

# Supply Chain Questionnaire Analysis & Summary of Findings

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## Contents

Introduction	.....3
Spend in the supply chain	.....4
Suppliers	.....7
Trade Association links	.....14
Use of the supply chain as a proportion of ASFL	.....15
Competition and advertising	.....20
Complaints protocol	.....20
Benchmarking	.....20

## Introduction

A supply chain questionnaire was issued to NDA Site Licence Companies (SLCs) in October 2007. Results were returned throughout November and December 2007, questions were refined to ensure consistency and at the end of Period 12 (31 March 2008) final year end responses were provided from each of the SLCs.

The objective of the questionnaire was to obtain high level data on individual SLCs supply chain activity, in order that a global picture of the NDA supply chain could be presented.

The data will be used as a benchmark to monitor improvements and commercial performance. It will also feed into the NDA's Supply Chain Development strategy, document 3.5.14.20.2, issue 0 dated 05/06/08, which can be found on the NDA website.

The report will also aid communication with the supply chain, by allowing accurate messages to be communicated, enabled by the fact that one set of consistent information on how much of NDA funding reaches Tier 2 now exists.

The current report provides information at the Tier 2 level; direct suppliers to the SLCs (Tier 1's); work is ongoing to find suitable methods for measuring the flow of monies through the rest of the NDA supply chain.

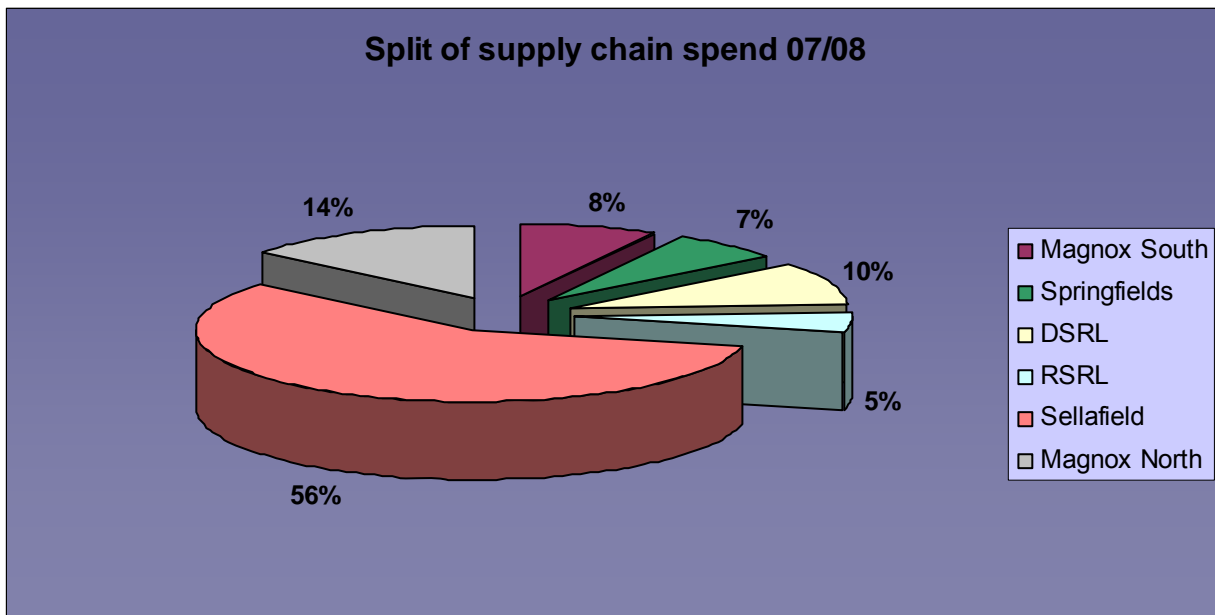
Looking to the future the CT15 improvement project will be fundamental in ensuring that this type of reporting continues on a consistent and timely basis, enabling NDA to measure improvements against the current position and review progress against Energy Act obligations.

All figures are based on actual expenditure, invoices paid.

For historic data LLWR figures have been included in the Sellafield data. In future revisions of this report LLWR will feature as a standalone SLC, now it is no longer part of the Sellafield group of sites.

**This report has been prepared on the basis of information provided by the NDA's SLCs. This information has not been validated by the NDA and the data is presented for information only. No responsibility is accepted by the NDA for the contents and the reader accepts all liability for any interpretation placed on or use to which the contents of the report are put.**

