

ADS Group Limited

Name:

Organisation:

ADS Group Limited

Position:

Consultation questions

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail, particularly on areas where you disagree. This will help us to understand the basis for your answer and inform the defined pricing structure. As a minimum, please include the paragraph number your comment refers to.

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Yes

No

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Introduction

QUESTION 1 – Do you agree with using US Military Standard 881c as a basis for our approach?

Yes No

Please add comments to support your answer:

There is a strong symbiotic relationship between Mil Stan 881c, the way the US DoD contracts for the goods and services it requires, and way US companies structure their organisations to perform defence contracts. It is common practice for the latter to establish separate entities for their US defence business in order to prevent their non US defence work and commercial activities being infected with the high cost and pervasive bureaucracy associated with DoD contracts. In this context, the methodologies established by Mil Stan 881c are an effective element of the integrated suite of tools used to manage US DoD contracts which also includes the Federal Acquisition Regulations and the Defence Federal Acquisition Regulations.

Other key features which have contributed to the reported success of Mil Stan 881c are the scale of US defence contracting and the willingness of the US authorities to pay for the generation, collection and analysis of the data required by the process. The US defence equipment budget is more than ten times that of the UK and provides the scale that makes it worthwhile for companies to invest in the resources and skills required by working to Mil Stan 881c. Reviewers felt that the standard would be impractical at the scale required for UK defence projects as the UK lacked the critical mass for it to function effectively. Members who have experience of performing US defence contracts advise that they differ in a number of important respects to UK defence contracts. A key difference is that working to Mil Stan 881c requires the development of 'a product-orientated family tree' and a WBS that 'displays and defines the product, or products to be developed and/or produced.' This approach to pricing, reporting and managing contracts is alien to UK practice and there are very few, if any, contracts awarded these days to which this methodology could be applied. The UK also places much greater emphasis on cost reduction, maximising efficiency, and the importance of securing work from other sources in order to spread overhead costs and reduce the charge to MOD contracts. It would be difficult to incorporate these tenets within a Mil Stan 881c environment.

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QUESTION 2 – Until a DPS is fully developed, what are your thoughts on the initial submission of DPS being at level one and level two over the first 6 months of the contract?

Please add comments to support your answer:

There was a reasonable level of agreement between reviewers that it would be possible for most organisations to achieve Level 1. Going to Level 2 or lower will require companies to make significant alterations to the way they conduct their businesses. This would be contrary to Mil Stan 881c which states ‘However, the primary purpose of the WBS is to define the program’s structure, and the need for data should not distort or hinder the program definition.’ It was suggested that it would be worthwhile exploring using the Contract Reporting Plan as a means to identify and agree appropriate reporting levels and templates. It was felt this may lead to a pragmatic outcome.

Reviewers also questioned the wisdom of pursuing this approach until the purposes for which the information was being collected and the way it would be used were clearer. The introduction to this response form indicates the objective is to compile a comprehensive database of information about regulated contracts, however, the authority for doing this appears to be missing from the Act and the Regulations. This is an important issue which needs clarifying at an early stage.

All reviewers expressed a willingness to work with the SSRO (and MOD) to develop practical and pragmatic processes for collecting data which can be analysed in a meaningful manner to produce information that can be used to improve contract outcomes.

QUESTION 3 – Would you find an operational working group and/or an email helpdesk useful going forward?

Yes No

Please add comments to support your answer:

Reviewers felt an Operational Working Group would be essential to clarify and resolve the large number of issues and queries that have been identified. This forum would be able to explore the ‘art-of-the-possible’ that can be delivered in a cost effective manner and without disrupting their businesses.

A helpdesk will be essential, particularly in the early days.

QUESTION 4 – Do you think the example DPS provides an appropriate level of detail?

Yes No

Please add comments to support your answer:

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The level of detail required will be driven by the nature of the contract, its deliverables and the risk. It needs to be assessed on a contract-by-contract basis.

QUESTION 5 – What do you consider would be the best way to collect DPS information? Email submission or through an online portal?

Please add comments to support your answer:

Reviewers were uncertain about what was meant by ‘DPS information.’ If it referred to reports and reporting it was felt it should be dealt with under that heading rather than this response.

Using a secure online portal will not provide the sender with an internal record of its submission. The cost and benefits of using a secure portal needs to be identified and demonstrated before a considered view can be given.

Suppliers are likely to mark some information ‘OFFICIAL SENSITIVE, COMMERCIAL’ reflecting the extremely sensitive nature of the data they contain. This may require special facilities to send over the internet.

QUESTION 6 – Do you have any additional points that should be considered in developing the SSRO’s approach to the DPS?

Yes

No

Please add comments to support your answer:

It is suggested that the SSRO’s focus should be on identifying the objectives it wishes to achieve and then consider what information is required to achieve these objectives before attempting to determine the best way of collecting the data. ADS members will be pleased to contribute to a work programme along these lines.

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Consultation Response Form

Babcock International Group

Your details

Name:

Organisation:

Babcock International Group – Marine and Technology Division

Position:

Consultation questions

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Yes

No

Introduction

QUESTION 1 – Do you agree with using US Military Standard 881c as a basis for our approach?

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Yes

No

Please add comments to support your answer:

The structure of the WBS in the standard is typical of what we use within our business today. However, the sub-categories will not necessarily align to it.

It should be noted that the WBSs used by us have been developed over many years in conjunction with our customer and CAAS to represent what we believe to be the most appropriate WBS against which to price and manage costs on our contracts. The historical cost information is also used to guide pricing discussions and is held in our current WBS format.

The concern we have is that we may be forced to adopt a DPS which is suboptimal for managing the contract and controlling costs in the interests of comparability. For something unique like the refitting of a nuclear submarine that may be of little use, as the most appropriate comparison will be to the previous refit.

We trust that this issue is recognised by the SSRO and will be a significant consideration in arriving at an appropriate DPS for each contract type. You will appreciate that any change on contractors' estimating and cost capture systems is likely to be expensive and disruptive.

QUESTION 2 – Until a DPS is fully developed, what are your thoughts on the initial submission of DPS being at level one and level two over the first 6 months of the contract?

