INTERNET VERSION – MASTER ON THE DEFENCE INTRANET

Ministry of Defence

JSP 886
DEFENCE LOGISTICS SUPPORT CHAIN MANUAL

VOLUME 1
THE DEFENCE LOGISTICS SUPPORT CHAIN

PART 1
INTRODUCTION TO THE JOINT SUPPLY CHAIN

THE MASTER VERSION OF JSP 886 IS PUBLISHED

ON THE DEFENCE INTRANET

FOR TECHNICAL REASONS EXTERNAL LINKS ON

THIS INTERNET VERSION HAVE BEEN REMOVED

VERSION RECORD		
Version Number	**Version Date**	**Version Description**
1.0	01 Nov 05	Initial issue
2.0	12 Jul 07	
2.1	11 Jul 08	New Paragraph 11a.
2.2	9 Dec 09	Changes to Ownership and Points of Contact
2.3	02 Feb 12	Changes to Ownership and Points of Contact and Formatting
2.4	20 Dec 12	Addition of Defence Storage – Policy (Non Explosive)

Contents

CHAPTER 1: INTRODUCTION TO THE JOINT SUPPLY CHAIN

WARNING

This document has not been fundamentally revised since 2007. As such it does not reflect the changes introduced by the formation of the Joint Support Chain (JSC), the Support Chain Management (SCM) Business Process Review (BPR) or Defence Transformation. The terminology in the document is dated and may be incorrectly used.
Further guidance can be obtained from the sponsor.

PURPOSE

1. This instruction seeks to introduce the reader to the concept of the Joint Supply Chain (JSC). It explains the current JSC by breaking it down into component parts and describing how they are linked.

OWNERSHIP AND POINTS OF CONTACT

2. The policy, processes and procedures described in the Defence Logistics Support Chain Manual (JSP 886) is owned by Director Joint Support Chain (D-JSC). Head Supply Chain Management (SCM-Hd) is responsible for the management of JSC policy on behalf of D JSC.

a. This instruction is sponsored by DES JSC SCM (Pol Dev) who should be approached in case of technical enquiries about the content:

DES JSC SCM PolComp – Policy Development
Tel: Mil: 9679 80960. Civ: 03067 980960

b. Enquiries concerning the accessibility and presentation of this instruction should be addressed to:

DES JSC SCM-PolComp - Editorial Team
Tel: Mil: 9679 80953. Civ: 03067 980953

GLOSSARY

3. A glossary of Support Chain terms is available in JSP 886 Volume 1 Part 1A.

4. In order to assist the reader in differentiating between the Joint Supply Chain and the Support Chain, the following terms are repeated here:

a. **The Joint Supply Chain.** The JSC is that element of the Support Chain that covers the policies, end-to-end processes and activities associated with receipt of stocks from trade to their delivery to the demanding unit and the return loop for all 3 Services.

b. **The Support Chain.** The Support Chain is the in-service operation of Support Solutions, including the physical flow of materiel, people, services and information.

THE JOINT SUPPLY CHAIN

5. The JSC must satisfy both operational and non–operational requirements. The end-to-end JSC stretches from requirements of operational commanders and Front Line Commands (FLCs) back to Industry. The JSC is the Defence controlled network of nodes comprising resources, activities and distribution options that focus on the rapid flow of information, services and materiel between end users and the Strategic Base to generate, sustain and redeploy operational capability. It is founded upon integrated logistic information systems, common policies, doctrine, processes and procedures to provide a core enabling capability for Defence, optimised to deliver military effect. This includes recent initiatives such as Contractor Logistic Support (CLS) arrangements. The generic design of the JSC is set out in the JSC Blueprint . The Blueprint provides a set of characteristics, which define the elements necessary to plan, configure and execute the JSC.

6. The Reverse Supply Chain (RSC) operates as a part of the JSC utilising common Joint processes and performance targets. The RSC is defined as the process by which surplus, repairable, damaged or waste materiel is returned for reallocation, reclamation, repair or disposal. The process begins when a return item is identified and ends when that item is receipted onto the account from which retention; reallocation, repair or disposal takes place.