**Spend in the supply chain 07/08**

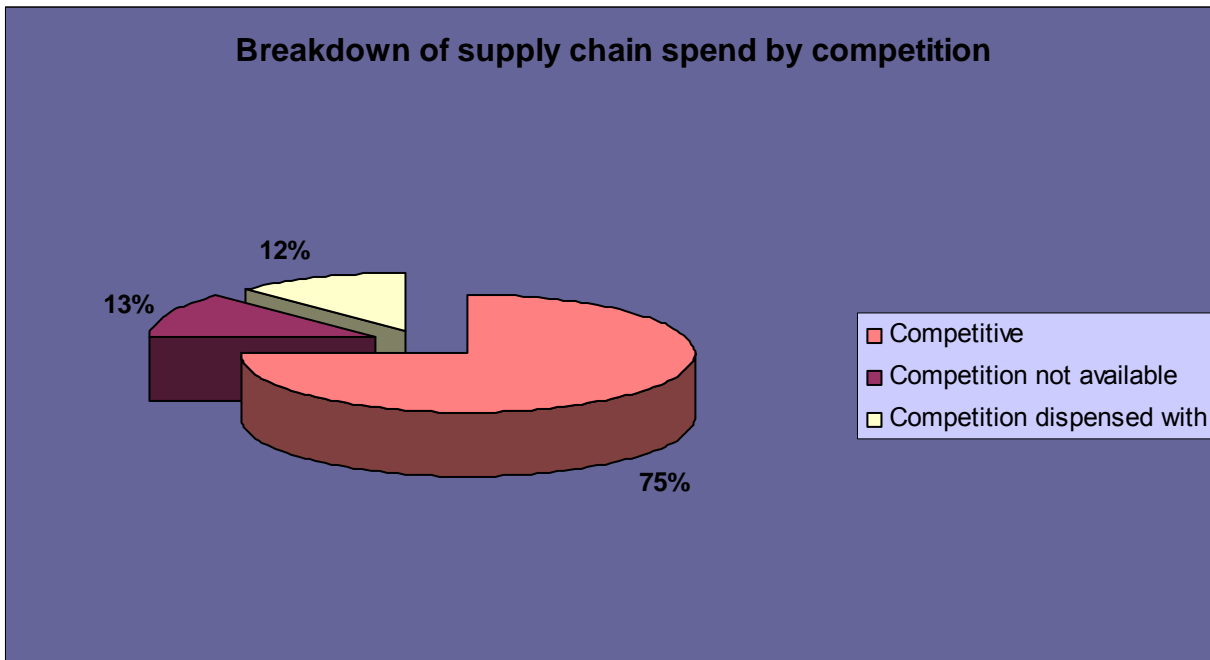


**Fig 1.** Breakdown of total supply chain spend 07/08 by SLC

Total SLC supply chain spend for 07/08 was **£1,271,847,689 (actual expenditure)**

This graphic unsurprisingly shows Sellafield as having the lion's share of the supply chain spend at 56%, the second biggest spend is at Magnox North who spent 14% of the total monies. This is interesting as DRSL is often billed as the second best place for the supply chain to look for work when indeed it takes third place at 10% of available supply chain spend, with Magnox South just lower at 8%. In financial year 07/08 Springfields let orders equating to 7% of the total supply chain spend and RSRL accounted for 5%.

## Competitive breakdown of supply chain spend



**Fig 2** Breakdown of competitive spend, competition not available and competition dispensed with

SLCs were asked to break out the supply chain spend for 07/08 into three categories; competitive, competition not available and competition dispensed with.

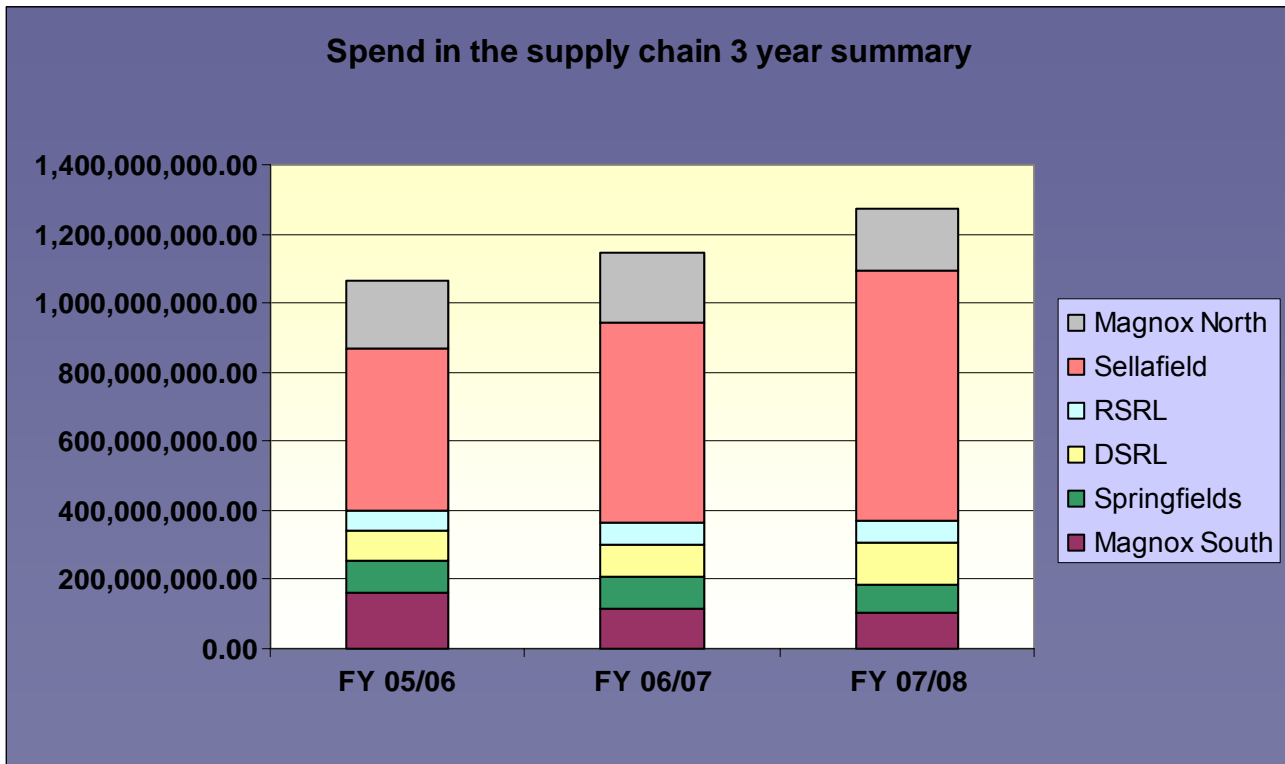
Competitive spend £949,044,370

Spend where competition was not available £160,124,465

Spend where competition was dispensed with £157,723,553

Less than 1% of spend could not be categorised and is classed as unknown

## 3 year view



**Fig 3.** Supply chain spend profile 05/06, 06/07 and 07/08

By the end of F/Y 07/08 **£3,483,906,282** had been spent in the supply chain, via the SLC's, since the NDA was formed, 1 April 2005. (In year money values not adjusted to take into account inflation)

A clear year on year increase can be shown on SLC spend in the supply chain since NDA formation. The correlation between the increase year on year and the NDA funding profile as a whole is discussed in a later section of this report, where trends regarding internal spend levels and supply chain spend levels are compared to the funding profile.