Yes

No

Please add comments to support your answer:

We agree that this would be a sensible approach. We have provided examples of generic service based DPS to the MoD during the consultation on DRA 2014. We are happy to submit our thoughts at an early stage following this consultation.

QUESTION 3 – Would you find an operational working group and/or an email helpdesk useful going forward?

Yes

No

Please add comments to support your answer:

Given our answer to question 1, it is essential that any decision on defining a pricing structure should be done using a collaborative approach.

QUESTION 4 – Do you think the example DPS provides an appropriate level of detail?

Yes

No

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Please add comments to support your answer:

Yes, subject to the comments in question 1.

QUESTION 5 – What do you consider would be the best way to collect DPS information? Email submission or through an online portal?

Please add comments to support your answer:

Either could work but would be dependent on the level of security and confidentiality applied.

QUESTION 6 – Do you have any additional points that should be considered in developing the SSRO's approach to the DPS?

Yes

No

Please add comments to support your answer:

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BAE Systems

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The DPS will be tailored to reflect different types of equipment. An example DPS, based on a submarine system, has been provided for this consultation. This describes the DPS split to 4 levels as described above

We propose working in tripartite with early adopters of Qualifying Defence Contracts and sub-contracts and the MOD to define the various levels for each type of contract.

Initially, we will require the DPS to only be included at level one. Over the next 6 months we will work with early adopters and the MOD to develop the pricing structure for level 2. We will then develop the level 3 and 4 pricing structure.

We do acknowledge that certain types of service contract may not be suited to this 4 level structure and will work, over the coming months together with the providers of such services and the MOD to define an appropriate methodology.

This is a public consultation. It is open to anyone with an interest in defence single source procurement. **Please respond by 19 March 2015.**

Copies of this response form are available on the SSRO's website (<https://www.gov.uk/government/consultations/defined-pricing-structure>). The response form can be completed electronically or printed and completed by hand.

Please email your response to the following address:
reporting@singlesourceregulationsoffice.gov.uk

You can also post responses to us at:

Finlaison House
15-17 Furnival Street
London
EC4A 1AB

If you require paper copies of any of the draft documents or the response form, please contact us (using the email or correspondence address above to provide us with your contact details.) We will be happy to post copies to you.

Your details

Name:

Organisation:

Position:

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Consultation questions

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Yes No

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Introduction

QUESTION 1 – Do you agree with using US Military Standard 881c as a basis for our approach?

Yes No

Please add comments to support your answer:

We do not believe that a "one size fits all" approach is viable. The company has tried and tested processes and tools for the project management of large, complex programmes, incorporating cost structures which have been developed over many years in conjunction with MOD. The requirements of each programme drive a work breakdown structure which is fit for purpose and supports the management of the programme. Any DPS developed for a programme must be fully consistent with this approach.

Both the standards currently employed by prime contractors and the US Military Standard 881c will clearly provide reference material for the development of a DPS, however, 881c would not be suitable for availability contracts, other support contracts and contracts in other areas (eg research, services provision etc)

QUESTION 2 – Until a DPS is fully developed, what are your thoughts on the initial submission of DPS being at level one and level two over the first 6 months of the contract?

Please add comments to support your answer:

We believe that this graduated approach is sensible but 6 months is unlikely to be sufficient to appropriately define level two for each DPS.

We support the principle that early adopter programmes should be used to define the DPS for each programme with the prime contractor, MoD, SSRO and, where appropriate, major subcontractors working together to define a DPS that as far as possible satisfies the requirements of all parties, particularly the contractor's responsibility to successfully project manage, whilst not leading to duplication of effort and high levels of increased cost for report production.

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QUESTION 3 – Would you find an operational working group and/or an email helpdesk useful going forward?

Yes No

Please add comments to support your answer:

Working groups containing representation from prime contractors, MoD, SSRO and, where appropriate, major subcontractors to define the various DPSs required will be very welcome.

QUESTION 4 – Do you think the example DPS provides an appropriate level of detail?

Yes No

Please add comments to support your answer:

Assuming a mapping between current structures could be achieved, a four level DPS may represent an appropriate level of detail, depending upon the programme under consideration.

However, we are concerned that significant departures from well-established cost estimating, collection and forecasting structures could drive significant changes to financial systems and management processes thus leading to a significant cost burden. Furthermore, the timescales to make such changes could also be significant.

QUESTION 5 – What do you consider would be the best way to collect DPS information? Email submission or through an online portal?

Please add comments to support your answer:

We are unsure what 'DPS information' is, other than the financial reports which will use the DPS structure.

QUESTION 6 – Do you have any additional points that should be considered in developing the SSRO's approach to the DPS?

Yes No

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Please add comments to support your answer:

It is fundamental that a DPS is fully consistent with and can be populated from a contractor's project management system. Any departure from this principle will drive significant cost and may require system change.

The time to establish a DPS that is consistent with a contractor's system is at the commencement of a programme. Introducing new processes and tools mid-programme which will impact each person working on the programme and reworking historic costs will prove prohibitive to both cost and overall programme performance.

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Boeing

Your details

Name:

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Yes

No

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Introduction

QUESTION 1 – Do you agree with using US Military Standard 881c as a basis for our approach?

Yes No

Please add comments to support your answer:

This is a tried and tested methodology for Products that has stood the test of time.

QUESTION 2 – Until a DPS is fully developed, what are your thoughts on the initial submission of DPS being at level one and level two over the first 6 months of the contract?

Please add comments to support your answer:

I think this is a pragmatic approach, although please also see the answer to question 6, in respect of Services.

QUESTION 3 – Would you find an operational working group and/or an email helpdesk useful going forward?

Yes No

Please add comments to support your answer:

QUESTION 4 – Do you think the example DPS provides an appropriate level of detail?

Yes No

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Please add comments to support your answer:

For Products yes, although a Service model / methodology also needs to be available in order for a complete assessment to be made.

QUESTION 5 – What do you consider would be the best way to collect DPS information? Email submission or through an online portal?

Please add comments to support your answer:

On-line portal, but attention needs to be paid to security, accessibility and a save when incomplete mode and no time-outs.

