

## MoD's multi-million pound Chinook support programme reaches a new high with IBM

### Overview

#### The Challenge

- Assist Chinook IPT (CHIPT) to investigate partnering with industry to transform support and maintenance for the Chinook fleet until out of service
- To assist with the identification of best value for money options, whilst maintaining operational requirements for fleet availability and capability
- To assist with the development of a prime contractor partnering arrangement for Chinook maintenance and support.

#### The Solution

- IBM Global Business Services consultants provided specialist skills and experience in financial analysis, risk management, stakeholder management, project management and public/private partnering contract negotiations.

#### The Benefits

- Savings on support and maintenance set to exceed original target of 20 per cent
- Consistently high levels of aircraft availability
- Enhanced supplier relations and performance
- Access to a scalable resource pool of specialists
- Knowledge transfer equips MoD with reusable skills.

The UK Ministry of Defence's fleet of 40 Chinook helicopters plays a strategic role in providing British Armed Forces with the heavy lift capability needed to meet front line commitments. The Chinook is expected to continue in service for a further 35 years until 2040, making support and maintenance a major long-term financial and operational undertaking. Historically, the MoD has used a range of internal and external contractors at a cost of in excess of £40 million per annum.

The Chinook Integrated Project Team (CHIPT) within the Defence Logistics Organisation (DLO) was tasked with investigating, developing and assessing alternative support arrangements for the Chinook helicopter fleet. CHIPT set out to identify which would deliver best value for money whilst guaranteeing fleet availability and capability required by front line commands and placing risk where it can best be managed.

#### Choosing an external business partner

Analysis of the alternatives and the preparation of the business case for submission to the UK Government's Investment Appraisal Board were projected to take three years and required specific financial, risk management, commercial negotiation and project management skills.

A valuable benefit for the CHIPT of using IBM consultants as an external resource was the flexibility they provided throughout the project. There was no need for the CHIPT to recruit and train staff in specialist skills which would be required for only a particular short-term task and then discarded. Such skills could be readily pulled into the project for specific periods from IBM's extensive resource pool and then redeployed as soon as the need was satisfied.

A core team of three IBM consultants worked closely with the CHIPT team throughout the project. To this IBM added risk management, financial, commercial negotiation and project management expertise at appropriate times and for appropriate periods. Up to seven IBM consultants worked on the Chinook Future Support Project at any one time, working at the MoD site alongside the 12-strong Chinook Future Support Team.

“Throughout the project, IBM consultants became an integral part of the CHIPT project team, sharing project responsibility and knowledge with CHIPT staff,” Cdr Cargen RN – Chinook Future Support Project Manager stated. “This helped ensure that we hit our objectives and enhanced the skills and expertise within the team.”

### **Investigating alternatives**

At the outset of the project, IBM consultants assisted CHIPT in capturing the requirements of the stakeholders. Principal amongst those stakeholders were the front line units requiring heavy lift capability, the Joint Helicopter Command responsible for delivering that capability, the Investment Approvals Board which would sanction any recommendation, and the unions responsible for the civilian elements of manpower used to support the Chinook fleet.

It was essential that the outputs from the Chinook support contract be clearly identified and quantified, since private industry and MoD departments were being asked to tender for delivering availability and capability rather than simply carry out specific support tasks. Unlike previous contracts based on traditional statements of work, the new support contracts are designed to allocate responsibility for delivering a total capability, and apportion risk and reward to the most appropriate parties.

Seven possible options were considered in the initial business case with the three most viable options subjected to intensive analysis. These amounted to a continuation of the existing maintenance services managed within the MoD and using the Defence Aviation Repair Agency; enhancements to this service with the MoD retaining responsibility for delivering the service; and a public sector/ private industry partnership with the Boeing Company, the design authority and manufacturer of the Chinook helicopter.

### **Generating the business case**

IBM brought in specialist financial consultants to assist with the development of a robust ‘whole life cost model’ and investment appraisal for each of the options. These analyses, covering the remaining 35 years of service for the Chinook, were complex and needed to comply with HM Treasury appraisal guidelines.

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Cdr Cargen RN – Chinook Future Support  
Project Manager

Since only one industry submission was being considered, IBM financial consultants worked with the CHIPT team to create a robust Public Sector Comparator as a viable in-house alternative to the Boeing Company's proposal. This and the Boeing Company proposal were then compared with the existing solution and future requirement to measure the projected cost and operational effectiveness.

IBM Global Business Services risk managers worked closely with the CHIPT team throughout the life of the project to develop an appropriate risk management strategy. The risks associated with each of the proposed solutions were identified and evaluated for probability and impact on performance, cost and time. These were then factored into the investment appraisal as part of the business case prepared for the Investment Approvals Board.

### **Commercial negotiating skills**

The main business case submitted to the Government for approval recommended a 'contract for availability' with the Boeing Company. The strategic move from traditional time and materials contracts to a private industry output-based contract required a major culture change and a fresh negotiating stance from the Chinook IPT. With limited experience of negotiating such results-oriented commercial contracts, which include commercial and financial incentives to encourage Boeing to exceed its objectives, the IPT relied heavily on IBM's experience. IBM consultants advised on preparing negotiating positions and assisted in developing contractual arrangements covering price, payment terms, performance monitoring, supplier incentives, requirements trade off and transition planning.

Arrangements negotiated with Boeing project that annual support and maintenance savings against the original support budget will exceed 20 per cent. This is a greater saving than was predicted at the outset of the Chinook Future Support Project, and has been achieved whilst maintaining the agreed levels of helicopter 'fit for purpose' availability and operational capability.

"IBM introduced a great deal of innovative and independent thinking into the negotiations with Boeing, which benefited both parties," concludes Commander Cargen.

### **For more information**

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