

24 February 2017

**NOTICE**  
NIAG(EG)SG218 (PFP)

**NATO INDUSTRIAL ADVISORY GROUP (NIAG)**

**NIAG study on Concepts and Rationale for Contracting for  
Logistics Capability on NATO Armaments and Support Programs**

**Exploratory Group meeting held at NSPA, Capellen, Luxembourg on  
17 February 2017**

**Meeting notes**

Note: all briefings given during this meeting are posted on the DI portal (<https://diweb.hq.nato.int>).

**1. Opening Remarks and Introductions**

1.1. The NIAG Vice-Chairman, Mr Michael Langer, opened the meeting and welcomed 32 Industrial representatives from 11 nations and representative from the Sponsor (LCMG).

**2. Introduction to NIAG Study procedures**

The Group:

2.1. noted a brief from the CSO, in which he outlined the intentions of the meeting and the NIAG procedures. He advised that, on completion of the Exploratory Group meeting, a document would be prepared and submitted to the National Armaments Directors' Representatives (NADREPs) stating the objectives of the study and the study organisation, for approval.

**3. Background and Objectives of proposed study**

The Group:

3.1. noted the brief by Mr Stefan Limburg, representing the sponsor, outlining some background information and the objectives of the study request.

**3.2. agreed on the study objectives as follows:**

3.3. The Concepts and Rationale for Contracting Capability in NATO Support Programmes ("Contracting for Capability") study has the objective to provide analysis, recommendations, and tools for NATO to effectively exploit outcome-based contracting.

3.4. Contracting for capability (readiness, availability, etc.) has been proven in some situations to reduce cost and increase mission effectiveness. This method of contracting is contrasted to traditional transactional contracting where payment to a supplier is based on number of parts supplied or number of repairs. The study will provide NATO with a roadmap to identify situations where contracting for capability is the best choice.

3.5. The Contracting for Capability study will have three focus areas. It will:

- execute a broad spectrum analysis of programmes that have been conducted using a Contracting for Capability model to achieve logistics or sustainment. The programme conditions, results, and lessons learned will be documented. The Quick Reaction Team will have input into which programmes are included in the study to ensure that a representative blend of conditions and outcomes is addressed. The evaluation of the programmes will include a comparative cost-benefit analysis between the results of the programme and expected results using traditional contracting methods;
- identify NATO policy and doctrine that would be relevant to be updated to include the concepts of contracting for capability and provide sample language for consideration by the document custodian;
- develop a 'decision tree' type of tool that can be used by NATO programme managers to determine whether, and to what extent, contracting for capability might be appropriate given the programme parameters.

### **Operational Scenarios**

3.6. The Contracting for Capability study will consider operational scenarios that require a component of life-cycle product support. The operational scenarios will include situations where it is necessary to maintain the readiness and operational capability of a system or subsystem. The specific conditions will range from ensuring parts are available for repair activities to ensuring operational availability of a weapon system. In general, the study will consider operational scenarios where there is a mission availability or readiness requirement that can be fulfilled by industry support and where innovation can increase efficiency and reduce cost.

### **Scope of the Study**

3.7. At the request of the sponsor organization, the scope of the study will be limited to logistics support capabilities including any of the elements of logistics.

3.8. The study will address specific cases where contracting for capability has been exploited and the conditions under which the national defence organisation has benefitted (or not) from the approach. The study will address the benefits, the risks, and the lessons learned from National experience and extrapolate that into the multi-national environment.

3.9. Potential follow-on efforts include:

- demonstration or use of the decision tree tool during programme development to gauge the benefit of the tool;
- expansion of the focus area from logistics and life cycle management to full capability development and delivery.

### **Study Outputs**

3.10. The final report will include information to guide NATO programme development with best practices of contracting for logistics capabilities. The final report will document the conditions under which contracting for logistics capability has worked well and where (and why) it has not achieved the expected results. Lessons learned, pitfalls, and risks will be documented for future use by NATO project/programme managers.