COMMAND

7. The Director General Joint Supply Chain (DG JSC) is responsible for the function of the whole JSC and commands the non-operational JSC. The Chief of Defence Materiel (CDM), as the logistic process owner on behalf of the Defence Management Board, has delegated responsibility to Director General (DG) JSC for designing and maintaining the JSC processes that support the end-to-end logistics process. The Permanent Joint Headquarters (PJHQ), including the Joint Force Logistic Component (JFLogC), commands the operational Coupling Bridge and in-theatre logistic assets in the operational JSC.

PRINCIPLES

8. The JSC is based upon the five key principles of Logistics which are defined in Joint Defence Publication (JDP) 4-00: Logistics for Joint Operations:

a. **Foresight.** Logistic foresight is the ability to predict and manage critical logistic constraints to the Commander's freedom of action. Planners, at all levels, should analyse the probable course of future operations and forecast the likely requirement for personnel, materiel, equipment and services. They should also address how the required resources are to be provided and moved into, around and returned from the Joint Operations Area (JOA).

b. **Efficiency.** Logistic efficiency involves achieving the maximum level of support for the least logistic effort and making the best use of finite resources, transportation assets and Lines of Communication (LOC). Logistic efficiency will ultimately determine the most appropriate organisational structures and necessary resources to support an operation, in some cases employing alternative, possibly non-military, support arrangements.

c. **Co-operation.** Joint and multinational operations require a co-operative approach to logistics from planning to execution. The options for co-operation

between components, and between the UK and international partners, will be determined by either the Permanent Joint Headquarters (PJHQ) or the Joint Task Force Commander (JTFC) based on operational planning considerations.

d. **Simplicity.** In order to ensure that logistic arrangements are as robust and as readily understood, as possible, they should be simple, both in their concept and execution. Simplicity is enhanced by:

(1) Establishing a robust command and control (C2) framework that provides for delegated authority.

(2) The use of common logistic processes amongst components, Allies and other organisations.

(3) Maintaining control along the LOC and in the JOA.

(4) Ensuring that future platform / system developments are coherent with the principle of simplicity by the coherent development of logistic support solutions.

e. **Agility.** Logistic agility provides the commander with the ability to respond quickly to the unexpected, maintain sharpness of thought, remain effective under arduous conditions, be flexible in overcoming the unforeseen and adjust rapidly.

9. The JSC will continue to develop to meet 6 Defence Logistic Themes set out in the Defence Logistics Programme 2006, Part 2:

a. Optimised End-to-End Support Chain.

b. Unifying Logistics Ethos.

c. Minimised Demand on Logistics.

d. Flexible Command and Control.

e. Coherent Timely Delivery of Required Logistics.

f. Comprehensive Logistics Capability Planning and Risk Assessment.

These together support the coherent and timely delivery of required logistics.

OPERATIONAL COMPONENTS

10. **Support to Operations.** The JSC process in support of an overseas operational theatre is conducted by a number of organizations, which interact to form an integrated and two-way SC. The JSC must aim to balance effectiveness with efficiency. The JSC has to be able to react quickly to ensure that urgently required logistic support is delivered to the right place and on time with cost subordinate to need. JSC organizations include:

a. **Permanent Joint Headquarters (PJHQ).**

(1) **PJHQ J4.** The PJHQ J4 is responsible for the logistic aspects of planning, deployment, sustainment and recovery of joint, potentially joint and multi-national operations. On receipt of higher level direction from CDS, PJHQ will issue directives to mount, sustain and recover the operation which will include an operation specific Joint Supply Chain Plan which will articulate the

requirement for JSC configuration and performance, eg the planning parameters for the sustainability of Force Elements (FE) and Supply Chain Pipeline Times (SCPT) to be used for sustainment planning. PJHQ commands the Coupling Bridge (CB) but delegates its management to Defence Supply Chain Operations and Movements (DSCOM). The CB is the strategic link between the Strategic Base and the JOA through which all materiel and FEs flow both into and out of the JOA, utilising air, and surface assets. The CB is defined as commencing at the point of entry into the Mounting Centres / Ports of Embarkation and terminating at the point of exit from the Port of Disembarkation.