Over the three years, the cross SLC spread has stayed fairly consistent with that discussed in fig 1 excepting the reduction in spend of Magnox South across the three years, and Springfields for FY 07/08.

## Top 10 suppliers – spend

SLC's were requested to provide a list of their top ten suppliers by spend, the list is as follows. Companies appearing in multiple top tens are asterixed. Accounting for overlaps there are 46 different organisations, 3 of which are marked ● these are for services which are non discretionary and non competable.

<b>Magnox South</b>	<b>Magnox North</b>	<b>Sellafield</b>
British Energy	Aker Solutions E&C Ltd	Amec Nuclear*
CSC Computer sciences*	Alstec*	Areva NC
Edmund Nuttall*	Civil Nuclear Constabulary*●	Capita Resourcing
Forest Environmental	Direct Rail Services	Carrilion
Jacobs UK	Doosan Babcock*	Civil Nuclear Constabulary*●
Morson international*	Laing O Rourke	Costain*
Promanex	Morson International*	Nexia Solutions
Radwise	Serco Assurance	Norwest Holst
Reactor Sites Management	TEI Ltd	Shepley Engineers
Weir Strachen & Henshaw	VT Nuclear Services*	VT Nuclear Services*
<b>Springfields</b>	<b>DSRL</b>	<b>RSRL</b>
ATI Allvac Ltd	Alstec*	Amec Nuclear*
Boulting Group	CH2M Hill*	Assystem
British Gas	Civil Nuclear Constabulary*●	CH2M Hill*
CSC Computer Sciences*	Doosan Babcock*	Civil Nuclear Constabulary*●
Eon	Edmund Nuttall*	Costain*
Fine Tubes Ltd	Framatome	Johnson Controls Ltd*
Newburgh Engineering	Johnson Controls*	LLWR●
Paul Fabrications	JGC Engineering	Nuvia*
Rexel Senate	Nuvia*	Scion Technical Services
SGL Carbon	Scottish Hydro	Vale of the White Horse DC●

Analysis of the spend with the top 46 companies indicates shows that of the SLC supply chain spend for 07/08 (£1,271,847,689) approximately 35% will be spent with 20 suppliers, those suppliers are:

Aker Solutions E&C Ltd
Alstec Ltd ♦
AMEC Nuclear UK Ltd
Areva NC
Capita Resourcing Ltd
Carillion Construction Ltd
Civil Nuclear Constabulary
Costain Oil & Gas
CSC Computer Sciences
Direct Rail Services Ltd
Doosan Babcock
Edmund Nuttall
Jacobs UK
Johnson Controls
Morson International
Nexia Solutions Ltd
Norwest Holst Ltd
Nuvia ^
Shepley Engineers Ltd
VT Nuclear Services †

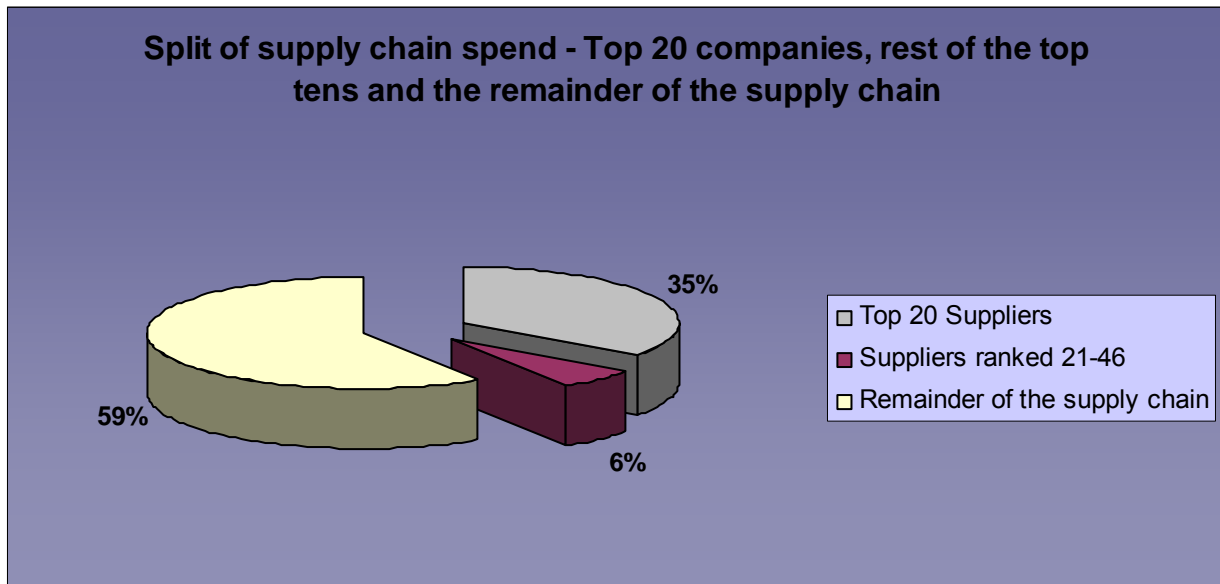
† Formerly BNG Project Services Recently acquired by VT group and named VT Nuclear Services

^ Formerly Nukem Ltd

♦ Recently renamed BNS Nuclear Services

List is ordered alphabetically not by spend.