3.11. The final report will also include recommendations on how NATO doctrine and policy might be enhanced to enable to effective consideration of different support solutions. Sample language for inclusion in NATO documents will be included.

3.12. A tool, such as a decision tree, will be provided in the final report. The tool will support programme managers in determining which support solution is favourable.

### **Study Report**

3.13. The output from this study shall be in the form of a final written report that documents the assumptions, inputs, methodologies, assessments and analyses by the study team to reach its conclusions and recommendations.

3.14. The study is open to industries from NATO and Partner nations. The study will be conducted at NATO Unclassified level, releasable to PFP nations.

3.15. The study should also produce an unmarked executive summary (one page maximum) that is publicly available for NIAG promotion and visibility purposes, and subject to prior validation by the sponsor.

3.16. noted that the sponsor Quick Reaction Team (QRT), which will assist the NIAG Study Team in the gathering of information and which will monitor the study work, will be led by Mr Stefan Limburg ([stefanlimburg@bundeswehr.org](mailto:stefanlimburg@bundeswehr.org)) and Mr. Giuseppe Rampini ([Giuseppe.rampini@shape.nato.int](mailto:Giuseppe.rampini@shape.nato.int)).

#### 4. Review of documentation required for the Study

4.1. The Group noted that necessary documentation of interest for the study would be made available to the Study Group by the Sponsor.

*[post-meeting note: The Group is invited to note that the Science and Technology Organisation (STO) annual report is available on the DI Portal (<https://diweb.hq.nato.int>, select NIAG, studies/final reports), for the Study Group's reference. This will ensure the Group's awareness of any similar work conducted by STO, if any.]*

#### 5. Nomination of Study Chair, Deputy Chair, Rapporteur and National Focal Points

5.1. The Group elected the following study group management team:

Chairman	Mark Harnitchek (Boeing, US)
Vice-Chairs	Peter Janatschek (Peter Janatschek Projekte & Logistik, GE) Juan Carlos Santos Santos (Airbus Defence and Space, SP)
Rapporteur	Gustavo Scotti di Uccio (AOS, BE)

The **SG Chairman** is responsible for the carrying out of the study by the SG on behalf of the NIAG and for the presentation of the final report. He/she will formulate and direct the study work plan and oversee the administration of the study. The SG Chair may call on the NIAG Vice-Chairman, the NIAG Head of Delegation for his nation and the IS NIAG CSO to receive advice and assistance as required. The Chairman is also responsible for managing the study "man-day" expenditure to match the allocated study budget.

The **Deputy Chairman** will assist the Chairman in the management of the study and provide stand-in for the Chairman when and as required.

The **Rapporteur** will act as Secretary to the SG, supporting the Chairman in the administration of the SG activities. Normally this will involve assisting with the meeting arrangements, compiling the records of meetings and disseminating information to the SG members. The Rapporteur will act as the privileged interface point between the SG and NATO HQ IS and will play a pivotal role in the study contracting and invoicing process.

5.2. noted that the National Focal Points (NFPs) would be nominated during the kick-off meeting.

**Action: Chairman**

The **NFP** acts as the single point of contact for his nation to provide information on the study. He should be prepared to liaise with the NADREPs and other relevant personnel in the national delegation and with appropriate people in his nation such as the national representative in the sponsor parent group. He should assist the SG Chairman in administrative matters and liaisons concerning the companies participating from that nation and also to look for other companies from his country if requested.

5.3. noted that the list of experts who could not be present at the EG but had shown interest in this study was included at Annex 1 and that the SG Chair and Rapporteur would include them in further communication relating to the SG kick-off meeting.

**Action: Chairman/Rapporteur**

5.4. noted that funding for participation in NIAG studies was limited to 2 studies per expert per year. Non-funded participation to additional studies would still be possible.