(2) **Joint Task Force Headquarters.** The Joint Task Force Headquarters (JTFHQ) J4 is responsible for the development of the logistic element of the Joint Task Force Commander's (JTFC) campaign plan and direction and prioritisation of JSC activity within the JOA.

(3) **Joint Force Logistic Component Headquarters.** The Joint Force Logistic Component Headquarters (JFLogC HQ), or the National Support Element (NSE) if the JFLogC is not deployed, is responsible for the delivery of coherent, coordinated logistic support to FE within the JOA, in accordance with the JTFHQ's logistic plan and supporting priorities. The JFLogC is the in-theatre organisation that commands integral logistic assets and organisations. HQ JFLogC directs the in-theatre SC and is responsible for the support to all deployed forces. It may be assigned logistic FE at appropriate levels of command in order to deliver the required logistic effect. Component Logistic HQs (ie Maritime, Land and Air) are responsible for the coordination, development and execution of their elements of the JTFC's Campaign Plan in conjunction with the JFLogC HQ.

b. **Defence Supply Chain Operations & Movements (DSCOM).** DSCOM consists of the operational and policy elements of Movement Operations and the Defence Logistics Operations Centre (DLOC). The DLOC co-ordinates the operational output of DE&S. Movement Operations provides the MOD and other authorised users with transport and movements services world-wide, to support both peace time activity and operations.

c. **Coupling Bridge.** The Coupling Bridge (CB) is the linkage between the Strategic Base and the Theatre of Operations. Materiel flow in both directions along a joint pipeline utilising air and surface assets as required. Information flow is a vital part of the CB which depends upon robust communications.

d. **Front Line Commands.** The Front Line Commands (FLCs) are customers of the JSC but also provide much of the manpower and resources required to establish and run the JSC, particularly in the JOA. They therefore also have a role to play in its effective and efficient operation, and to that end make a significant contribution to the development of policy and procedures to ensure specific single service needs are met. FLCs need to have confidence in the JSC.

e. **Contractors in Support to Operations (CSO).** CSO is an increasingly important element in the overall provision of logistic support to operations and the JSC. Contractors are involved in a progressively wider range of roles and functions resulting from a smaller military force, the outsourcing of some logistic functions and the introduction into service of highly technical weapon and equipment systems.

CSO covers all forms of contractor support and as such is more than just what is known as Contractors on Deployed Operations (CONDO). CSO encompasses CONDO, CLS, where in-service equipment is maintained under contract with the equipment provider, and the use of contractors through the PJHQ Contractor Logistic (CONLOG) contract, where a range of services can be provided from a long term commercial contract. It also covers contract arrangements that require civilian personnel to enlist under sponsored reserves conditions. CSO personnel can be a significant element along the JSC in the Logistic Footprint and within the JOA.

f. **Strategic Base.** The Strategic Base comprises military assets, industrial partners and capacity both national and international. Military assets may be FE owned by any of the 3 Services or the DE&S. The military logistics system is made up of static depots, repair workshops, naval bases, garrisons and airfields located both within the UK and abroad. All operations regardless of size, nature and duration will be reliant to some degree on industrial and commercial support.