## Supplier spend



**Fig 4.** Split of supplier spend for 07/08 – split between the top 20 suppliers, suppliers ranked 21 - 46 and spend with the remainder of the supply chain.

Of the SLC supply chain spend for 07/08 (£1,271,847,689) 35% was spent with 20 suppliers, in monetary terms this equates to £445m. 6% was spent with the remaining 26 'top ten' suppliers, circa £77m. The remaining £750m, 59%, was spent amongst the remainder of the supply chain.

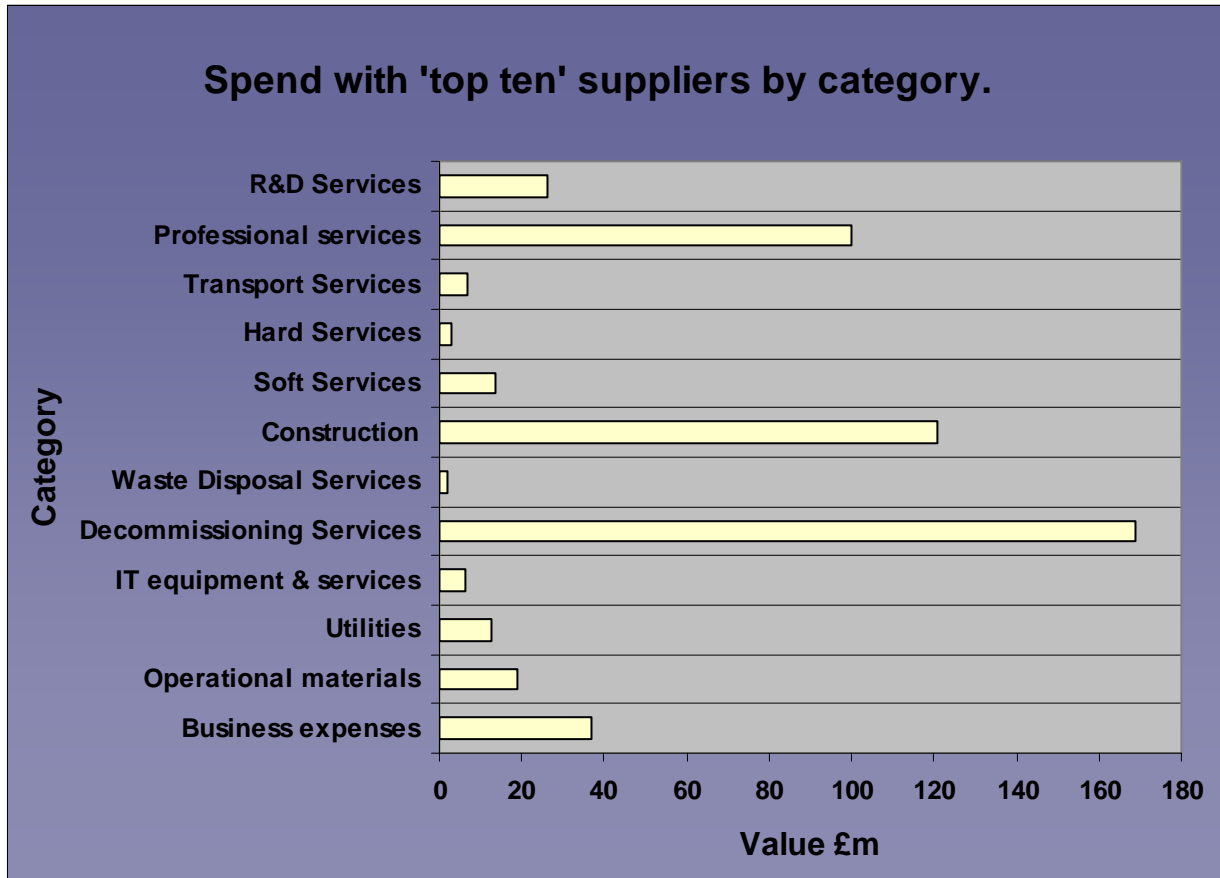
As data gathered was for the top ten suppliers per SLC only, some companies that feature in the top 46 list will be operating at other SLC's but may not have featured in multiple top tens, this could lead to the 59% figure above being reduced.

More detailed data and analysis is required to understand the cut of spend across the supply chain.

The figures could be skewed by large numbers at Sellafield so it is worth looking at SLC by SLC top ten supplier usage:

<b>SLC</b>	<b>% of SLC supply chain spend spent with top ten</b>
Magnox South	43
Springfields	35
DSRL	49
RSRL	53
Sellafield	40
Magnox North	39
<b>Average</b>	<b>43</b>

**Supplier categories**



**Fig 5.** Categorisation of SLC 'top ten' spend suppliers – this categorises the spend with SLC's top ten suppliers totalling £522m - not the entire expenditure for 07/08.

It is an objective of the CT15 improvement project to standardise all SLC procurement plans. Part of this standardisation involves the use of common procurement category codes to categorise spend in the Annual Procurement Plans (APPs).

This metric shows that the 46 suppliers listed in the SLC's 'top tens' fall into 12 categories. (Categories in this context is business type not lifetime plan categories)



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As may be expected in the top ten list, the largest group are decommissioning services organisations, the nuclear engineering firms, with spend of £169m.

