



2010 WINNING CASE STUDY Operational Performance in Public Sector PA Consulting with Identity and Passport Service



Executive Summary

The Identity and Passport Service's (IPS) current passport contract was awarded in 1998 and will expire in October 2010 at which time a new passport production service will be required.

This service needs to provide a replacement passport which is aligned with new international regulations for travel documentation and also provides enhanced security features to keep ahead of the threat of counterfeiting. The new passport will need to be completely redesigned in terms of graphical design, changes in page layout and have the capability of storing additional biometric information.

PA supported and managed the procurement process from start to finish. The process was completed four months earlier than originally planned and was below budget. The outcome of the procurement is that the quality and security of the passport has exceeded expectations and the new passport service will deliver savings in excess of £160 million (30% savings against anticipated contract value) over the term of the contract.

Without PA's assistance it is unlikely that the procurement would have completed within the timescales required and would not have identified the £160 million savings.

What was the problem/opportunity faced by the client?

The passport is a fundamental document known to every UK citizen and recognized around the world. Around 80% of the population holds a passport and the UK is the second largest passport issuer in the world. IPS is the organization charged with managing the UK's passport application and issue process.

The passport is an integral part of the National Identity Service (NIS). As the NIS scheme rolls out, customers will be able to choose which identity product they prefer (a card, passport or both). To ensure trust in the delivery of the NIS, (planned for full rollout in 2012), the transition to the new passport contract must be faultless.

Due to the impending contract expiry date, IPS were required to re-tender the service. In doing so they wanted to:

- Preserve the integrity of the passport by providing enhancements to the future product to meet ongoing counterfeiting and security threats
- Support a ministerial commitment to align with developing European legislation and introduce the ability to store fingerprints in the embedded passport chip.

Project background

IPS set up the Passport Design and Production (PDP) project to commence a procurement exercise, with the following challenges in mind:

Most countries have one passport provider and it is difficult for new suppliers to break into an existing passport market. IPS has a long term incumbent supplier and this, coupled with the high cost of bidding, meant that a competitive market was not guaranteed.

IPS needed to complete this activity and still leave time for implementation of the new service. The time required to design the new passport and install the equipment is considerable and failure to transfer from an existing supplier to a new one holds a reputation and business continuity risk.

PA was appointed to define and manage the procurement process and support IPS in the selection of the best value-for-money passport provider who could transition successfully by October 2010. In delivering this assignment PA worked in partnership with IPS to ensure the required outcome was achieved through an appropriate balance of the skills and technical expertise of both parties.

Consulting activity

Solution proposed by consultants

PA worked together with IPS to choose the most effective procurement approach, resulting in the project adopting the competitive dialogue procedure. This is one of the routes available to Government departments under the UK legislation for public procurement. It is a relatively new procurement procedure that can be used to resolve key issues, finalise requirements and develop bidders' solutions throughout the procurement process by regular dialogue with prospective suppliers.

A procurement should take bidders through a well-defined journey resulting in their ability to offer the best value-for-money solution at the lowest possible risk. PA's approach to competitive dialogue addresses the particular issues and challenges for each bidder, as well as the commercial and value-for-money considerations to enable the best outcome for the client.

How this solution was arrived at

PA's engagement began approximately threemonths before the PDP procurement was due to launch. The first phase of PA's work was a short review with the programme to test the viability of the procurement strategy. This scoped out the areas where PA could best contribute to the programme and identified gaps in the procurement approach. It also identified that, although the civil service technical experts were in key roles, they had limited experience in how to execute a competitive dialogue procurement. This activity included developing a detailed plan for the delivery of the project.

What actions were taken?

Following development of the detailed plan the following actions were completed:

Competitive Dialogue training for IPS staff. This focused on how to get the best out of interaction with bidders both in terms of achieving the required result as well as building a strong relationship with the bidders that could last once the service went live.

Supporting the partnering approach. IPS ran a number of familiarisation sessions for PA on the technical aspects of passports to enable PA to better understand the product that it was procuring.

Planning dialogue sessions. Meetings with bidders ('dialogue sessions') are resource intensive. The effective use of key specialists is vital to ensure that the procurement runs to plan and existing business as usual commitments can still be met. PA ran workshops to define the topics for dialogue – resulting in a detailed dialogue plan for each session identifying the topics, required outcomes and the relevant experts required to attend.

Running dialogue sessions. The PA team co-ordinated dialogue sessions to ensure common messages were communicated, decision making was aligned and that all parties had a common set of objectives. PA

led commercial negotiations to ensure the best value-for-money deal possible was achieved through ongoing discussions, interim submissions of proposals and final tenders.