NON-OPERATIONAL COMPONENTS

11. Non-operational support ranges from routine support to units in their peacetime locations, to supporting large scale exercises. The JSC works in the same way as for operational deployments but the routine nature places greater emphasis on the need to maintain an efficient JSC. Nevertheless, the ability is still maintained to react to urgent non-operational needs and items can still be moved to units by the fastest possible means where this can be justified. Non-operational components include:

a. **Industrial Partners.** Industrial partners within the JSC provide raw materials, equipment, components, commodities and services, eg transportation; this includes CLS. PTs must contract their suppliers to interface with the MOD's JSC by using any of the Supply Support Options detailed below. It is common for an equipment to be supported by more than one option. For example, items of supply that are unique to the equipment may have a CLS arrangement; however, Equipment Support (ES) and General Support (GS) items that are common to other equipments may be supported by a traditional arrangement. It is essential that PTs tailor the requirements of their equipment by selecting an appropriate supply support option for each item of supply. Suppliers must also be contracted to deliver sustainment stock and UORs required for overseas operations to the Purple Gate in accordance with JSP 886 Volume 3, Part 3.

(1) **Traditional Supply Support Arrangement.** All supply activities including provisioning, storage, demand management and distribution are conducted by MOD resources. Materiel is either collected from Industry using Defence Storage and Distribution Agency (DSDA) assets (Ex-Works), or delivered (carriage paid) to DSDA as Trade Receipts, where it is stored until issued to satisfy demands. PTs should not enter into an Ex-Works contract without seeking prior agreement from DSDA.

(2) **Contractor Assisted Supply Support.** A Traditional / CLS hybrid, where materiel is stored in the DSDA, but the contractor is responsible for its provisioning.

(3) **Contractor Logistic Support (CLS) – Contractor Supply / JSC Delivery Arrangement.** Materiel is stored in Industry. Contractor delivers materiel to

satisfy demands to the specified DSDA hub for onwards movement to the demanding Ship / Base / Unit / Station.

(4) **Contractor Logistic Support (CLS)– Contractor Supply and Delivery Arrangement.** Materiel is stored in industry and delivered direct to the demanding Ship / Base / Unit / Station.

(5) **Direct Supply (Land Environment).** Direct Supply (Land Environment) is external to the JSC and is operated in conjunction with the DG Land Equipment sponsored Direct Repair Scheme (DRS). The system operates in UK, Northern Ireland and NW Europe and covers a range of spares where demands are not placed on MOD Log IS. The system is predominantly used to support non-operational requirements. Examples of items supplied under such arrangements include vehicular glass / windscreens and commercial vehicle batteries.

b. **Defence Equipment & Support (DE&S).** DE&S, which formed on 2 Apr 07, brought together what was the Defence Procurement Agency (DPA) and the Defence Logistics Organisation (DLO) to form a seamless organisation which provides through life management of all Defence materiel, equipment, commodities and munitions. It consists of Integrated Project Teams, specialist Business Units and Agencies which exist to procure and support a specific capability. Within these are financiers, engineers, contracts staff, logistic staff, purchasers and equipment or commodity managers. They plan and manage inventory, and also develop arrangements with industrial partners to support equipments and platforms; they are key to priming the JSC.

c. **DG JSC.** Among other responsibilities, DG JSC is required to produce authorised Defence SC policy, JSP 886 being the prime example.

OPERATIONAL AND NON-OPERATIONAL COMPONENT LINKAGES

12. The following linkages integrate the operational and non-operational components in order to reinforce the JSC:

a. **Support Solutions Envelope.** The Support Solutions Envelope (SSE) is the tool and process that must be used by PTs to ensure that the support solutions they develop are:

(1) In the best interest of Defence.

(2) Optimised to deliver operational effectiveness.

(3) Achieving best value for money at acceptable operational risk.

PTs are to demonstrate that their support solutions are compliant with the SSE and consistent with the JSC Blueprint.

b. **Purple Gate.** The Purple Gate is the mechanism to ensure the regulation of materiel flow from industry into the JSC for the sustainment of operational theatres, including equipment procured through Urgent Operational Requirements (UOR) and other forms of CLS agreements. Where materiel enters the JSC, PTs and their contractors will need to comply with Purple Gate policy.

c. **The JSC Action Plan.** The purpose of the JSC Action Plan is to outline the steps necessary to transform the JSC. It seeks to guide those involved in leading, planning, developing and delivering supply chains and supply solutions. It ensures the JSC:

(1) Is optimised to meet end user needs.