QUESTION 6 – Do you have any additional points that should be considered in developing the SSRO's approach to the DPS?

Yes

No

Please add comments to support your answer:

The DPS needs to cover Services as well as Products, so it would be relevant for a worked example of a complex Service DPS down to level 4 to be provided.

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FinExperts Limited

Your details

Name:

Organisation:

Position:

Consultation questions

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Introduction

QUESTION 1 – Do you agree with using US Military Standard 881c as a basis for our approach?

Yes

No

Please add comments to support your answer:

It is unclear what utility reporting by DPS has, until the purpose of the DPS is understood, any basis of approach cannot be considered.

This paper suggests, without defining why this is of benefit: 'The objective for the DPS is to build up over time a single, centrally available, comprehensive and robustly structured data set that records the estimated and outturn costs, alongside initial and final contract out parameters, for every QDC'.

The SSRO should begin by setting out the utility of the data clearly (compared to contractor data sets), thereby allowing a meaningful discussion of how the need can be met.

It appears that the objective is to create standard data for benchmarking. However;

1. consider that the costs reported by the DPS are contract costs,
2. these are contract costs for items that could not be competed, therefore the output can be considered unique
3. It will be of no value to compare an undercarriage of say a Typhoon to a Wildcat

The US Mil Standard 881c works for the US in a different environment:

1. The US DoD let many cost plus contracts
2. The US system is very expensive system with 4000+ auditors, for which the DoD is content to pay
3. The DoD's volume of procurement takes most of their domestic industry's output, mean that contractors are content to organise on whatever basis they require.

The UK is in a very different environment. Least cost, maximum efficiency and leanness is key, with export and competitive work critical to reduce the overhead burden on the MoD outputs.

Further to this contractors have different underlying QMACs, therefore even if the same item was produced there would be differences in the way cost is allocated and therefore in the cost outputs at identical performance levels

The number of levels of DPS cannot be assessed as 4 without understanding the utility and a deep understanding of how contractors currently price, cost, organise, and control. The SSRO needs to investigate the process with contractors and understand the recut of price (with an incomplete WBS, by total procurement for a contract) and then turn this into a resourced WBS by deliverable (e.g a WBS leg for each of say 12 aircraft, plus the non-recurring elements).

Any remapping:

1. Ignores management structure and system of control
2. Will require expensive and arbitrary remapping
3. The output will not be understood and variances not analysable, as the data will be alien to management. (companies already have their own control data, restated costs to MoD costs, and MoD (other reporting), this would be another layer
4. It will be difficult to recut contingency in this manner

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QUESTION 2 – Until a DPS is fully developed, what are your thoughts on the initial submission of DPS being at level one and level two over the first 6 months of the contract?

Please add comments to support your answer:

Level one will be achievable.
Level two - please see question 1 answers. Any remapping will require expensive and lengthy ERP modification, and may be required to be in place prior to contract to allow any subsequent further analysis beyond level one.

QUESTION 3 – Would you find an operational working group and/or an email helpdesk useful going forward?

Yes No

Please add comments to support your answer:

There are many complex (and contractor specific) issues to resolve, a meaningful engagement through a working level group is required to fully explore the requirement and possible solutions (including timing).

No meaningful engagement on the DPS took place with the MoD, as it was described as a 'policy issue' and therefore not for debate.

QUESTION 4 – Do you think the example DPS provides an appropriate level of detail?

Yes No

Please add comments to support your answer:

Please see question 1 answers:

What are the MoD not getting now that they need?

There is often good monthly reporting, 1* meetings often give the customer up to date cost performance, which meets his needs fully

What do the SSRO need in addition to that that is available now?

The MoD though (limited) consultation published simplistic DPSs for build contracts.

Most contracts are much more complex:

1. Support
2. Refit, mid life upgrades, technology insertion
3. Lifex
4. Availability
5. Composite contracts with many elements from build to support/availability

These types of DPS require considerable analysis, as new build contracts are not the bulk of current contracting

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QUESTION 5 – What do you consider would be the best way to collect DPS information? Email submission or through an online portal?

Please add comments to support your answer:

I don't understand the question, what DPS information collection?

QUESTION 6 – Do you have any additional points that should be considered in developing the SSRO's approach to the DPS?

Yes

No

Please add comments to support your answer:

The DPS engagement with the MoD was of poor quality (along with reporting engagement).

It would be useful if the SSRO could restart the process from the requirement/benefit, this would allow contractors to engage in delivering what value is required by the MoD or SSRO

Single Source Regulations Office
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Consultation Response Form

Finmeccanica UK

Your details

Name:

Organisation:

Position:

Consultation questions

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Yes

No

**Single Source Regulations Office
Defined Pricing Structure**

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Introduction

QUESTION 1 – Do you agree with using US Military Standard 881c as a basis for our approach?

Yes No

Please add comments to support your answer:

Not in the way it has been applied here out of context. In addition, the system is hugely resource intensive.

Repeating here the objective of the DPS in SSRO terms:

The objective for the DPS is to build up over time a single, centrally available, comprehensive and robustly structured data set that records the estimated and outturn costs, alongside initial and final contract out parameters, for every QDC

One of our main concerns with this statement is that we cannot see a practical way of reporting the recurring cost of materials on a build or major modification by a system-based DPS. We need to consider:

- What is the utility of the DPS? We don't know what it will look like, so how can it be of use?
- Is it for benchmarking or for following costs from cradle to grave?

If the objective is to create a standard data for benchmarking, then we must consider:

- That the costs reported by the DPS are contract costs.
- These are contract costs for items that could not be competed, therefore the output can be considered unique.
- It will be of no value to compare an undercarriage of say a Typhoon to a Wildcat.

More fundamentally, we are left wondering whether the SSRO should only make a determination on the DPS after a referral by the Secretary of State or a primary contractor.

In this case, it would follow that the DPS should, in the first instance, be a matter to be agreed between the MoD and the contractor, in order to try to ensure a reasonable and workable solution results. From that, we might surmise that the SSRO would only become involved in the event that agreement cannot be reached between a contractor and the MoD to an acceptable level of pragmatism. Our strong preference would be that the resulting process links with our existing approach to work breakdown structures to provide a cost effective and manageable way forward, which should be in the interests of both parties in driving for value-for-money.