“Whilst running dialogue sessions the PA defined the composition of the final tenders such that bidders could provide detailed plans that wouldn't normally be expected at this stage. Given that the transition time (from contract award to service cut-over) was limited, any time saved in preparation and planning would significantly reduce the risk to the project.” ...With IPS we found a hugely engaged and well prepared team: it was clear that IPS had undergone a great deal of creative thought and planning preceding the dialogue”. James Hussey, Chief Executive De La Rue (bidder in the PDP procurement)

Ensuring competition. A crucial aspect of the process was ensuring a viable competition through an approach that provided fairness to bidders whilst preserving the competitive advantage of the incumbent supplier. PA built upon existing best practice and its own experience of advising other government procurements (e.g. at HMRC and MOD) to determine how a 'level playing field' should be ensured within the procurement and evaluation. PA implemented a thorough process of scrutinising bidders' submissions throughout the procurement to identify unique transition costs which may put a bidder at a disadvantage compared with the incumbent. Where appropriate, such costs were then excluded from evaluation (but not from affordability assessments). In addition the procurement team continually discussed with bidders where they felt disadvantaged and took steps to eradicate any relevant disadvantage. Commitment to this process further improved the competitive tension as all bidders understood that they had a fair opportunity to win. This process was substantiated through statements bidders made at interviews for OGC gateway three reviews (a standard independent review of projects operated in government).

Evaluation. PA developed an evaluation approach jointly with IPS and bidders during the procurement. The approach allowed bidders to propose the most effective measures and security features to deliver the most secure passport offering. This innovative approach, coupled with financial assessment, led bidders to have to propose the most secure passport for the best value-for-money outcome. PA then worked with IPS to appoint the preferred bidder through the selection of the most economically advantageous tender.

Contract Award. PA supported IPS through to contract signature and with preparations for implementation to provide a smooth transition from procurement into setup and delivery.

Scope/scale of consulting intervention

The procurement aspect of this project ran from April 2009 until contract signature in July 2009 between IPS and the successful supplier, De La Rue. PA and the project team worked with all the stakeholders within IPS and wider government to support the approvals process through the IPS management board and Home Office investment committees.

The skills and experience required of the consulting team

The PA team comprised five consultants and was led by PA's leading public sector procurement partner in this field. Expertise used in the delivery of the project included:

- Programme and project management
- Public sector procurement knowledge
- Commercial acumen and negotiation
- Business case, financial analysis and modelling
- Team leadership and stakeholder management
- Requirements specification and analysis.

Success factors and challenges

To what extent were project objectives met and challenges overcome?

The PDP procurement was completed four months earlier than originally planned. This time saving is vital as the time necessary for the successful supplier to be able to transition is on the critical path of the project. In addition the project cost approximately 20% less than forecast.

What were the benefits to the client?

The keen competition created by the procurement and the effective evaluation approach enabled the PDP project to secure significant price savings which, over the term of the contract, equate to over £160 million. This approximates to a saving of over 30% against the original anticipated contract value. The proposed passport has a number of significant improvements so that it is much improved and maintains the reputation of the UK passport as one of the most secure in the world.

What were the lessons learnt from your intervention?

A clearly focused and defined procurement can be completed quickly without a loss of quality or value for money; this is of particular importance in the current economic climate to minimise costs on both sides of the competition. Through careful planning, an effective competition can be created even when the competitive environment appears inequitable.

Client/consultant relationship

"PA have managed to help us deliver an extremely difficult procurement in a timely manner whilst providing excellent savings to the UK government. Their joint working approach has enabled my commercial team to learn a significant amount throughout the process which will be put to good use within IPS in the future."

Ian Forster. Commercial Delivery Director IPS

How did you ensure that the client fully understood the solution?

PA and IPS worked as single team to deliver the required outcomes; building on the long term commercial relationship that PA has had with IPS and NIS. PA managed the overall procurement as well as providing relevant commercial and procurement advice to the programme. PA structured the procurement as three parallel workstreams with a team created for each workstream. These teams largely consisted of civil servants, to ensure that IPS owned the procurement outcomes but each workstream was supported by a PA consultant to provide the additional skills and knowledge required so that the procurement could be successfully delivered.

PA also made sure that other IPS staff attended dialogue meetings to enable them to experience the dialogue process at first hand. This skills transfer approach was enhanced by PA providing specific training courses to project staff during the course of the project.

How did PA positively challenge the client's thinking?

PA adopted a process of constructively challenging the project throughout its execution so that each decision and action was thoroughly tested enabling the best possible approach to be developed. This process was implemented through formal workshops and review of documents and through informal meetings. The process was two way so that everyone contributed to the development of the process.