## 6. Study Contracting Arrangements, budget planning & administration

The Group:

### **Budget**

6.1. The study budget, taking into account the participation level and study scope was set to 300,000 € (pending CNAD approval under silence procedure – the final amount will be confirmed in the study order), which is equivalent to 728 ‘man-days’ effort at the current rate of € 412 per man-day. The Chairman is responsible for managing the study “man-day” expenditure to match the allocated study budget. He will need to adjust the planned meeting days in relation to the actual and anticipated expenditure per meeting. Eligible activities for NIAG budget funding are the participation, preparation and travel to meetings.

6.2. Various tools and mechanisms are available to optimize the budget expenditure:

- Use of virtual meeting technologies;
- Organisation of the Study Group in sub-groups striving for higher flexibility and efficient use of the resources;
- Call of core team/management meeting with limited attendance;
- Study Group upfront agreement of funding modalities such as compensating only one participant per company, funding scheme for meeting, ...

6.3. noted the calculation of the number of man-days being proposed as follows: number of days for the meeting, plus the same number of days for the preparation, plus 1 day for travel (2 days for inter-continental travel); [an example: a 3 days meeting in Europe would be reimbursed by NATO for an European expert as follows: 3 days (meeting) + 3 days (preparation) + 1 day (travel) = 7 days]. The Chairman might decide to have limited physical meetings (use of virtual meetings), or with a different calculation to stay within the allocated budget.

#### **Study order**

6.4. noted that a study order would be prepared and signed, according to the following procedure:

6.4.1. The study order will be posted on the DI Portal and will comprise the following parts:

- study order special provisions related to the specific study;
- study order general provisions;
- NATO signature page (signed by IS/DI and NATO Financial Controller);
- Annex 1: list of participating companies (to be compiled in Excel by the Rapporteur);
- Annex 2: forms to be filled in, signed by each participating company and communicated to the Rapporteur.

6.4.2. Participating companies will be invited by the Chairman/Rapporteur to download the Annex 2 of the study order, fill in, sign and provide to the Rapporteur at the kick-off meeting or shortly after.

***Action: Chairman/Rapporteur/participating companies***

6.4.3. The Rapporteur will collate all the Annexes 2 and prepare a list of participating companies (Annex 1 of the study order) together with an experts' spreadsheet (available on the portal). **There should be only one Annex 2 per company, even if several experts participate to the study.** The Rapporteur should forward all to the NIAG Secretary within a month after the Kick-Off meeting to enable the study order to be signed by NATO before the 1<sup>st</sup> meeting of the Study Group;

***Action: Rapporteur /Study Group members***

6.4.4. The NIAG Secretary will then ensure the signature by NATO authorities and post a scanned copy on the portal, within a month after receipt of Annexes 1 and 2;

**Action: NIAG Secretary**

6.4.5. No meeting of the Study Group is expected to take place before the study order is signed by all parties to ensure all participants are bound and protected by the same regulatory framework, especially concerning the protection and the management of the information exchanged during the study execution.

#### **Deadline for participation**

6.5. noted that the study “Kick-Off” meeting is the start of the study and that companies’ experts intending to participate should be present at this meeting. **If wishing to participate, but being unable to attend the kick-off meeting, the respective companies will inform the SG Chairman prior to the meeting.**

6.6. **Companies not mentioned at Annex 1 of this document, but which are interested in joining this study should contact the SG Chairman, through the NIAG Head of Delegation (HOD) for that nation, prior to the kick-off meeting. The Chairman will only accept registration of new companies when confirmed by the NIAG HOD.**

6.7. **No additional companies will be allowed to join the study group after the kick-off meeting. The same applies for companies that have not provided the signed Annex 2 of the study order within the requested deadline.**

#### **Study execution and completion**

6.8. noted that the study work will conclude with the production of a written final report, submitted to the sponsor for acceptance, and the delivery of 2 briefings: to the NIAG plenary and to the Sponsor.