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Consultation Response Form

QUESTION 2 – Until a DPS is fully developed, what are your thoughts on the initial submission of DPS being at level one and level two over the first 6 months of the contract?

Yes No

Please add comments to support your answer:

The US Mil Standard 881c works for the US but this is a different environment:

- The US DoD let many cost type contracts.
- The US system is very expensive system with 4000+ auditors, which the DoD is content to pay for.
- The DoD's volume of purchasing most of their domestic industry's output, mean that contractors are content to organise on whatever basis they require

The UK defence procurement focuses on least cost, maximum efficiency and leanness, with export and competitive work critical to reduce the overhead burden on the MoD outputs.

Moreover, contractors have different underlying cost methodologies (QMACs) and therefore cost comparisons for the same product, even at identical performance levels, will not be comparable.

The four levels of DPS cannot be assessed without a deep understanding of how contractors currently price, cost, organise, control and report. The SSRO needs to perhaps investigate the process with contractors through a joint technical working group.

QUESTION 3 – Would you find an operational working group and/or an email helpdesk useful going forward?

Yes No

Please add comments to support your answer:

We are a long way from the point at which an e-mail help desk would be relevant. As above, a joint technical working group is required without delay to address the whole issue of the DPS which was never satisfactorily resolved during the 18 months or so of technical negotiations with the MOD that preceded the formation of the SSRO .

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QUESTION 4 – Do you think the example DPS provides an appropriate level of detail?

Yes No

Please add comments to support your answer:

Here, we diverge significantly from the proposition in the guidance for the following reasons:

The cost control structure of organisation and the flow of data:

The MoD through (limited) consultation published a very small sample of plagiarised DoD DPSs for build contracts. Most contracts are not designed and build: but are rather:

- Support
- Refit, mid-life upgrades, technology insertion.
- Lifex.
- Availability.

The proposed DPS appears to be counter to the way industry strives to secure the economies/flexibilities of demand aggregation across all its contracts (MoD and other).

The proposed Support DPS has two major issues:

- Alignment with the contractor's method of programme cost, schedule and planning control. It would be hugely disruptive to radically change the existing WBS structures and control methodologies that industry has already built into its system of operations.
- Sub-contract flow-down on a Service basis on IOS type contracts. These are likely to be QSCs, probably as monthly service charges based on flying hours: the prime contractor will not be able to analyse these costs across the DPS headings without significant alignment of what the SRRO are defining.

SSCR Reporting Requirement:

- SSPF 6.2.8 requires ability for cost comparison between the Price Breakdown on the Contract Notification Report and the Actual/Forecast Cost Breakdown on the Interim Contract Report and Contract Completion Report at DPS Level. This will be difficult to achieve due to:

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Contract Price Breakdown:

This is typically sourced from a price Modelling system where the key parameters are linked to the data derived from the company's system of costs, schedule and planning control:

- Product Bill of Material (BOM) which, quite often, could be an outline requirement with significant engineering definition to come.
- Material mapping to system – however, cost control is by organisation eg you don't know the cost of an undercarriage as the costs could lay in Procurement/inventory, engineering design or incorporation costs and costs are collected by aircraft by stage and not by sub system.
- Future Material prices.
- Build schedule.

The resultant price breakdown will be phased in accordance with the build schedule

Contract Execution:

- This typically takes place through the business's mainstream MRP SAP system, aggregating requirements and co-mingling inventories with other MoD/3rd party contract requirements to optimise material cost/availability.
- Using standard MRP techniques, a contract-assigned Work Order is launched for each Build Unit.
- The BOM and Routing embedded in these Work Orders is structured around the physical assembly activity, which is not directly related to the system categories of the DPS, and indeed some system elements (eg Hydraulics) pop up in several build stages.
- Actual and Forecast Costs roll up from the Work Order to the contract record so are by Build Unit not DPS element.

Reporting Actual/Forecast costs by DPS element:

- In order to report Actual and Forecast costs by DPS element, the underlying actual and forecast material transactions will need to be analysed and re-aggregated to align them to a DPS element.
- Whilst this is possible, is a very significant undertaking and the transaction volumes will be very large.

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Any re-mapping requirements:

- Ignores management structure and system of control.
- Will require expensive and arbitrary re-mapping.
- The output will not be understood and variances not analysable, as the data will be alien to management. (companies already have their own control data, restated costs to MoD costs, and MoD (other reporting), this would be another layer.
- It will be difficult to recut contingency in this manner.

Alternative approach:

- Structure the Contract Price Breakdown by Build Unit for reporting purposes, making it easy to compare with the mainstream system Actual and Forecast costs and explain the variances.

QUESTION 5 – What do you consider would be the best way to collect DPS information? Email submission or through an online portal?

Please add comments to support your answer:

The requirement and associated process is currently too ill-defined to make a judgement on this proposition.

More broadly, provided we can utilise our existing work breakdown structures and company systems, we would not incur additional expense in generating the required information. However, a mandated, prescriptive approach to DPS would drive additional cost to the MOD for system modification and there would be an implementation timescale before it was available and the related personnel trained

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QUESTION 6 – Do you have any additional points that should be considered in developing the SSRO's approach to the DPS?

Yes

No

Please add comments to support your answer:

Yes but they are recorded above

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Consultation Response Form

General Dynamics UK Limited

Your details

Name:

Organisation:

Position:

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail, particularly on areas where you disagree. This will help us to understand the basis for your answer and inform the defined pricing structure. As a minimum, please include the paragraph number your comment refers to.

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Yes

No

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Consultation Response Form

Introduction

QUESTION 1 – Do you agree with using US Military Standard 881c as a basis for our approach?

Yes No

Please add comments to support your answer:

QUESTION 2 – Until a DPS is fully developed, what are your thoughts on the initial submission of DPS being at level one and level two over the first 6 months of the contract?

Please add comments to support your answer:

We agree with this approach.

QUESTION 3 – Would you find an operational working group and/or an email helpdesk useful going forward?

Yes No

Please add comments to support your answer:

QUESTION 4 – Do you think the example DPS provides an appropriate level of detail?

