



THROUGH LIFE SUPPORT FOR ROYAL FLEET AUXILIARY >>

CREATING AN AWARD WINNING SUPPORT STRATEGY



The Royal Fleet Auxiliary is responsible for the provision of supplies to the Royal Navy. It operates a fleet of 16 vessels including Landing Ships and Oil Tankers on a world-wide basis. Maintenance of the vessels is the responsibility of Afloat Support Directorate within Defence Equipment and Support, part of the UK Ministry of Defence. Atos Consulting supported the design and implementation of a radical and innovative Through-Life Support (TLS) strategy.

“The customer has been fully engaged in the development of this strategy. It is clearly evident that the strategy genuinely meets the customer’s aspirations, which are to keep the ships at sea for longer and in a much better condition.” >>

Commodore David Preston RFA, Director Afloat Support

Introduction

The Ministry of Defence (MoD) established a Commercial Ship Maintenance Category Management Team (CSM CMT) as part of a wider procurement reform in 2004. Atos Consulting were selected to support the reform programme and assisted the CSM CMT to design and develop a radically new support strategy for the Royal Fleet Auxiliary (RFA). The procurement strategy was approved by the Defence Management Board in 2005.

Implementation commenced immediately with Atos Consultants, experienced in the support of capital equipments such as the vessels operated by the RFA, working alongside both the CSM CMT and RFA teams.

The business challenge

The RFA support team is responsible for the ongoing maintenance and support of 16 vessels with annual expenditure fluctuating between £80 million and £100 million, however the RFA was facing a 25% reduction in its operating budget as a result of government efficiency measures.

Before the reform programme, suppliers were routinely selected through competition in accordance with Public Sector Procurement rules. The majority of expenditure was controlled by the engineering function with clerical support provided by the commercial section responsible for running competitions.

Typically, several hundred competitions and contracts were transacted annually; selection was based on lowest priced tender and arms-length supplier relationships were the norm. There was no professional procurement representation.

The aims and objectives of the joint team were to achieve best-practice procurement and target savings of over £30 million through rigorous commitment to category management principles and significant improvement of relationships with its supply base.

Our approach

We recommended a radical strategy to transform both procurement and engineering processes. This innovative approach introduced a series of changes to the way RFA contracted future maintenance requirements:

- > Aggregating volume into six ship clusters (groups of ships) and four market-facing categories
- > Contracting on a TLS basis, replacing many hundreds of individual contracts
- > Developing strategic relationships with key suppliers based on beneficial joint working
- > Implementing process improvement internally and externally
- > Realigning the RFA organisation to support the TLS strategies.

The ship repair sector was widely consulted throughout the development of the strategy. An industry day was held with representatives from over 60 ship repair and related industries from around the world. Workshops with industry were held to test specific aspects of the strategy and to understand the views of the supply market and how the strategy could be implemented to deliver savings whilst maintaining output levels. Over 300 ideas for improvement were submitted by suppliers.

To demonstrate the strategy would deliver; RFA Argus, a singleton Aviation Support and Primary Casualty Reception and Evacuation Vessel, provided a pilot to test TLS, develop joint working practices and deliver savings. In effect, this was a test bed maintenance operation prior to rolling out the strategy to all other vessels and demonstrated:

- > Savings of more than £4.5 million, proving savings of up to 25% in maintenance costs, over a five year period
- > The ship routinely maintained in its best ever condition and availability improvements, outperforming the customer’s operational readiness requirements
- > Operational advantages of co-located joint teams based at the waterfront.

The TLS Statement of Technical Requirements had to be developed from scratch for all 16 vessels; this required thousands of engineering man hours to collate the individual support requirements for the remainder of each ship’s operational life. A task of this scale had never been contemplated before.

It was led by procurement specialists from Atos Consulting working with RFA engineers and based on the principles of Lean supply. New processes such as Supplier Relationship Management, TLS Performance Management, Benchmarking and Target Cost Incentivisation were implemented. A through-life ‘Should Cost of Ownership by Year’ cost model was developed from first principles to ensure TLS would be affordable and, equally important, sustainable over the long-term.



“ATOS CONSULTING BROUGHT EXPERTISE ON PROCUREMENT AND SUPPLY CHAIN MANAGEMENT...THE RESULT IS NEW SUPPORT ARRANGEMENTS VIEWED AS REVOLUTIONARY WITH CONTRACTUAL COMMITMENTS EXPECTED TO SAVE SIGNIFICANT SUMS OF MONEY FOR THE BENEFIT OF DEFENCE.” >>

Mr Tony Graham, Director Capital Ships

Throughout the programme Atos Consulting supported the MOD by providing strategic direction, skills transfer, procurement best practice, organisational design and change management capability. In addition tailored training modules to enhance the team's strategic procurement capabilities were designed and delivered.

A TLS Manual (TLSM) was developed to ensure new ways of working are fully understood and followed. The TLSM is designed to sustain the new supplier management regime and promote supplier development in a complex and highly specialised engineering environment.

A specific TLS training programme incorporating Strategic Supplier Management, TLS processes and Supplier Development tools and techniques was designed and delivered to a mixed procurement and engineering team with approval ratings of over 90% achieved.

The benefits

- > Over £180 million of savings through-life are predicated against the new strategy, £22.5 million has already been achieved
- > Personnel from the RFA and industry have been trained in all aspects of strategic procurement and TLS
- > New ways of working have been fully implemented and adopted for the next generation of RFA vessels
- > Relationships with industry have been transformed; joint working and co-located teams are now accepted elements of the business
- > Transactional purchasing has been eliminated via six through-life contracts covering 96% of all future RFA requirements.

The RFA has reduced its supply base to just six strategic partners who between them now provide over 96% of future support requirements.

Why choose Atos Consulting?

Atos Consulting's award winning team is amongst the largest practices specialising in procurement transformation in the UK; creating value winning solutions for our clients. The RFA won the CIPS Supply Management Awards 2008 for Best public procurement project. Isn't it time you talked to the specialists?

Next steps

For further information please email ukconsulting@atosorigin.com, call 020 7830 1944, or visit our website at www.atosconsulting.co.uk



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