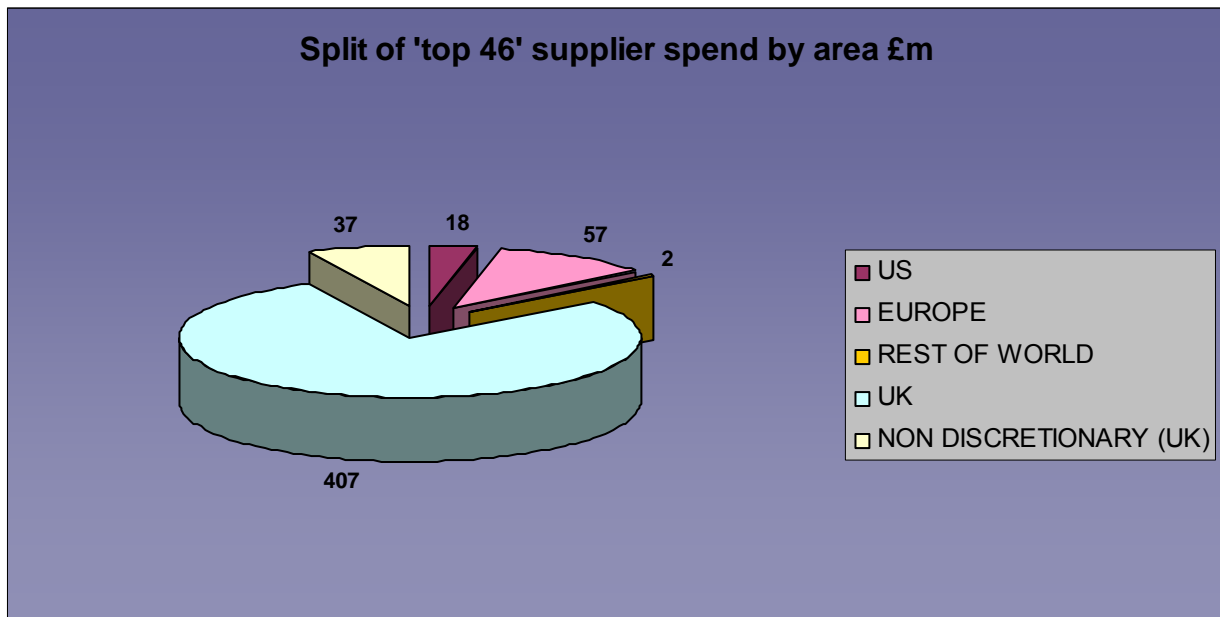
Construction is the second largest group with £120m spent in this category.

The third largest group are professional services organisations providing resources to the SLC's, in the top ten figures this equates to £100m

The fourth largest spend area is business services at £37m

It should be noted that there is also considerable spend in the top four categories beyond the 'top ten' suppliers.

## Geographical location of top 52 suppliers



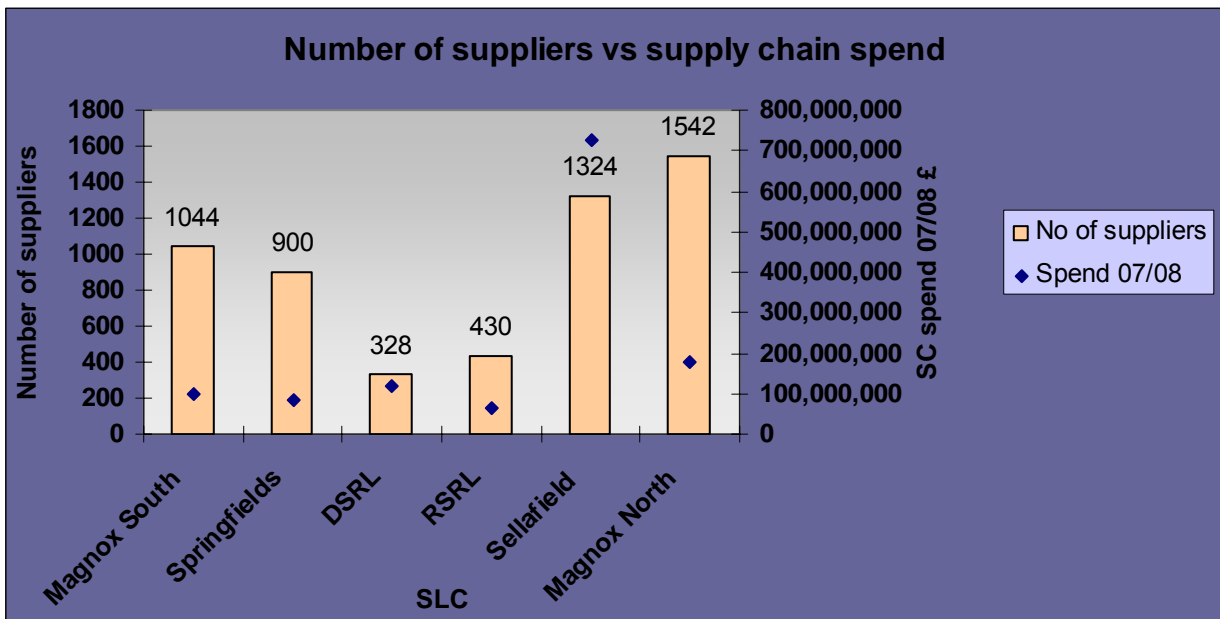
**Fig 6.** Split of 'top' 46 supply chain spend by location

Location	No of suppliers
US	3
UK	33
Rest Of Europe	6
Rest of World	1
Non discretionary	3

A company's location was deemed by country of registration of the individual company, not the parent organisation.

The spread of locations other than the UK is even across the SLC's.

**No of live suppliers**



**Fig 7.** No of live suppliers per SLC vs. SLC spend in the supply chain

SLC's were asked to reflect on the current trend in size of supply base, LLWR, Magnox South, Magnox North and DRSL indicated that there is a trend, due to policy, of a reduction in the number of direct suppliers.

Springfields and Sellafield state the number of direct suppliers is now steady following past supply base reduction programmes. RSRL were unable to comment.

Whilst NDA advocate appropriate churn, increased competition and value for money we do not have an opinion on optimum supply base size. More research into best practice including external benchmarking would be needed prior to NDA taking a view on whether a larger or smaller supply base is optimum, if indeed such a view is required at all.

