

British Nuclear Group

Intelligent nuclear clean-up

Breaking into the Sellafield Supply Chain

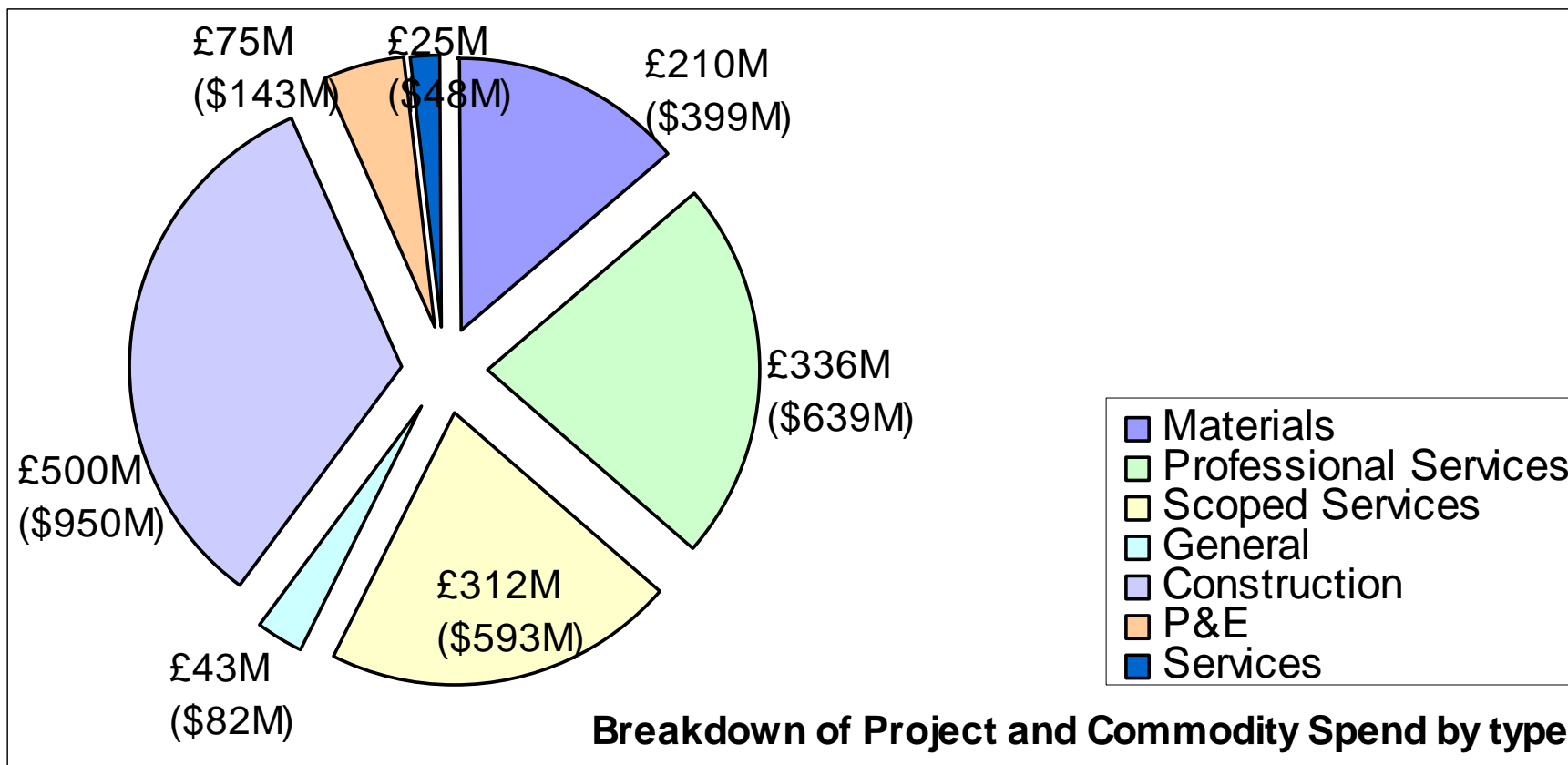
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British Nuclear Group Sellafield Ltd