(2) Is designed, planned and executed as a single integrated system.

(3) Minimises variability, inflexibility and waste.

13. The JSC Blueprint underpins the JSC Action Plan and has been developed and endorsed to version 1.00; this is set out at JSP 886 Volume 1, Part 2.

LOGISTIC INFORMATION SYSTEMS AND THE SUPPORT CHAIN PROGRAMME

14. **General.** The Defence Support Chain comprises a combination of practices and processes that enable materiel to be procured and delivered to the end user in a timely manner, whether in the home base or deployed. Practice and process are both influenced by Support Chain Policy and legislation. Many of the processes are enshrined in Logistic Information Systems (Log IS), and Engineering and Asset Management Systems. Users must operate information systems in accordance with agreed business processes in order to ensure the system works as designed. The policy contained in this document must therefore be enforced by the chain of command in order to ensure that the Support Chain operates effectively and that accurate and timely information is available to those who need it.

15. **The Support Chain Programme.** The aim of the 'Programme' is to deliver step change improvements in the MOD's Materiel Flow and Engineering and Asset Management capability through the implementation of new projects and the convergence of current business processes and information systems; this is in support of the achievement of the Defence Logistic Vision. The Programme is designed to ensure coherence between projects, efficient and effective use of resources for development, and the alignment of all new Support Chain initiatives with the strategic requirement.

16. **Governance.** The Support Chain Programme exercises governance over all significant expenditure on Logistic and Engineering Information Systems within DE&S. All new projects, as well as requests for change to existing systems, must be staffed through the Programme in accordance with the letters of delegation given to BLB budget holders and PT leaders. D SCS is the Programme Executive, but routine business is controlled by AD SCS (Progs). Governance over business processes is exercised by AD SCS (Progs), supported by SCS (Policy).

17. **Benefits of the SC Programme.** The SC Programme will enable the achievement of the following key benefits:

a. Enhanced agility of support to operations.

b. Enhanced logistic command and control to enable and sustain the required operational tempo.

c. A reduction in the logistic footprint in operational theatres.

d. Enhanced visibility of materiel in the JSC.

e. A reduction in the volume of movement in the JSC through the increased satisfaction of demands locally. This relates directly to the work being undertaken as part of the Joint SC Blueprint.

f. The development of modular logistic force packages which are predicated on the development of common procedures and Log IS.

g. The delivery of mechanisms and tools to support logistic interoperability (inter-Service and beyond).

h. Better local stock accounting.

i. A reduction in the overall maintenance burden, a significant cost driver, by exploiting predictive and condition based maintenance techniques.

j. Improvements in turn-around times of repairable items, fleet management and a reduction in cost by eliminating excess holdings and rationalising support facilities.

k. The rationalisation and improvement of the supporting information systems will provide up to date information on asset visibility from physical location to configuration status, be it in service or within the repair loop.

18. **Convergence of Logistic Information Systems.** The Programme is mandated to deliver convergence of existing Log IS. Significant convergence opportunities are offered by the Defence Change Projects including MJDI and JAMES. However, an additional programme of work is underway in conjunction with the Logistic Applications PT to deliver further reductions in the number of applications, leading to reduced support costs, more effective integration with DII and more effective working practices throughout Defence.

19. **Log IS Architecture.** All future logistic and engineering applications must conform to certain architectural standards: MOD Architectural Framework as promulgated by DG Information (Info); Business Architecture as promulgated by SCS (Progs); Technical Architecture as promulgated by the Logistic Applications PT. Logistics information planning is a key function that helps to identify logistics information needs to support new capabilities. PTs conduct this planning for new and existing capabilities use the Logistics Coherence Information Architecture (LCIA). This ultimately ensures that logistics decision-makers have the right information to support decision-making and it enables a more efficient interface with Industry who have an increasing role in the support and sustainment of operational capabilities.

20. **Guidance.** The ‘Front Door’ for the Support Chain Programme can be reached via the SCS Programme website.