## **Trade Association links**

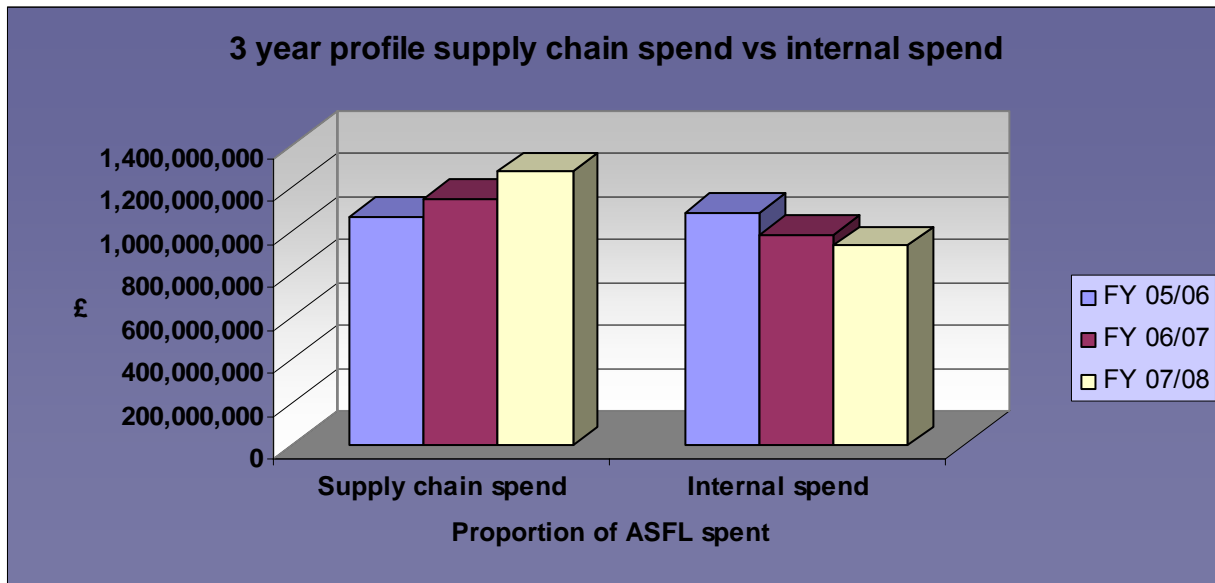
Site Licence Companies have links to the following Trade Associations and professional bodies.

The bodies which NDA has links with are indicated in the table below, the bodies which we have not already established links with will be reviewed to see if an NDA relationship is appropriate.

The supply chain team is currently investigating links with other bodies which we may benefit from interfacing with. For example links have been forged with the Nuclear Industry Association for nuclear companies, CIRA for the construction industry and bodies that represent the oil and gas industry - NOF Energy (Northern Offshore Federation), EEEGR (East of England Energy Group) and Energy Industries Council (EIC). Members of such groups may be able to bring technology transfer and innovation to the decommissioning market. Ways to access members is being discussed with the groups and the NDA Market Development Manager including representation at the Tier 3 forum.

<b>Trade Associations / professional bodies</b>	<b>NDA links</b>
Westlakes Renaissance	Yes
Nuclear Industry Association	Yes
National Joint Council for Engineering and Construction Industry ((NAECI)	
British Electromechanical Allied Manufacturers Association (BEAMA)	
Joint Industry Council	
British Nuclear Engineering Society	Yes
North West Development Agency	Yes
Nuclear Decommissioning Forum	Yes
West Cumbrian Business Cluster	Yes
West Cumbrian Development Agency	Yes
Centre for Procurement Leadership	Yes
Chartered Institute of Purchasing and Supply	Yes
European Leaders in Procurement	
Office of Government Commerce	Yes

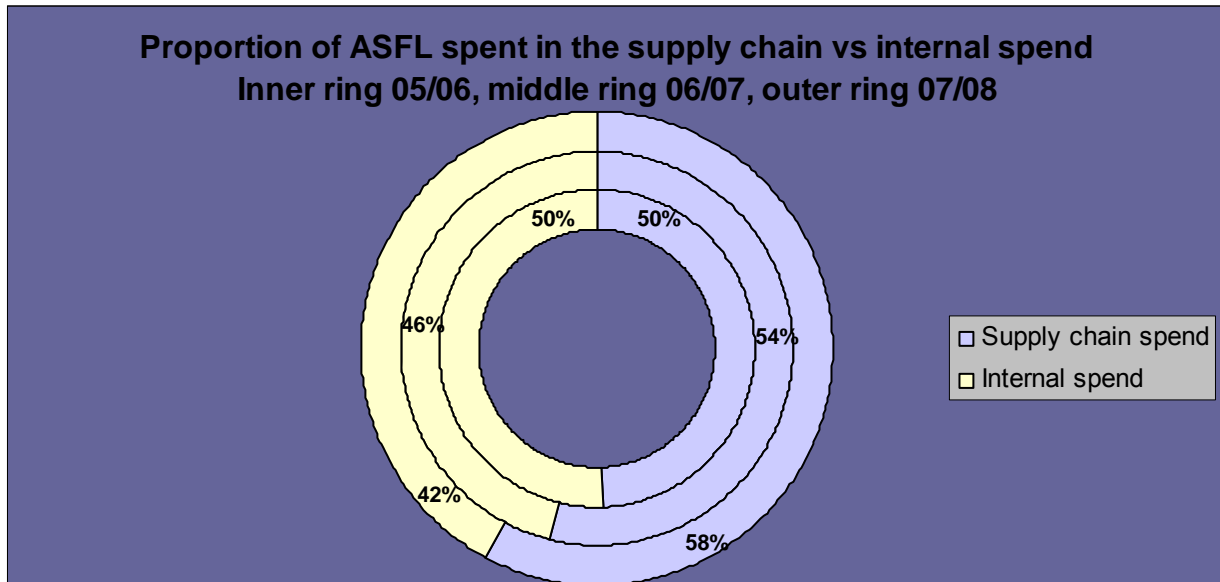
**Self performance vs. increased use of the supply chain**



