



NORTH ATLANTIC MILITARY COMMITTEE
COMITE MILITAIRE DE L'ATLANTIQUE NORD



03 January 2008

MCM-0187-2007

SECRETARY GENERAL, NORTH ATLANTIC TREATY ORGANISATION

OUTSOURCING OF BALKANS CIS SUPPORT

Reference

A. PG(2005)0110(INV), Outsourcing in Crisis Response Operations, 22 Jul 03

BACKGROUND

1. NATO CIS capabilities in Balkans have evolved in line with the mission and changing operational requirements. The current CIS capabilities are provided through a mix of NATO owned and outsourced capabilities, delivered through a number of contracts, as well as a J6 CE of 111 personnel, divided between KFOR HQ and other NATO HQs across the Balkans Area Of Operations (AOO). At Enclosure 1, SHAPE identifies the risk to NATO operations in the Balkans due to the shortfall in the J6 manning with suitably trained personnel, and proposes outsourcing all the CIS support consisting of 4 current contracts¹ and most of the Balkans CIS CE positions in order to reduce that risk.

AIM

2. The aim of this Memorandum is to provide Council with the Military Committee position on the SHAPE request for outsourcing of Balkans CIS support.

MC CONSIDERATIONS

3. In accordance with Reference A, MC considers that the NATO mission in the Balkans is mature enough to allow increasing outsourcing of the CIS capability. In fact, the majority of the current CIS support for the NATO operations in the Balkans is already being successfully provided through service provision and maintenance contracts. Potential deterioration of the security environment due to the outcome of the Future Status of Kosovo talks should not impact the validity of the outsourcing option provided that standing precautionary measures would mitigate the risk.

4. The MC recognises that adequate CIS capability is a pre-requisite for the accomplishment of the NATO mission in the Balkans. The complexity of the theatre

¹ The 4 current contracts are with Telesor, EADS FR x 2 and ATCO

CIS systems and the distribution of the CIS personnel demand that all CIS personnel arrive in theatre with the relevant training and skill on the theatre systems. For several years, however, there have been continuous manning shortfalls of CIS personnel of approximately 30% in KFOR and this situation is not likely to improve due to increasing demands of ISAF.

5. The two main CIS support contracts (Telnor and ATCO) supporting KFOR and NHQSa/EUFOR will expire on 30 Oct 08 (after first extension of 6 months) and 30 Nov 08, respectively. The Telnor contract is to be re-competed at the direction of the Infrastructure Committee. All CIS services and equipment/ system upgrades and purchases should be provided to the Balkans AOR by 30 Oct 08 in order to allow seamless delivery of CIS services. Should the contracting process fail to meet the timelines, the Host Nation will seek contract extensions to ensure CIS service continuity.

6. SHAPE has submitted four options to meet the requirements, based upon different balances between military support, outsourcing, and ownership of CIS equipment. Over 3 years, the cost estimates range from 38 M€, with no reduction of the CE, up to 87 M€ for a total outsourcing of equipment and personnel. Although Option 3² is valid and meets the requirement, it is not the recommended option due to the complexity of the mix of NATO and contractor owned equipment and the risk of not meeting the required timelines. Option 2³, as described at Enclosure 1, constitutes the most cost effective solution from a military point of view. The Rough Order of Magnitude (ROM) for this option is 13.5 M€ per annum (42.5 M€ for 3 years including 2 M€ for the one time purchase of equipment), but will need to be considered by the SRB.

7. Because the pace and order of NATO force drawdown is dependent upon wider political considerations and cannot be accurately predicted at this stage, the MC acknowledges the SHAPE approach in defining both a mid-term requirement from end 2008 onwards and the end state requirement when NATO forces are reduced to the anticipated minimum. Option 2 is intended to provide the required flexibility to allow adjustment of the NATO footprint, provided that the clauses of the contract take this demand into account.

8. The MC considers that NATO must retain control of its networks and that NATO security policies and procedures will be adhered to. The protection of NATO's key assets is to be a priority when considering outsourcing. The NATO personnel will continue the key functions which must be carried out by only authorised personnel.

9. The MC also acknowledges that the NC3B was briefed on 8 Nov 07 and noted the SHAPE presentation, in which SHAPE outlined its proposal to outsource the CIS personnel as part of the way ahead for Balkan CIS.