JOINT SUPPLY CHAIN SUMMARY

21. The JSC (including the RSC) covers the end-to-end processes and activities necessary to receive materiel from trade and deliver it to end users in support of operational and non-operational commitments. Under continual development, it is based on the principles of logistics to guarantee a lean, responsive and efficient service that ensures the confidence of the end users. JSP 886 gives authoritative policy and procedural direction for the operation of the JSC. It seeks to be comprehensive and current, in order to reflect current circumstances and to support the transition to fully integrated logistics.

DEFENCE STORAGE – POLICY (NON EXPLOSIVE)

22. In 2012, to support Defence Transformation activities, a paper was prepared by DHd SCM-SDP describing the linkages and coherence requirements of Defence Storage – Non Explosive. This paper looked at Defence Storage requirements holistically with the totality JSC responsibilities. The paper is at Annex A.

ANNEX A: DEFENCE STORAGE - POLICY (NON EXPLOSIVE)

1. There is a need to ensure that all Defence Transformation projects[1] which propose new solutions and / or contracting arrangements for storage, in whole or in part, remain integrated and coherent to meet the end-User's requirements.

2. Such projects must be consistent with the underlying principles of Defence Reform, enable and incentivise the right behaviours and deliver the best Value for Money (VfM) solution for Defence.

3. Storage functions within Defence should be subject to a single overarching strategy, which should be applied to all Defence storage solutions, contracted or in-house, and against which the detail of individual transformation proposals can be tested and applied.

4. DJSC in his role as the 'Decider' for the Defence requirement for Storage (Non-Explosive) is the authority for approving any proposal to contract for Defence Storage, in whole or part[2][3].

5. The Guiding Design Principles detailed in this Strategy for Defence Storage (Non-Explosive) should be applied to all Defence Storage solutions (contracted or in-house). Any specific proposals that do not accord with the agreed principles will be highlighted to project sponsors as risks / issues for consideration / mitigation.

6. All contractual arrangements for the storage and distribution of the Defence inventory must be sufficiently flexible to accommodate not only the requirements for operational surge but also step changes in the requirement, as a result of alternative contracting strategies, Defence strength reductions and changes in policy[4].

Guiding Design Principles for Defence Storage

7. In accordance with the Defence Support Chain (DSC) Blueprint[5] core design principles the DSC must:

   a. Be optimised to meet end-User needs.

   b. Be designed, planned and executed as a single integrated system.

   c. Minimise variability, inflexibility and waste.

8. Although individual contracts will require compliance with specific elements of JSP 886: Defence Logistics Support Chain Manual and other regulations, given the increasingly complex support picture there is a need to provide more extensive guiding principles for Defence storage that will meet the intent of the DSC Blueprint, mitigate the risks of incoherence and against which, the detail of transformation proposals can be tested. These have been brigaded into the three core design areas, Plan, Configure and Execute and are considered fundamental to ensuring an effective supply chain.

---

1 Including Logistics Commodity Services Transformation (LCS(T)), the vision for Integration in Defence Bases, Total Support Forces (TSF) and Maritime Support Delivery Framework (MSDF).
2 Consulting other stakeholders as appropriate.
3 Including the continuation of existing contractual arrangements for storage e.g. MSDF.
4 This is principally a matter to be considered / resolved through the contracting strategy but options include different management arrangements for different inventory segments (e.g. fast / slow moving stock), contract break points and pricing strategies / mix of fixed and variable prices related to forecast periods and anticipated accuracy levels.
5 JSP 886: Defence Logistics Support Chain Manual Volume 1 Part 2.

Plan

9. **Requirements Planning.** There is a need to ensure that end user's needs are met to minimise waste[6], exploit economies of scale where appropriate and ensure an integrated approach. Activities should be conducted and governed against an endorsed Requirement that follows the principles of the Acquisition Operating Framework (AOF).