**Fig 8.** Cross SLC split of ASFL spent internally vs. in the supply chain – FY 05/06, 06/07,07/08

**07/08 funding £2,198,606,676** (excludes Culham, Windscale and breakthrough funds)  
**06/07 funding £2,126,634,309** (excludes Culham, Windscale and ESTL)  
**05/06 funding £2,146,000,000**

NB: ASFL figures are as awarded at 01 April of the respective year and do not take into account over or under spend.



**Fig 9.** % split of total cross SLC ASFL spent internally vs. in the supply chain

Fig 9 shows the combined SLC's proportionate use of the supply chain. In 06/07, from the position in 05/06, the combined SLC's (or sites as they were at that point) spent 4% more with the supply chain than they spent internally with a 54/46 split in favour of the supply chain. In 07/08 we see a further 4% increase in the proportion of supply chain spend at 58% of funding.

In monetary terms this translates to £ 1,148,330,747 spent in the supply chain in 06/07 and an increase on that figure of approximately £124m spent in the supply chain in 07/08.

The following table shows the percentage of ASFL spent in the supply chain in 07/08 broken down by SLC:

SLC	% of ASFL spent in the supply chain 07/08
Magnox North	53
Springfields	58
Sellafield	58
DRSL	81
Magnox South	45
RSRL	73

Figs 10 – 11 below provide the SLC by SLC picture on the proportion of ASFL that is spent in the supply chain.

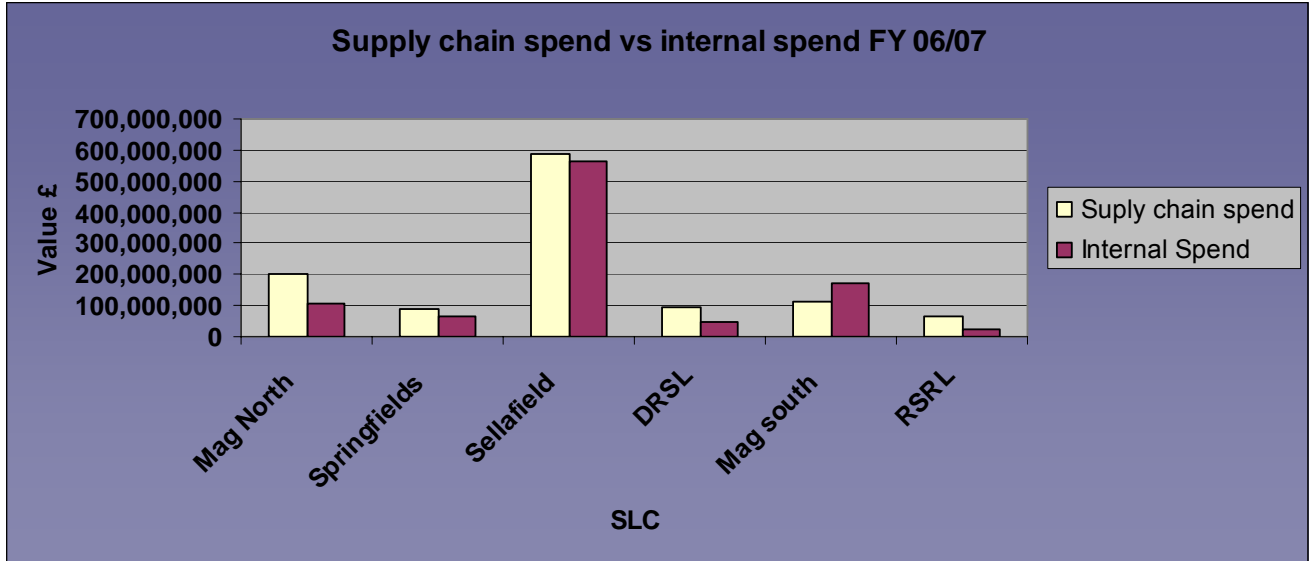


Fig 10. Internal spend vs spend in the supply chain FY 06/07.