**Action: Chairman/Sponsor/SG members**

6.9. noted that the sponsor will have to accept the final report before submission to the NIAG office. The Rapporteur will send the final report, together with the sponsor acceptance and the confirmation of the briefing dates, to the NIAG office.

**Action: Rapporteur/Sponsor**

6.10. noted that the Chairman will prepare and sign claim forms (template available on the DI Portal, NIAG, Study Groups, Admin corner) to be forwarded to all SG participants for approval. SG participants will sign and return to the Chairman.

**Action: Chairman/SG members**

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6.11. The Rapporteur will then forward all the signed claim sheets, together with a payment spreadsheet (template available on the DI Portal, NIAG, Study Groups, Admin corner) to the NIAG Office.

**Action: Rapporteur**

6.12. Finally, the NIAG office will notify the Rapporteur that the study is completed and that payment process will start.

**Action: NIAG Secretary**

### **Invoicing**

6.13. noted that the payment process will be initiated once the NIAG office has notified the Group of the study completion.

**Action: NIAG Secretary**

6.14. Upon invitation by the NIAG Office, all companies will upload their invoices, **within 6 months, on the DI Study Group website. Failure to submit the invoice within this deadline will result in the loss of the right to claim payment.**

**Action: NIAG Office/Rapporteur/SG members**

6.15. All invoices will indicate:

- the name and address of the bank
- the recipient account number together with the IBAN and the BIC/SWIFT.
- the account number holder name which shall be identical to the participating industry name.

6.16. Invoices will then be processed in 2 batches (first batch 3 months after the notification and 2<sup>nd</sup> batch after 6 months) and paid according to NATO's terms of payment.

**Action: NIAG Secretary**

## **7. Study Reporting Requirements**

The Group:

7.1. noted that an interim report consisting of 3-4 slides (template available on the DI Portal) should be prepared for each phase of the study, to be sent to the NIAG Secretary for the NIAG Website and for consideration at a NIAG plenary meeting, **no presence required at the NIAG meeting;**

**Action: Chairman**

7.2. noted that the final report should be passed to the NIAG Coordinator **by end April 2018 at the latest**;

7.3. noted that the final report (8 slides maximum, focusing on the executive summary) will be briefed at a NIAG plenary meeting by the Chairman and to the Sponsor (dates to be confirmed);

**Action: Chairman**

7.4. noted that the Final Report should consist of an Executive Summary of the report (max 2 pages), designed to offer management level readers an overview of the study main findings, conclusions and recommendations, a main body (approx. 20 pages), and annexes.

7.5. noted that the Study Group should also produce an unmarked executive summary (one page maximum) that is publicly available for NIAG promotion and visibility purposes, and subject to prior validation by the sponsor.

## **8. Study Organization**

The Group:

8.1. noted that the DI portal (<https://diweb.hq.nato.int>) holds a workspace for this study group, enabling members to share unclassified documents. The access to DI website requires registration (under "Sign in to DI Portal" click on "Register Yourself" and fill in the form). Use NIAG as Community of Interest when required. After the access is approved by NATO IS, from the DI website and once logged in, click on NIAG, then on Study groups (from the left column). A subsequent menu with "SG217" will appear;

*[post-meeting note: the Group is invited to check the Admin corner on the portal (NIAG, study groups) to find more information and various templates].*

**8.2. subject to CNAD approval, decided to hold the kick-off meeting in Brussels, Belgium, on 28 March 2017.**

8.3. noted that further information relating to this meeting would be provided by the Chairman and/or Rapporteur to all experts listed at Annex 1 and those being nominated by NIAG Heads of Delegation until the kick-off meeting.

**Action: Chairman/Rapporteur**

(signed) Nathalie Van Donghen

Annex 1: List of participants

1 Annex

Original: English

**LIST OF ATTENDEES IN THE EG**

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**Not present but showed interest in the study  
(to be included in the distribution list for the invitation to the kick-off meeting)**

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