Yes No

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Please add comments to support your answer:

QUESTION 5 – What do you consider would be the best way to collect DPS information? Email submission or through an online portal?

Please add comments to support your answer:

We consider the online portal to be the best way to collect DPS information, however this should be used for submission of the data only and not for completion of the templates or data.

QUESTION 6 – Do you have any additional points that should be considered in developing the SSRO's approach to the DPS?

Yes No

Please add comments to support your answer:

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Consultation Response Form

**Marshall Aerospace and Defence Group
Your details**

Name:

Organisation:

Position:

Consultation questions

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Yes

No

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Introduction

QUESTION 1 – Do you agree with using US Military Standard 881c as a basis for our approach?

Yes No

Please add comments to support your answer:

We do not have any experience of using this standard within our organisation and are therefore unable to agree positively. From the little knowledge we have, we are unsure whether this system is entirely suitable for all contract types, especially service or support arrangement.

There is also a question about the requirement for a standardisation in this area. The Regulations, section 24 (2) (d), require the contract reporting plan to contain “a description of the defined pricing structure that the contractor will use in providing the reports required by this Part”. This clearly puts the responsibility on the contractor to define the DPS that it plans to use, which would be consistent with its own practices. This does not mandate standardisation across Industry, although I can see that there may be benefits to doing this.

We should add that we are not against working together to agree a suitable structure for

QUESTION 2 – Until a DPS is fully developed, what are your thoughts on the initial submission of DPS being at level one and level two over the first 6 months of the contract?

Please add comments to support your answer:

I would prefer to have a detailed statement relevant to each Party and each contract, which would be in contractor format.

QUESTION 3 – Would you find an operational working group and/or an email helpdesk useful going forward?

Yes No

Please add comments to support your answer:

If a mandated format were to be used then yes.

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QUESTION 4 – Do you think the example DPS provides an appropriate level of detail?

Yes No

Please add comments to support your answer:

For such a complex purchase it seems broadly appropriate but we are not experts in this type of product.

QUESTION 5 – What do you consider would be the best way to collect DPS information? Email submission or through an online portal?

Please add comments to support your answer:

I do not think that either would be the best method of submittal. If parties feel that this one of these is a suitably secure method for their data then fine but given the sensitivity of the data I am not sure that many parties will be satisfied with this. There need to be other ways of submitting the data that will allow parties to know that their data remains secure, controlled and unaltered after submittal.

QUESTION 6 – Do you have any additional points that should be considered in developing the SSRO's approach to the DPS?

Yes No

Please add comments to support your answer:

Other than already raised under Q1

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Consultation Response Form

MBDA UK Limited

Your details

Name:

Organisation:

Position:

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail, particularly on areas where you disagree. This will help us to understand the basis for your answer and inform the defined pricing structure. As a minimum, please include the paragraph number your comment refers to.

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Yes

No

Single Source Regulations Office
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Consultation Response Form

Introduction

QUESTION 1 – Do you agree with using US Military Standard 881c as a basis for our approach?

Yes No

Please add comments to support your answer:

We do not believe that US Mil Std 881c to be flexible enough to cover all types of programme. That said, given the diversity that exists in defence contracting, we doubt that there is a single solution that could be applied to all contractors or to all contracts.

QUESTION 2 – Until a DPS is fully developed, what are your thoughts on the initial submission of DPS being at level one and level two over the first 6 months of the contract?

Please add comments to support your answer:

Naturally we would support a view that the DPS, or perhaps a set of guidelines for producing a DPS, will need time to be properly developed. With that in mind, then some form of gradual introduction appears sensible.

QUESTION 3 – Would you find an operational working group and/or an email helpdesk useful going forward?

Yes No

Please add comments to support your answer:

A working group could be extremely constructive.

QUESTION 4 – Do you think the example DPS provides an appropriate level of detail?

Yes No

Please add comments to support your answer:

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The difficulty is that the example is tied to a particular product and is built around a particular methodology for price calculation. If a programme under consideration varies greatly from the example selected, or the pricing methodology is not that used by either a contractor or contracting authority then fitting that model would present a number of difficulties.

QUESTION 5 – What do you consider would be the best way to collect DPS information? Email submission or through an online portal?

Please add comments to support your answer:

An email portal is a possibility, however the viability, or otherwise, of such an input approach will be heavily dependent upon the security protocols that can be applied to it.

QUESTION 6 – Do you have any additional points that should be considered in developing the SSRO's approach to the DPS?

Yes

No

Please add comments to support your answer:

From our reading of the Defence Reform Act and the SSCRs (specifically Section 35 (1) (b) and Regulation 52 (1)) it would appear that the role of the SSRO in relation to the DPS is to provide a determination should a party make a reference to the SSRO. This implies that it was not necessarily the intent of Parliament that the SSRO would "create" a DPS, rather that the SSRO might be asked to provide an authoritative ruling should the parties attempting to agree upon a price arrive at a dispute in relation to the DPS being employed. If this reading is correct then it would seem appropriate to establish something that is more guideline or principles based rather than an absolute structure.

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Consultation Response Form

Ministry of Defence (MOD)

Your details

Name:

Organisation:

Position:

Consultation questions

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail, particularly on areas where you disagree. This will help us to understand the basis for your answer and inform the defined pricing structure. As a minimum, please include the paragraph number your comment refers to.

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Yes

No

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Introduction

QUESTION 1 – Do you agree with using US Military Standard 881c as a basis for our approach?

Yes No

Please add comments to support your answer:

The MOD agree with using the US Military Standard 881c as a basis for the manufacture DPS for some military asset types, although not to the same level. The US Military standard has been widely used for many years so is therefore a tried and tested approach to a standard pricing structure. The DPS for manufacturing and design can be based on the structure set out in the US standard and we have provided some examples which are based on this.

However, for in-service contracts, the MOD consider that US standard is not as relevant as these types of contract are managed and reported on differently by the US. In the US, contracts are managed and reported annually on a site basis rather than by equipment/fleet. Therefore the focus is on different cost categories to UK in-service defence contracts.

