

THE MODIFIED A&A PROCEDURES

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ABSTRACT

As&As are often removed from work packages at a very late stage in the reconciliation process, or survive at the expense of other important work. This article provides a brief historical perspective and discusses the causes. Financial considerations are examined in the light of MOD regulations and the principles of the new procedures are developed accordingly.

Introduction

Alterations and Additions (As&As) have been the means of updating our ships for many years and the A&A system has evolved to meet continually changing circumstances. The evolution continues and a further change, building upon the procedures established some 10 years ago, has recently been introduced. The change is intended to increase the system's effectiveness and efficiency by improving the information available to those responsible for endorsing/approving and implementing As&As.

Background

In 1979 a study showed that the A&A system was less than satisfactory; it was possible for an A&A to be approved and equipment procured with little prospect of it being fitted before ships paid off. Clearly, this did not represent value for money and, in 1981, the Nott Defence Review increased the pressures to become more efficient. The Operational Capability Study Group's subsequent investigation into capability, capability enhancement and availability led to the last major revision of A&A procedures. Although that revision resulted in significant improvements in the procedures, budgetary constraints (especially in the Vote 5* area) still mitigate against implementation of some urgent but lower priority As&As. The main cause is a lack of early appreciation of the high fitting costs of the more significant As&As. These As&As tend to be those which result from staff requirements. A further study, in 1991, indicated that Vote 5 funding for such As&As (the Type A) should be identified and provided under separate arrangements from those for non-staff-requirement-related As&As (the Type B) and normal maintenance and defect repair.

Financial Considerations

Our ships have a long life, during which there will be changes to the perceived threat, which require frequent updates of operational capability to match them. These updates are normally the subject of a staff requirement—Staff Requirement(Sea) (SR(S)), or Minor Equipment Requirement (MER). Associated As&As are normally undertaken during refits or docking periods because of their size. Hitherto, Vote 5 funding for such periods has been provided on the

*Vote 5: funding for ship refitting and repair

basis of a Class Batch Planning Budget (CBPB) which generates a fixed level of funding to embrace the complete work package. The proportion of the budget allocation which is spent on Type A, Type B or maintenance/defect repair (although nominally set for each) tends to be the subject of considerable 'horse-trading' late in the reconciliation process. Thus a large, but operationally essential, Type A A&A could use up the provision for all As&As, leading to late cancellation or deferment of the remainder. Conversely, if the installation costs prove to have escalated far beyond the original estimate, the A&A itself could 'fall at the last hurdle', notwithstanding considerable prior design effort and expenditure under Vote 2[†]. A system is required for Type A As&As which will make more realistic estimates of Vote 5 costs in the early stages, will monitor any escalation and will separately identify the financial provision in Vote 5. Indeed, the 1991 study showed that, if this can be achieved, the CBPB approach would ensure adequate provision for the remainder (Type B As&As and maintenance/defect work).

Funding Arrangements

Ministry financial regulations require cost estimation for all Votes to be as accurate as possible. Until now, staff requirements have contained only an early nominal estimate of the associated Vote 5 costs. Furthermore, after endorsement, these estimates have not been revised as design information has been refined. The new procedures require more detailed estimates of installation costs to be produced from Feasibility/Project Definition Studies. These estimates will be included in the staff requirement before endorsement, and will be revised subsequently as more design information becomes available. If, at any time, the estimated costs have grown unacceptably, the new procedures will require either the staff requirement to be submitted for re-endorsement or compensating reductions to be made elsewhere.

Key Players

In future, the Warship Project Manager (WPM) will take a more active part in the preparation of draft SR(S) and MERs, co-ordinating the input of estimates of fitting costs in consultation with the Equipment Project Manager (EPM), DGSR and Principal Director of Accountancy Estimating and Pricing Services (PDAEPS). In this way a management information file can be built up for each potential Type A A&A at the earliest possible time so that there is full visibility of costs for decision-making and bidding for funding. The aggregation of all such files will form an A&A database which will be computer-supported for efficiency. A longer term aim is to embrace Type B As&As under the same arrangement.

By ensuring that the total costs endorsed in the staff requirement are accurate, not only are the requirement and Vote 2 costs approved, but also the Vote 5 provision to an agreed fitting plan. Thus, DGSR will be able to bid within the LTC for those specific Vote 5 funds. In this way, the Type A A&A funding is identified separately from the common pool of CBPB provision.

Management Information for Decision Making

When complete, the database will contain information such as Vote 2 costs, Vote 5 costs, fitting plan, cycle time, delivery forecasts, status of guidance, etc. In addition to achieving its prime aims it will improve decision-making by making more high quality information available. For example, the database will also show gross and net Vote 5 costs, the latter being derived from any

[†]Vote 2: funding for procurement

planned maintenance negated by implementing the A&A. This will provide immediate visibility of the true implications of any proposed cost savings measures, e.g. deletion of specific Type A As&As either *in toto* or for specific fitting opportunities.

What Hasn't Changed

The procedures for raising, processing and implementing Type B As&As have not changed.

It is not expected that there will be any marked change in the inputs from FOSF/FOSM or ship's staffs. The majority of As&As proposed by these authorities will become Type B, which are unaffected by the new procedures. However, the more expensive proposals should be scrutinized with more care to ensure that those which should become staff requirements are passed to DNW/DNOT/DOR(Sea) for formal sponsorship as early as possible.

Summary

The new procedures will not solve all the problems associated with As&As but they will allow better management of the problems of inadequate Vote 5 provision and cost escalation. Decisions on capability update should be made more timely and effective by the provision of more accurate management cost information.