² Option 3 consists of contracting of manpower for NATO owned equipment and outsourcing of currently outsourced services at an estimated cost of 49.5 M€ for 3 years

³ Option 2 consists of contracting of manpower and NATO takes ownership of all equipment at an estimated cost of 42.5 M€ for 3 years

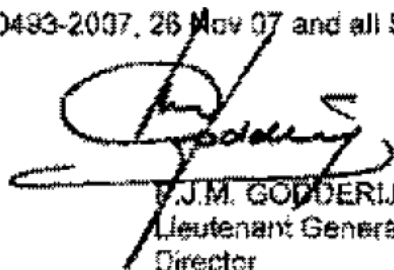
MC CONCLUSIONS

10. The MC concludes that:
- a. NATO manning processes have not managed to resolve recognised shortfalls in suitably trained CIS personnel for the NATO mission in the Balkans.
 - b. The mission is mature enough to allow the outsourcing of the CIS capabilities.
 - c. Outsourcing should also provide the required level of flexibility to drawdown NATO forces if and when needed.
 - d. Adherence to all NATO security policies must be considered during all phases of the Balkan CIS mission.
11. As a result, the MC endorses outsourcing of Balkans CIS Support for a 3 year period, subject to regular SHAPE review of the CIS support arrangements and reporting within the PMR process. Option 2 as presented in Enclosure 1, is considered as the best option from a military point of view.

MC RECOMMENDATIONS

12. The MC recommends that the Council note this memorandum, agree its conclusions and invite the SRB to address the resource implications.
13. This document clears IMSWM-0493-2007, 26 Nov 07 and all SDs thereto.

FOR THE MILITARY COMMITTEE:



P.J.M. GODDERIJ
Lieutenant General NLDAF
Director
International Military Staff

Enclosure

1. 9836.01.02/SHJ6COO/07/40-203301, Outsourcing of Balkans CIS Support, 26 Oct 07

Copy To SDL T, IS DFP

Action Officers Col S. Plat, L&R (9833), LtCol M. Papadakis, L&R (5270), LtCol P. Imai, NHQC38 (5129)

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3636.01.02/SHJ5COO/07/40 - 203301

TO: Director International Military Staff
SUBJECT: Outsourcing of Balkans CIS Support
DATE: 26 October 2007

ACTION :	L&R
CMC	PO IMS
DCMC	SUPACT
DIMS	ADM/CON
EXCO	HQ
EXCEL	LEGAL
INT	HQ REG
P&P	SACEUR/REP
C:RS	SACT/REP
OPS	MJ/REPS
L R	15/16/17
CSB	
PIA	RECORDS

- REFERENCES:
- A. SHJ5/PLANS/7340-070/06-200796, SACEUR OPLAN 10501 Revise 2 – Letter of Promulgation, dated 06 Sep 06.
 - B. Enclosure 1 to SHJ5CMD/6100/07-200092, Project Submission Request for Balkans CIS Support from 2008 onward, dated 30 May 07.
 - C. SHJ5CMD/6100/07-200092, OPLAN 10501 "JOINT ENTERPRISE" – SHAPE Fund Request for BLK CIS 022 – Balkans CIS Support from 2008 onward, dated 30 May 07.

AIM

1. The aim of this paper is to seek authorisation for the outsourcing of Balkans CIS operations and maintenance (O&M) support. This is an urgent requirement in support of OPLAN 10501 at Reference A.

BACKGROUND

2. NATO CIS capabilities in the Balkans have evolved in-line with the mission and changing operational requirements. Whilst they meet the operational requirement, the current CIS capabilities are provided through a mix of NATO owned and outsourced facilities, delivered through a number of incoherent supporting contracts.

3. The J6 elements of the Balkans Crisis Establishments stand at 111 personnel, divided between KFOR HQ at Pristina and NATO bases across the Balkans area of operations (AOO). Personnel designated to fill the CEs are expected to arrive in-theatre with the necessary technical skill sets to enable them to provide support to the KFOR CIS systems, which are increasing in complexity. The availability of suitably trained personnel to meet the J6 CE posts has been a long running problem, with an increasing trend of shortfalls to the extent that the J6 manning is currently at approximately 70%. This level of manning currently places limitations to the CIS cover available 24/7, and any further decrease may generate an unsustainable

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situation prejudicing support to operations. Moreover, there is no indication that nations will be able to increase their support to the CEs. Military technicians, with the skill sets necessary to support the increasingly complex and sophisticated CIS now being operationally deployed, are in short supply across all NATO nations.

4. The current contracts delivering CIS support are incoherent and have been extended into 2008. The JC has directed that these contracts should be reviewed and, if necessary, re-competed to align with future NATO military posture in the Balkans. The CIS requirements for the Balkans have been reviewed in line with NATO's ambitions, and the future requirement for the period 2005-2012 has been agreed in PSR BALK CIS 022, at Reference 8. This identifies the CIS requirement during 2008, an end-state requirement of minimal CIS provision for when NATO has withdrawn its forces to an absolute minimum, and postulates a progressive reduction in CIS capabilities during that withdrawal. The challenge for the J6 community is to provide appropriate coherent and responsive CIS support for both start and end states, and during the uncertainties of draw-down, whilst recognising the increasing limitations placed by the inability to fill the J6 elements of the CEs.