QUESTION 2 – Until a DPS is fully developed, what are your thoughts on the initial submission of DPS being at level one and level two over the first 6 months of the contract? Please add comments to support your answer:

The MOD consider that there is very limited benefit from only reporting costs at level 1 and 2, which would only provide costs at a programme or total equipment level, providing no detail on the costs of major systems, and therefore not be useful for benchmarking or analysis purposes.

We recommend that the SSRO should consider letting the MOD and supplier agree a contract specific DPS below level 2, which the MOD will base, where appropriate on the example DPSs provided by the MOD for a range of equipment types which outline cost categories to level 4, including:-

Aircraft; Electronic systems; Missile system; Ordnance system; Surface ships;
Submarines - successor; Surface vehicle system; Unmanned air vehicle system;
Unmanned maritime system; Automated information systems

For other types of contract/equipment not covered above, the SSRO should consider suggesting that a DPS be developed jointly by the MOD and the contractor with the involvement of the SSRO if required.

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QUESTION 3 – Would you find an operational working group and/or an email helpdesk useful going forward?

Yes Y No

Please add comments to support your answer:

An operational working group involving members of industry, the MOD and the SSRO would be beneficial to the development of the DPS for a range of contracts/equipment types. Any areas of concern and possible solutions could be discussed at the working groups prior to being published as guidance by the SSRO.

QUESTION 4 – Do you think the example DPS provides an appropriate level of detail?

Yes No N

Please add comments to support your answer:

The document published by the SSRO is the data dictionary annex to a DPS for submarine manufacture. The document provides a detailed description of the cost categories. However the document does not provide any guidance or explanation for using this DPS in practice, for example how to deal with additional cost categories not covered in the document or to explain the levels which are mandatory.

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QUESTION 5 – What do you consider would be the best way to collect DPS information? Email submission or through an online portal?

Please add comments to support your answer:

The DPS will be included in the Contract Reporting Plan, so it can be collected this way. For questions on the DPS, please refer to the answer to question 4.

QUESTION 6 – Do you have any additional points that should be considered in developing the SSRO's approach to the DPS?

Yes No

Please add comments to support your answer:

The SSRO should consider developing a set of guiding principles for industry and the MOD to use when agreeing and completing a DPS in contract reporting. The principles could cover the following areas:-

- Process for agreeing a DPS
- Process for completing a DPS
- Other complexities (e.g. subcontractors)
- Amending a DPS once on contract

Guidance on the above areas would be beneficial to the MOD and industry when using a DPS and would provide a basis for discussions over the content and detail of individual DPS.

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QinetiQ

Your details

Name:

Organisation:

Position:

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail, particularly on areas where you disagree. This will help us to understand the basis for your answer and inform the defined pricing structure. As a minimum, please include the paragraph number your comment refers to.

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Yes

No

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Introduction

QUESTION 1 – Do you agree with using US Military Standard 881c as a basis for our approach?

Yes No

Please add comments to support your answer:

We have no direct relevant experience of the proposed US standard, but believe the complexity and detailed breakdown of costs is overly diversified to achieve the standardisation required. We are concerned that the costs of implementation and analysis of such a detailed breakdown would more than outweigh any potential benefit.

QUESTION 2 – Until a DPS is fully developed, what are your thoughts on the initial submission of DPS being at level one and level two over the first 6 months of the contract?

Please add comments to support your answer:

This approach could be expanded to a lower level of detail applying the Contractor's work breakdown structure. This would provide a greater level of cost breakdown with an opportunity for standardisation through the application of a consistent methodology. The MoD and the Contractor would agree the appropriate level of breakdown within the flexibility of the contractor's WBS, this would be determined as part of the contract negotiations.

QUESTION 3 – Would you find an operational working group and/or an email helpdesk useful going forward?

Yes No

Please add comments to support your answer:

As part of a transition period, this would be helpful in exploring the opportunities and experiences so that there is a thorough understanding of the possible outcomes.

QUESTION 4 – Do you think the example DPS provides an appropriate level of detail?

Yes No

Please add comments to support your answer:

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The example provided appears to be very technical and unique to a dedicated single source contractor. To that extent, the comparability of the information provided is likely to be equally specialised and unique.

A less detailed DPS could have more relevance and direct comparability provided appropriate definitions of a standard generic WBS can be accommodated.

QUESTION 5 – What do you consider would be the best way to collect DPS information? Email submission or through an online portal?

Please add comments to support your answer:

The initial thoughts are that Email is preferred at this stage of the DPS's development;

- Will provide flexibility for the DPS structure that is eventually agreed with the contractor.
- Ensures the company holds clear auditable records of submissions.
- Companies have direct control to upload data from source information without the need to consult with a third party system provider, timetable and request system modifications.
- Investments in systems are deferred until a tried and tested requirement is established.

QUESTION 6 – Do you have any additional points that should be considered in developing the SSRO's approach to the DPS?

Yes

No

Please add comments to support your answer:

We understand that the DPS is subject to agreement with the MoD and the Contractor. We are supportive of collaborative working to achieve a solution that sets a realistic outcome with a pragmatic approach to meeting the desired outcome. One possible approach would be to ascertain data that is currently available within commonly used accounting systems and applying separate solutions for manufacturing and service providers.

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Rolls-Royce Holdings PLC

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The DPS will be tailored to reflect different types of equipment. An example DPS, based on a submarine system, has been provided for this consultation. This describes the DPS split to 4 levels as described above

We propose working in tripartite with early adopters of Qualifying Defence Contracts and sub-contracts and the MOD to define the various levels for each type of contract.

Initially, we will require the DPS to only be included at level one. Over the next 6 months we will work with early adopters and the MOD to develop the pricing structure for level 2. We will then develop the level 3 and 4 pricing structure.

We do acknowledge that certain types of service contract may not be suited to this 4 level structure and will work, over the coming months together with the providers of such services and the MOD to define an appropriate methodology.

This is a public consultation. It is open to anyone with an interest in defence single source procurement. Please respond by 19 March 2015.

Copies of this response form are available on the SSRO's website (<https://www.gov.uk/government/consultations/defined-pricing-structure>). The response form can be completed electronically or printed and completed by hand.

