

Industry takes responsibility for naval ship performance

Committed to driving down support costs through new ways of working, the UK's Defence Logistics Organisation is moving responsibility for vessel performance to industry in the first contract of its type.

The UK's Defence Logistic Organisation is responsible for the total support of about 130 surface ships and submarines of the UK's naval forces, and is committed to improving outputs but at a reducing cost by working more closely with industry and using industry best practice.

Since early 2002 the DLO and Rolls-Royce have been moving to a partnering arrangement to support the Royal Fleet Auxiliary Flotilla, a mixed fleet with some vessels over 25 years old, most operating a range of Rolls-Royce equipment.

In 2003 a landmark five-year single entity contract was signed, allowing Rolls-Royce to capture opportunities for maintenance and repair of all the equipment it had supplied. Prices are fixed, defined by a simple pricing matrix, developed jointly from historical data for spares, services supply and training, with additional discounts available based on volume.

"We now have the confidence to move to the next stage," explains Commodore Mike Norfolk, leader of the DLO's integrated project team responsible for RFA support. "Increasing the scope and gainshare so all parties benefit."

"The recent operational history of *Fort George* is proof that we are improving. Since changing the way we work there have been no equipment reworks due to failures or incorrect maintenance. We have also benefited from significant cost and time savings through the Rolls-Royce investment and use of service-exchange components."

The DLO is now entering into a long-term contract for the support of RFA *Argus* with Rolls-Royce and shipbuilder A&P that will move responsibility for vessel performance to industry for the first time. This contract will be a pilot, with existing arrangements amended to include all equipment that move and work the vessel, and will also include performance targets in the final phase which will commence in early 2007.

The precursor to full implementation is the vessel's 2006 docking period. It will be undertaken by Rolls-Royce, A&P Falmouth and the DLO working together to determine what is required. All equipment will be serviced and baselined for condition to enable the risk's to be fully understood.

As the design authority for most of the equipment Rolls-Royce will be well placed to make decisions on what maintenance that is truly necessary, thus reducing costs. Maintenance regimes will then be developed to match the vessels future operating profile to ensure availability targets can be achieved.

"It is all about the transfer of risk from the DLO to the organisation best suited to manage it," says David McConnell, waterfront director for Rolls-Royce. "We understand those risks and are dedicated to effectively managing them to the benefit of the team."

The challenge for Rolls-Royce is to deliver this within a low-cost environment. Payment will be on a target cost incentive fee basis, using pre-agreed ship system availability targets.

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THE CONTRACT WILL MOVE RESPONSIBILITY FOR VESSEL PERFORMANCE TO INDUSTRY FOR THE FIRST TIME



RFA *Argus* was one of over 200 ships that took part in the 2005 Trafalgar 200 celebrations off the UK's South coast