the sector or its requirements.

So what are the realities for SMEs who make it into the supply chain? Contract conditions can include detailed financial analysis, performance obligations, commitments on through life support, commercial warranties and strict controls on 'permitted' profit margins. It is not for the faint hearted. With the customer effectively controlling and dictating how its supply chain is allowed to operate, maybe it also helps to explain the emergence of the aforementioned small band of big and expensive Primes. They are the only ones with the critical mass, ability and willingness to

take on the government's weighty expectation of 'delegated' commercial risk. Unless it is a UOR (Urgent Operational Requirement), a convenient device that seems to be the only way to beat the system or secure funding these days, all the risk and commercial costs of responding to the customer's wish list are down to contractors and suppliers.



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And then there is the paper chase. Industry will be invited to provide expressions of interest in a particular programme. The defined requirement may be based on a commercially viable volume, which would justify all the work, effort and risk to develop and produce it. The subsequent PQQ (Pre Qualification Questionnaire) will sort out the likely runners and riders – a process that has been evolved by bureaucrats over time to enquire and interrogate both the factual and the obscure.

This is the first hurdle at which many SMEs will simply elect to fall. It is a difficult call whether they ground their entire commercial, sales, financial, design, engineering and production teams – and maybe others – and closet them away from normal duties for a few weeks to write the response. The finished document – often in several lever arch files – will be dutifully presented to one of the ivory towers in Abbey Wood. Further weeks elapse and timelines slip. Then come the first round of questions on the PQQ - which often suggest that the recipients of the documents actually only read the Executive Summary. Most of the answers and points of clarification were there in the original – but on page 312 of volume three.

Thus having shaken a list of maybe 40 companies who responded to the invitation, down to 15 who could marshal the resources to generate the PQQ response (at an overhead cost of typically £40,000), the customer is then set to issue the SRD (Systems Requirement Document). Those companies who genuinely believe that they have a piece of kit that will fulfil the end user requirement – and maybe by this stage, they will have been given a gentle steer about operational performance and expectation – commit to another round of own risk activity.

This time, the bid response includes best indicative price. Some mandarin head scratching may follow – and then the supply chain's worst fears are confirmed. The requirement is now an eighth or less of the original quantity and funding is only available based on the original unit cost. Going through a few of these false starts inevitably leads some companies to question their continued involvement in the procurement process and the supply chain at all. The process can grind on relentlessly.



Quality standards in defence manufacturing require small firms to employ highly skilled and qualified labour - such as coded welders.

When the government's audit process took a close look at public sector procurement across all departments, the MoD emerged as having by far the longest contract and supply gestation period between identification of need - and equipment actually arriving in service. Currently, the UOR process would appear to be the only option for anything that is required to be in theatre in less than a few years.

So much for the system through which everything has to grind before anyone gets anywhere near signing a contract – UOR or not. But does kit then actually deliver the operational requirement for which it was specified in the first place? There have been some magnificent own goals – performance and capability compromised because of price. Kit in theatre that is barely fit for purpose. Poorly trialled equipment that may even struggle to match the department's original SRD. Of course, it isn't 'the system' which is held accountable.

Britain's defence procurement system - and the attendant stages, conditions, compliance and due diligence, have become exponentially more bureaucratic

If Britain is to be held up as the shining example of procurement best practice it has been in the past, then the entire cumbersome system needs to be drastically simplified and radically reformed. It needs to become more engaged, rather than increasingly remote. It needs to foster and encourage dialogue that encourages innovation and smaller enterprise. Cue maybe a strictly apolitical and independent review board – or even a Royal Commission – to look at the whole relationship between the frontline, the procurement process and its supply chain partnership.

Jostling around the aisles of DSEi, the biggest disappointment amongst British SME participants was the almost total absence of its largest home market customer (due to government travel restrictions). Isolation, segregation or the principle of divide and rule is not a viable strategy. Maybe an election and a change of direction will help. In the Chancellor's pre-budget report where, predictably, the devil is in the detail, a plan was revealed to cut the civilian civil servant numbers in the MoD from around 87,000 to 81,000. To put that figure into context, according to the MoD's own figures, there are around 175,000 serving personnel in our armed forces. That figure also includes all the reserves – but that's still one bureaucrat per two uniformed personnel. Is that sustainable?

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