Please email your response to the following address:
reporting@singlesourceregulationsoffice.gov.uk.

You can also post responses to us at:

Finlaison House
15-17 Fumival Street
London
EC4A 1AB

If you require paper copies of any of the draft documents or the response form, please contact us (using the email or correspondence address above to provide us with your contact details.) We will be happy to post copies to you.

Your details

Name:

Organisation:

Position:

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Consultation questions

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail, particularly on areas where you disagree. This will help us to understand the basis for your answer and inform the defined pricing structure. As a minimum, please include the paragraph number your comment refers to.

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Yes No

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Introduction

QUESTION 1 – Do you agree with using US Military Standard 881c as a basis for our approach?

Yes No

Please add comments to support your answer:

Yes in terms of we agree with the principles of standardisation and globalisation.

Whether 881c is the most appropriate way to manage and control our programmes is a different question that we think necessitates a balance between standardisation and fitness for purpose, across the different programmes and types of contracts let.

We think that the US Military Standard 881c (but we have very little experience of its application) is worth looking at to identify how the US procurement process compares and contrasts with the UK, in particular how this dovetails with MOD risk transfer to contractors and the large and growing number of service availability contracts, not product orientated. Clearly any systems should be flexible to meet the specific circumstances, particularly where MOD are a relatively small element of a shared supply chain.

For new contracts the aim we think should be to have a programme management work breakdown structure that is used for day to day control integrated with that used for reporting to the SSRO/MOD. This should avoid the need for non-value added reconciliations and the data could be driven by the same ERP system. Having a separate SSRO DPS one size fits all approach that is different from the contractor WBS is not seen as efficient.

Clearly the costs of implementation of such a system will need to be costed and funded.

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QUESTION 2 – Until a DPS is fully developed, what are your thoughts on the initial submission of DPS being at level one and level two over the first 6 months of the contract?

Yes No

Please add comments to support your answer:

Subject to our response to question 1, this seems sensible as the DPS is developed but would ask the SSRO to be flexible on reporting changes at levels one and two at a later date as the DPS firms up. The practicalities of such a proposed solution need to be understood and agreed at the outset.

For instance any initial assumptions that we make on how levels 3 & 4 align to levels 1 & 2 that later require remapping as the DPS is firmed up we would request that contractors can re-submit level 1 & 2 analysis without fear of penalty so long as the overall sum of the contract remains the same. In extreme cases it may not be possible to make refinements after the WBS has been set up and established.

Contractors also need to compare the DPS against their own WBS to understand the complexities for completing the reports - at first look the DPS example provided by the SSRO only covers the Manufacturing aspect of the CADMID cycle so there will be a number of contracts / activities that are not covered by the DPS as currently proposed - we would welcome the opportunity to work with the SSRO to develop the DPS for other contracts / elements of the CADMID cycle where these are appropriate and dovetails with contractor programme control.

We believe that the internal programme management WBS should dovetail with those that are required in the DPS. In particular any future developments of a DPS should balance standardisation with flexibility to meet in particular any new and innovative contracting arrangements. This would keep set up costs and on-going compliance costs to a minimum for the SSRO and Industry.

We would also appreciate the SSRO clarifying who has overall responsibility for defining the DPS and the circumstances when the SSRO will make a determination on its suitability based referral to the SSRO (eg. 52-(1) refers)?

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QUESTION 3 – Would you find an operational working group and/or an email helpdesk useful going forward?

Yes No

Please add comments to support your answer:

The provision of an email helpdesk would be useful and particularly so when this was real time so as to meet the reporting deadlines.

A telephone help line would also be useful in the period when all parties are understanding and interpreting the regulations/guidance material. Our view is that this should continue until such time as all parties are fully trained and the user guides have reached maturity as we envisage the learning curve will be extensive.

It would be helpful if both email and telephone help desk responses have an agreed documented outcome and subsequent timely updates to the user guides on important principles established and effectively communicated across the contractor reporting community.

Operational working groups we would assume are to address the issues in detail as and when they emerge. We think these should be convened as necessary by relevant experts.

QUESTION 4 – Do you think the example DPS provides an appropriate level of detail?

Yes No

Please add comments to support your answer:

This could be relevant for a generic platform build (manufacturing) but this is different to the way that some companies currently programme manage these types of costs. Please see our response above regarding contractor WBS and dovetailing this into the CADMID cycle.

We would welcome an opportunity to take the SSRO through in more detail.

QUESTION 5 – What do you consider would be the best way to collect DPS information? Email submission or through an online portal?

Please add comments to support your answer:

Emailing confidential information using excel spreadsheets we believe is not a sustainable option going forward. We already have operational difficulties with MOD and would welcome an opportunity to advise you of these in more detail and to come up with an effective and workable solution that ensures we are in control of our data.

In addition suitable protective markings we believe should be added with encryption as standard.

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QUESTION 6 – Do you have any additional points that should be considered in developing the SSRO's approach to the DPS?

Yes

No

Please add comments to support your answer:

We are currently required to report by contract Work Breakdown Structures (WBS) that is tailored to the contract specifics - the shift to the DPS requires a fundamental change to the way our WBS are set up - we would welcome the SSRO views on a solution that reduces the impact on resourcing / training / systems and procedures so as to minimise the compliance (set up and on-going) costs to MOD. We would welcome a practical and proportionate solution.

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Consultation Response Form

SERCO UK

Your detail

Name:

Organisation:

Position:

Consultation questions

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Comments on style and formatting are not required.

In the interests of transparency, it is our intention to publish responses to this consultation on the SSRO website upon completion of the consultation. Please indicate whether or not you consent to publication of your response by ticking one of the boxes below.

Please note, if you do not consent to publication, we will treat your response as confidential to the extent of any disclosure that is required by law. In the event we are required by law to make a disclosure of your consultation response, to the extent we are legally permitted to do so, we will give you as much notice as possible prior to such a disclosure and will take into account all reasonable requests made by you in relation to the content of such a disclosure.

Yes

No

**Single Source Regulations Office
Defined Pricing Structure**

Consultation Response Form

Introduction

QUESTION 1 – Do you agree with using US Military Standard 881c as a basis for our approach?