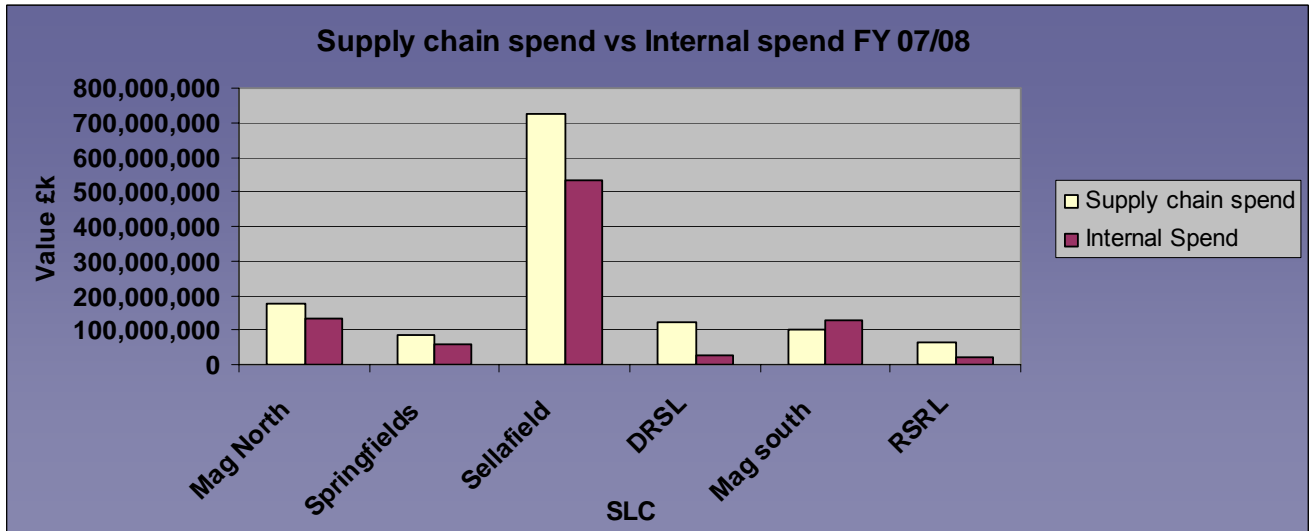
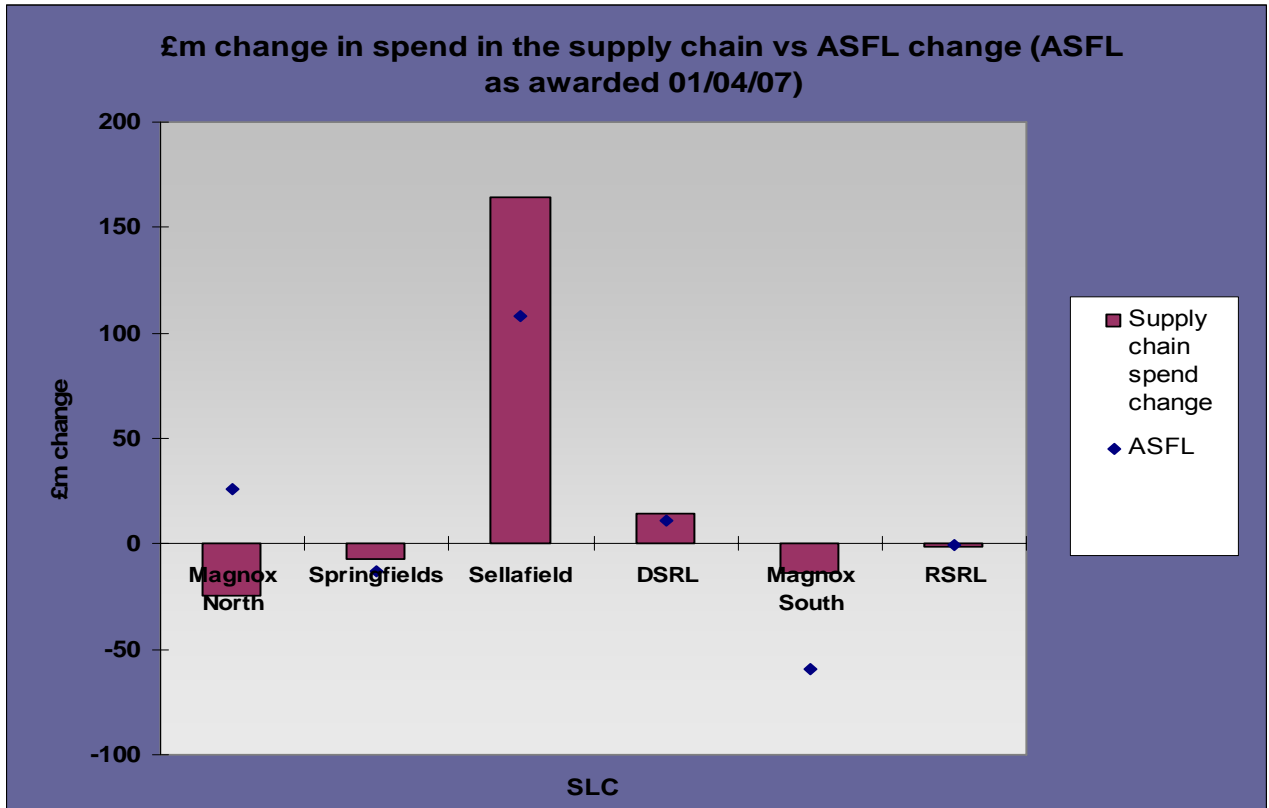


Fig 11. Internal spend vs spend in the supply chain FY 07/08.



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Fig. 10 & 11 show the split between funds spent internally and funds spent in the supply chain. Fig 11 shows a higher level of spend in the supply chain, than that spent internally, at all sites with the exception of Magnox South and Springfields. Sellafield have improved their split in 07/08 in favour of the supply chain. At Magnox South the funding reduction appears to have impacted on internal spend. RSRL and DSRL's split has remained largely constant whilst Springfields have seen a slight reduction in spend with the supply chain. Magnox North have continued the trend of 06/07 with a higher supply chain spend than that spent internally.



**Fig 12.** Increase/decrease in supply chain spend in 07/08 vs increase decrease in ASFL 07/08 (ASFL as awarded 1<sup>st</sup> April 2007) The metric shows the correlation between trends in increased/decreased supply chain spend and increased/decreased funding.

As may be expected the impact of funding reductions at Springfields, RSRL and Magnox South have led to a reduction in spend with the supply chain, the impact is on a different scale at each SLC the RSRL correlation is more 'equal', Springfields reduction in ASFL impacted on supply chain spend by a greater degree than that of Magnox South whose ASFL decreased by £59m but only impacted on the supply chain by a reduction on last years spend of £5m. Similarly Sellafield and DSRL show a positive correlation between funding and supply chain spend. The Magnox North figure shows an increase in spend in the supply chain but does not correlate to the scale of the increase in funding.

There could of course be other factors which dictated the split of the additional monies.

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