WAY AHEAD

5. The agencies involved in supporting the Balkans AOC have reviewed the requirement in PSR CIS 022 and have proposed 4 Options for future CIS delivery:

- a. Option 0 – Maintains the current split between military support and outsourced support.
- b. Option 1 – All CIS capabilities outsourced (i.e. contractor owned and supported).
- c. Option 2 – All CIS capabilities NATO owned, but contractor supported.
- d. Option 3 – Retains current outsourcing, but contractor support of NATO owned CIS.

Option 0 represents the current position and was used as the baseline for comparison and analysis. All options are described and evaluated in detail at Annex A.

6. An evaluation of the options identified that the introduction of Contractor support in Options 1 – 3 would reduce the J6 elements of the Balkans' CEs by approximately 95 posts (from 111 to 16), thus removing the risk and uncertainty in Option 0, generated by current difficulties in filling the CEs. Moreover, Option 2 (all CIS capabilities NATO owned, but contractor supported) provides the most cost effective means of delivering the CE reductions, whilst retaining the flexibility and control necessary to ensure that the CIS capabilities could evolve with the changing operational requirement. Furthermore, the difference in costs to the O&M budget is not significant. Whilst the current provision of CIS support (Option 0) is delivered at an O&M cost of 12.6 million Euros over 3 years (plus the hidden cost in nations of the CE manpower), after an investment from the NATO Security Investment Programme (NSIP) funds of 2 million Euros to procure the non-NATO owned equipments, Option 2 is estimated to cost 13.5 million Euros over 3 years. SHAPE therefore proposes to deliver the future CIS support to the Balkans AOC through the adoption of Option 2.

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ownership and contractor support of theatre CIS capabilities. Moreover SHAPE requests that NC3A be nominated as host Nation for this requirement.

FOR THE SUPREME ALLIED COMMANDER, EUROPE:


Karl-Heinz Lathor
General, DEUA
Chief of Staff

ANNEX:

A. Balkans CIS Outsourcing proposal.

DISTRIBUTION:

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Resources/Management Implementation Branch NATO HQ
Chairman Infrastructure Committee
Chief Infrastructure Section LA&R, MS, NATO HQ
Director NC3A
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Director NCSA
JFC HQ Naples J6

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Information:

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thus making substantial reductions in the number of J6 CE posts needed through a minimal increase in costs.

RISK ASSESSMENT

7. Contractors are currently widely used to provide support capabilities within ISAF, a much more turbulent operational theatre. Although the political situation in the Balkans is yet to mature, the security situation is assessed as being sufficiently stable for the reduction in military personnel proposed to represent an acceptable operational risk.

8. Recent experience of contracted services within the Balkans and other operational theatres has shown that contractors are willing and able to meet their contractual requirements and are able to retain staff to undertake the work. Moreover, deployable CIS capabilities are available with military support from NCSA in extremis.

MILITARY CONSIDERATIONS

9. From a military perspective, the key areas, which drive the desire to reduce the CEs in support of CIS, are as follows:

- a. This proposal supports OPLAN 10501.
- b. Outsourcing alternatives should only be used to offset military requirements when there are valid operational and cost-effective reasons.
- c. The manning shortfall in the CIS elements of Balkans CEs leaves J6 staff unable to sustain 24/7 operations over time without augmentation. Short notice augmentation of right-skilled people is vulnerable and the current situation is therefore undesirable and creates a risk to operational CIS support in case of fastling contingency situations. Reduction of CIS elements of the Balkans CEs by contractors is considered the best way to solve this undesirable situation.

RESOURCE CONSIDERATIONS

10. Contractual support is essential to continue needed CIS support to the mission. The contracted CIS support would achieve the required reductions in the Balkans CEs in the near future and provide the necessary flexibility to meet the drawdown. However, this approach, which is the preferred way forward, would require additional investment in procuring or replacing equipment currently owned by contractors. The most cost effective way forward has been determined after careful consideration of the options presented at Annex A.

RECOMMENDATION

11. The committee is requested to approve SHAPE's request to change the military requirement by reducing the J6 elements of Balkan CEs through NATO

BALKANS CIS OUTSOURCING PROPOSAL

1. As previously identified in SFOR, one of the key problematic areas within the Balkans area of operations (AOO) is the provision of operations and maintenance (O&M) support to CIS equipment. Reduction in CIS military manpower support provided by the nations, in support of higher priority tasking within other operational theatres, has initiated a requirement to seek alternative support arrangements to maintain effective C2 support to Balkan operations.

2. The proposal to outsource O&M support to CIS services within Balkans AOO includes day-to-day operational system management functions and maintenance support. Within this broad functional area includes system administration, first and second level ADP equipment maintenance support, help desk functionality, configuration and database management of CIS systems.