Yes No

Please add comments to support your answer:

Support the basis of using something that has worked in the USA although the differences need to be considered and accommodated in the DPS.

QUESTION 2 – Until a DPS is fully developed, what are your thoughts on the initial submission of DPS being at level one and level two over the first 6 months of the contract?

Please add comments to support your answer:

I support this approach.

QUESTION 3 – Would you find an operational working group and/or an email helpdesk useful going forward?

Yes No

Please add comments to support your answer:

Yes this type of interactive nature would aid understanding.

**Single Source Regulations Office
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Consultation Response Form

QUESTION 4 – Do you think the example DPS provides an appropriate level of detail?

Yes No

Please add comments to support your answer:

The example is fine by applying this across other areas is not as intuitive as you would expect so is very one dimensional.

QUESTION 5 – What do you consider would be the best way to collect DPS information? Email submission or through an online portal?

Please add comments to support your answer:

Online portal. Email is not a safe or secure environment from transmitting this type of information

QUESTION 6 – Do you have any additional points that should be considered in developing the SSRO's approach to the DPS?

Yes No

Please add comments to support your answer:

**Single Source Regulations Office
Defined Pricing Structure**

Consultation Response Form

Yusani Limited

Annex 1 to Yusani Letter to SSRO dated 18 March 2015

**Single Source Regulations Office
Defined Pricing Structure**

Consultation Response Form

Your details

Name:

Organisation:

Position:

Consultation questions

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail, particularly on areas where you disagree. This will help us to understand the basis for your answer and inform the defined pricing structure. As a minimum, please include the paragraph number your comment refers to.

Please do not feel that you need to respond to all of the consultation questions set out in the document: we welcome brief or partial responses addressing only those issues where you wish to put forward a view.

Comments on style and formatting are not required.

In the interests of transparency, it is our intention to publish responses to this consultation on the SSRO website upon completion of the consultation. Please indicate whether or not you consent to publication of your response by ticking one of the boxes below.

Please note, if you do not consent to publication, we will treat your response as confidential to the extent of any disclosure that is required by law. In the event we are required by law to make a disclosure of your consultation response, to the extent we are legally permitted to do so, we will give you as much notice as possible prior to such a disclosure and will take into account all reasonable requests made by you in relation to the content of such a disclosure.

Yes No

Single Source Regulations Office Defined Pricing Structure

Consultation Response Form

Annex 1 to Yusani Letter to SSRO dated 18 March 2015

Single Source Regulations Office Defined Pricing Structure

Consultation Response Form

Introduction

QUESTION 1 – Do you agree with using US Military Standard 881c as a basis for our approach?

Yes No

Please add comments to support your answer:

US MIL-STD-881C addresses mandatory procedures for all programmes, which is inconsistent with the “have regard to” principle for Statutory Guidance. This Standard offers uniformity in definition and consistency of approach for developing all levels of the WBS - this is not practical for the diversity of UK programmes and their method of implementation. US programs are mostly undertaken by dedicated defence businesses in order not to contaminate the business processes of commercial operations; in the UK there is not a sufficient volume of business from MoD to justify discrete defence businesses in a cost effective manner.

The MIL-STD specifically states “However, the primary purpose of the WBS is to define the program’s structure, and the need for data should not distort or hinder the program definition.” [4th para page 2, 2nd para of 1.3.3 page 3] Yet the distortion and hindering of a programme definition is just what appears to be happening by the use of a standard DPS; any methodology that causes a company to change the way it manages its programmes must be questionable.

The MIL-STD specifically defines a WBS as “A product-oriented family tree” and “A WBS displays and defines the product, or products, to be developed and/or produced” yet there are few contracts let by MoD that now fit this structure.

QUESTION 2 – Until a DPS is fully developed, what are your thoughts on the initial submission of DPS being at level one and level two over the first 6 months of the contract?

Please add comments to support your answer:

This begs the question of who defines the DPS for a particular contract.

The legislation provides no basis for the SSRO to define a DPS for a contract; the only role provided for the SSRO is to make a determination on a reference.

The stated purpose of a DPS at the beginning of this questionnaire is “to build up over time a single, centrally available, comprehensive and robustly structured data set that records the estimated and outturn costs, alongside initial and final contract out parameters, for every QDC.” But there is no legislative authority for this purpose. If the DPS was structured to reflect the programme implementation for each individual contract by each contractor, the objective might have some validity, but it would be relevant only for that contractor and could not be standardised for all QDCs let by MoD even of the same type as different contractors classify costs in different ways and it would be impossible to map comparable costs to a database.

Any implementation period should be at least 2 years from a first contract to accommodate contractor infrastructure changes and training as well as programme implementations.

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QUESTION 3 – Would you find an operational working group and/or an email helpdesk useful going forward?

Yes No

Please add comments to support your answer:

An operational working group will be an essential forum for practitioners and experts to provide clarity to the requirements, recommend practical solutions and develop realistic guidance. An email helpdesk will be a useful adjunct to an on-line database of Q&A.

QUESTION 4 – Do you think the example DPS provides an appropriate level of detail?

Yes No

Please add comments to support your answer:

The appropriate level of detail can be judged only on a contract by contract basis.

QUESTION 5 – What do you consider would be the best way to collect DPS information? Email submission or through an online portal?

Please add comments to support your answer:

What is "DPS information"? If you mean reporting information then that matter will be picked up in the reporting questionnaire.

In any event, an on-line portal is not supported, as contractors need to be in control of their information and have a record of its submission; an on-line portal does not support adequate record keeping of disclosures. Email transmissions are unlikely to be secure enough for the sensitivity of the data or capable of passing through firewalls with the use of macros in the spreadsheets. Encrypted and digitally signed CDs or DVDs would be a suitable method of submitting the data.

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QUESTION 6 – Do you have any additional points that should be considered in developing the SSRO's approach to the DPS?

Yes

No

Please add comments to support your answer:

It is not clear why the SSRO has to develop a DPS - there does not seem to be any legislative authority for the SSRO to develop a DPS.

A principles based approach to establishing an appropriate DPS for any particular contract would be a better activity for the SSRO to undertake in the development of guidance.