10. Statements of Requirements (SORs) should be based upon a bespoke User Requirement Document (URD) developed on behalf of the Joint User by DJSC SCM. The bespoke URD should, as appropriate, reflect:

a. The design principles outlined in this document

b. Defence's strategic requirements

c. The collective Defence requirement for particular services or activities as reflected in the Defence URD and agreed with Operating Centres (OCs) and Front Line Commands (FLCs).

(1) Defence requirements for in house or centrally provided storage and distribution (independent of equipment capability arrangements). These are to be collated by JSC SCM through the Defence URD process, using a common set of Key User Requirements and cover a four year period.

(2) Defence requirements for ISB or other, 'independent' arrangements, must be excluded from the Defence URD and collated and defined by the FLCs (the operational owners of the capabilities being supported).

d. The appropriate associated performance levels, standards, H&S and other compliance requirements.

e. Operational surge requirements.

f. Any specific requirements for flexibility or to accommodate changes to the requirement including known / planned changes.

g. Any other flexibility required within the contract.

h. Define the stock activity that must remain within the Defence Boundary[7] (Reserved Activity).

i. TSF / Operational Support Requirements.

j. Agreed forecasting arrangements / mechanisms.

11. **Facility Planning.** There is a need to ensure that Defence storage capacity is appropriately optimised, and balances capital investment with potential operational cost savings.

a. There is a need to plan capacity to meet surge as well as 'routine' requirements. These plans should be maintained and shared with the Authority in order that a risk assessment can be undertaken.

6 Whilst providing for flexibility and surge.
7 JSC 1000/100/10/1 dated 7 Aug 09, Segmentation of Integrated Provider Group (IPG) Activities.

b. Facilities / capacity must not be sold / disposed of or contracted out (incl. NB storage) without demonstrating a clear VFM proposition for Defence.

c. Facilities must not be built nor capacity increased at Defence cost without demonstrating a clear VFM proposition for Defence.

d. Any Defence spare capacity must be regularly reported and offered to the joint user in the first instance so that it can be optimised for Defence.

e. Spare capacity not required by Defence can be marketed or contracted out, but the notice to terminate the agreement should allow sufficient flexibility to respond to further uncertainties[8].

f. Storage contracts should incentivise reduced costs and, where appropriate, incorporate gain share or similar arrangements. For example:

(1) Where storage facilities are government owned, gain share arrangements should apply to sub contracted facilities.

(2) The opportunity to promote and apply gain share arrangements operations / facilities shared with Defence OEMs should be anticipated and incentivised.

g. Contractual arrangements including the ownership or lease arrangements for storage facilities must accommodate significant changes to the Defence requirement e.g. by basing arrangements on relevant stock characteristics, enabling appropriate contractual breakpoints and / or agreeing prices related to the anticipated accuracy of the forecast over the period.

h. Distribution arrangements must avoid paying twice for collection and delivery. The default arrangements are that the LCS (T) contractor will collect and deliver all goods at an agreed competitive price. Exceptions to these arrangements must be specifically agreed.

i. Reflect the agreed forecasting arrangements / mechanisms.

12. **Information Planning.** There is a need to provide consistent management information in order that Defence can ensure that its assets and investment are optimised.

a. Where not available through MOD owned systems, information should be submitted to show overall utilisation of storage capacity[9].

b. Regular information on the proportion and volume of fast, medium, slow, deep and dark and dead stock should be provided.

c. The operator (commercial or Defence) must be able to provide full details of costs of storage and distribution in order that the through life costs of support can be properly evaluated and compared. Contracts must provide for open book accounting based on MOD's storage and distribution cost model.

d. The operator must provide full details of the arrangements and costs for contract entry and exit, including re-configuration and due diligence.

8 Defence must have first call on capacity.
9 Including volume, stock location, classification and hazard category.

e. Contractors with access to Defence IT must agree to the non-disclosure of price or other sensitive information.

13. **Performance Measurement.** There is a need to provide standardised, agreed performance information in order to ensure that Defence can understand, report on and improve the overall performance of the E2E DSC.

a. The contract should allow for additions to or amendments to the format of performance reports using an agreed VFM pricing mechanism.