Size of the Sellafield Market

- Bigger than the US Market: ***A Nuclear Manhattan***
- £640 (\$1210) million is being spent in the supply chain at Sellafield this year alone, which equates to 58% of the sites ASFL.
- £1.67 (\$3.170) billion to be awarded at Sellafield
- Full range of Procurements:
 - Construction and D&D Projects: >50%
 - Scoped Services, Staff Aug and Specialists
 - Materials: Avg. £1.3(\$2.47) million via Distributors
- 434 Sub-Contract Awards planned
 - 204 Framework Agreements

Procurement Plan Spend by Category ~ 2009



Noteworthy Opportunities

- Hex De-conversion at Capenhurst:
 - £100M (\$190M); Q4 2006
- Separation Area Ventilation:
 - £35M (\$67M); Jan 2007
- General Maintenance Facility:
 - £50M (\$95M); Mar 2007
- Pile Fuel Debris Storage Facility :
 - £32.5M (\$62M); 3 contracts from Feb 2007 to June 2008
- Effluent Treatment Facility:
 - £5M (\$9.5M); Oct 2007

Historical Sellafield Market Place

- Captive supply chain:
'MONOPSONY'
- Schedule imperative over cost
 - Traditional reprocessing contracts
- Infrequent competition
 - Closed Marketplace
- Sense of entitlement
- Provincialism
- Sellafield Unique Specifications



Supply Chain Changes at Sellafield

- Competitive, EU-Compliant Open Market
 - 78% competition vs. historical 18%
- Consolidation of contracts
 - <600 today vs. >15,000 two years ago
- Scoped work vs. time and material
 - Supply chain accountability
- Incentivised Compensation
- Design & Build vs. Self Performed Design
- Commercial Off the Shelf Specifications

Resource Enhancement Contractors: A Uniquely British Alternative

- Tier 1 ½ Subcontractors
- Seconded Leaders (“partners”) managing Sellafield Loaned Labour
- Competitively Selected “Partners”
- No Base Fee; Substantial Share of Reprogrammed Savings
 - If PBI Goals Achieved
- Big Carrot, Little Stick Approach
- e.g. Project Management Department, Legacy Ponds and Silos, Contaminated Land, Windscale Clean-up and Calder Hall

What will it take to Win

- Diversified Suppliers with Multiple Customers
- Source Selection Criteria:
 - Past Performance
 - Understanding Problems and Environment
 - Quality and Experience of Proposed Personnel
 - Innovation and Cost Reduction
 - Risk Acceptance
 - Socio-economic investments/initiatives
- Best Overall Value in Competition (MEAT)
 - No Pre-qualification Phase or Criteria
 - Bid Cost, Would Cost and Should Cost Assessed but Not Weighted



Tactics Leading Sellafield Business

- Visit the Supply Chain Ombudsman
- Review the On-line Sellafield Procurement Plan Frequently
- Engage with Requisitioners Prior to Solicitations
- Develop Unsolicited and Innovative Proposals
- Attend Vendor Conferences
- Participate in SCRIA Acquisition Improvement Dialogues
- Base in Cumbria

Fit for Purpose vs. 'Solutions that Work'

- Call Out the Specialists
- Detailed specification
- Engage the Supply Chain:
£1.4 (\$2.66)billion
- Provide Incentives
- Celebrate Victories
 - Prosecute the Failures
- Ask Congress for More Money



Final Tips on Breaking In

- Do your homework about Our needs
- Imagine, Inspire and Innovate
 - Remember the Fit for Purpose Pencil
 - Remember the Profitability of 3M's Post It Innovation
 - Remember to Create a Point of Distinction or Special Value Proposition
- Team Early but Flexibly
- Socio-economic Investment in Cumbria Can Be Crucial
- Don't Give Up: It's a Huge, Long Term Market



Change Course or Run Aground in Unfamiliar Waters



The Moral to the Story

- The Supply Chain Must Change or Adapt
 - Bargaining in Can Run You Aground even if you are big
 - These Are Not American Waters: don't use American Charts
- The NDA is NOT DOE
 - EU Rules Apply
 - No Special Break for Small or Local Businesses
 - NDA Has Different Missions
 - NDA is NOT the Regulator
- It Doesn't Matter Who You Know or What You've Been
- Ill-Conceived "Alliances" Do Not Work
- Fit for Purpose, Not the "Best Solutions Money Can Buy"
- Risk Remains with Him Best Able to Manage It

Imagine x Inspire x Innovate = 