OPTIONS

3. The options presented by NC3A to support future BALKANS CIS are as follows:

a. **Option 0 "Do nothing"**. This option is technically and logistically feasible since we are already running the networks and all CIS. Administratively and managerially, it will incur the same staffing problems currently experienced. This option assumes that nothing is changed and that ongoing contracts are extended as required. The estimated annual cost is 12.8 ME for a 3 year period.

The benefit of this option is that it does not disrupt the established systems and procedures. There will be no discontinuity in the service provision, and there will be no risk to any timelines. This option is the least expensive with respect to NATO funding in the near term.

This option is not recommended because:

- (1) This option does not meet the PSR requirements of service level and CE reduction.
- (2) It does not allow for Balkans wide synergies as the CIS support is kept autonomous for each command.
- (3) CIS services will remain inefficient and costly.

b. **Option 1 "Total outsourcing of equipment and personnel"**. This option is by far the most expensive, but is technically, logistically, managerially, administratively and operationally feasible. It assumes that all CIS equipment

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will be provided by the contractors, as well as the manpower to provide the CIS services. The estimated annual cost is 29M€ for a 3-year contract.

The benefit of this option is that it brings only new equipment in theatre with the contractors responsible. This way the equipment reliance should be high and there should be no unforeseen expenses for NATO to replace faulty equipment, as this would be the contractors' responsibility. Logistically, this would be beneficial to NATO, as the contractors would take care of all CIS logistics.

However this option is not recommended because:

- (1) It is considered a high technical risk in replacing all CIS equipment, which is currently fully operational. Replacing all equipment could or will lead to operational down-time during the replacement period, as well as during the burn-in period. It would probably also require lots of user training to NATO troops to familiarize with the new equipment.
- (2) As this option includes procurement and replacement of all CIS equipment, it is considered that the risk is high that this option will not meet the required timeline because of the lead-time for equipment procurement and time required for installation.
- (3) It is very expensive as it replaces all NATO CIS equipment in theatre, including lots of relatively new equipment. This will present a possible waste of NATO funding, especially as the theatre is expected to draw down during the next years.

c. Option 2 "Contracting of manpower and NATO get ownership of all equipment". This option assumes that NATO will keep the ownership and responsibility to provide equipment, including taking over the ownership of currently contractor owned equipment. Contractors will provide manpower to provide the CIS services. The estimated annual cost is 13,6 M€ for a 3 year contract. In addition to these estimated costs, there will be an additional one off payment of approximately 2M€ to buy out equipment currently provided by Telenor.

This option fulfils the PSR requirements and is very feasible. Logistically, it is simple in the way that all equipment is NATO owned. NATO CIS CE will be reduced to a minimum. The risk of service disruption is low as no equipment in theatre would be replaced. It will provide the most flexibility to modify CIS support as the supported Balkans mission change or drawdown.

d. Option 3 "Contracting of manpower for NATO owned equipment and outsourcing of currently outsourced services". This option assumes contracting of manpower to provide services on all NATO owned equipment and outsourcing of what is currently outsourced. The estimated annual cost is 15,5 M€ for a 3 year contract. The cost of this option is high due to the cost of installing new equipment.

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This option fulfils the PSR requirements. Its mix of contractor and NATO owned equipment is complex, but is less disruptive to service provision than option 1. NATO CIS OE will be reduced to a minimum.

This option is not recommended because:

- (1) There is a chance that the current outsourced equipment is changed, introducing a risk for disruption of service and a risk of not meeting the required timelines due to procurement lead-times and time required for installation.
- (2) It is more expensive than the next option with equal performance and complexity.

SUMMARY

4. Exact costings attributed to each option will not be determined until approval is given and a TCCE is conducted. The figures presented by NC3A in Table 1 represent the approximate costings to NATO. The costing presented in Option 2 are 6% greater than those in Option 0, after Telnor installation and configuration costs amounting to 2.1ME are deducted.

Table 1

OPTION	DESCRIPTION	COST (Estimated)	RISK/ACHIEVED AIM
0	Maintain Current Status	€ 38,549,034	Does not meet requirement to reduce OE. / Does not disrupt established systems and procedures.
1	Total outsourcing of equipment and personnel	€ 87,145,451	High technical risk. / Beneficial to NATO as contractors would take care of all CIS logistics.
2	Contracting of manpower and NATO get ownership of all equipment	€ 42,932,433	Timescale to establish contracts. / Meets the requirement to reduce OE and least disruptive to mission.
3	Contracting of manpower for NATO owned equipment and outsourcing of currently outsourced services.	€ 49,514,627	Disruption of CIS services through procurement lead-times and installation timescales. Greater expense. / NATO CIS OE will be reduced to a minimum.

5. The recommendation made within this Annex to endorse Option 2 is forwarded for approval requesting that consideration be given to the timescales required to commence outsourcing of O&M support, or to renew existing contracts as required in support of Balkans CIS operations prior to existing contract end dates commencing April 2008.