14. **Stock Distribution Planning.** There is a need to ensure stock is distributed effectively to meet performance requirements whilst minimising the cost to Defence.

a. The operator will determine and regularly review the best storage location and delivery arrangements of available stock having considered the nature, volume, throughput requirements and characteristics of the inventory in order to meet performance requirements whilst minimising the costs to defence.

b. The operator will provide details of its proposals for dealing with fast, medium, slow, deep, and dark and dead stock in order that the associated risks to availability can be assessed.

c. The operator must identify any requirements for forward distribution that are not part of their 'footprint' so that the implications can be considered and the necessary contractual or other agreements can be made.

d. The contractor must comply with the stock segregation principles of JSP 886 including the need to segregate strategic stocks[10].

Configure

15. There is a need to configure the support chain to meet end user needs and provide an integrated support chain. The DSC Blueprint provides 12 rules for configuration which must be adhered to by all support solutions. Those applicable to storage configuration are shown below, supplemented by specific points where appropriate.

a. Configuration must enable effective execution (including surge) of the requirement.

(1) It must accommodate the use of the Purple Gate.

(2) Contractual 'solutions' must provide for, or provide for the use of, a consolidation service in the home base[11].

16. Notwithstanding the above, there is evidence that the requirements to use government furnished services or equipment has adverse implications on the effective management of support arrangements and should be minimised unless such arrangements are proven to demonstrate VFM for Defence.

a. The 'footprint' must provide operational resilience.

b. Configuration must enable accountability and visibility.

10 Incl. Contingency operational stocks and PEPs.
11 To avoid multiple 'white van' deliveries to the user. This will be in the interests of OEMs (reduce costs).

c. Configuration must achieve required forward and reverse SC performance levels. Each node must have resources and capabilities required to achieve the required performance levels.

d. Initial configuration of the DSC should minimise the need for subsequent re-configuration at MOD Cost and especially on operations.

e. Requirements for MOD to handle, cross-load and tranship material are to be minimised.

f. Inventory holding locations and inventory levels at those locations must be determined by the need to guarantee delivery to the end–User within the agreed timings.

g. Every support solution must interface with the DSC at designated nodes.

h. Information systems and communication bearers must coherently and resiliently support DSC processes. They must:

(1) Operate within (ie. use MOD systems e.g. BIMS) or interface with, the MOD's single Information Architecture under the Logistics Coherence Interface Architecture (LCIA).

(2) Avoid the proliferation of Information Systems in the deployed space.

i. Contractual arrangements should allow for the same services to be provided 'forward' on operations under TSF arrangements, where appropriate.

j. Individuals involved with the DSC must be trained and competent to support the process.

k. The contractor may be required to train military staff in contracted activities (e.g. to ensure or exercise essential retained military capability).

Execute

17. There is a need to execute performance to meet User needs, provide an integrated system and to minimise variability, inflexibility and waste. The solution must comply with the principles of JSP 886 and JSP 472, which include but are not limited to:

a. A single agreed customer interface for Demand, Receipt, Return (etc.) processes must be provided.

b. Service levels must comply with those detailed in the Priority System governed by JSP 886.

c. Providing consignment tracking of consumables and asset management of capital spares.

d. Solutions must provide for Information Exchange via the MoD's Electronic Data Warehouse.

e. Stock must be stored in the storage conditions prescribed.

f. The security of stock, information and services must be ensured.

g. Solutions must comply with international regulations and agreements such as IT and the US-UK Defence Trade Cooperation Treaty.

h. Resilience and contingency arrangements must be in place and regularly tested.

i. Special to Type containers must be used where required.

j. Materiel, financial accounting and stocktaking regulations, including the timescales for bringing stock to account, must be complied with.

k. The shelf-life of stock must be managed with the oldest issued first unless managed by serial number or otherwise advised.

18. **Logistic Network Enabled Capability.** All of the above needs to interface with the Defence Logistic Network Enabled Capability with the ability to reach from the depth of the Industrial Base through to the military front line.