

FOREWARD BY CSALMO

The Warship Support Agency has ceased as an entity and the 'one DLO' construct is forming up to deliver operational support and capability. For many this will be a more significant change than is readily apparent to our team, because our focus has always been tri-service and our outputs cross a wide range of effect and capability requirements.

Through life management of a 'service' does not fit easily into many of the standard constructs applicable to platform or equipment Integrated Project Teams. We must ensure that the strength of being 'one DLO' does not become a constraint of being able to do business 'only one way'. We must continue to demonstrate that our business outputs are best delivered by adjustment of the usual IPT model, as we have done so ably over recent years. This will be greatly facilitated by the trust that our customers place in us and the proven commitment and flexibility we have shown in meeting their requirements.



CSALMO – Morgyn Davies

We are working on force generation to deliver our best effect in expeditionary, littoral, sea-based activity. Again, we are fortunate that this is an embedded strength as salvage has always been expeditionary and primarily littoral in nature. In many cases, the damage we deal with and sadly, the loss of human life, easily replicate Battle Damage and its consequences, thus we are better placed than many to deal with hostilities. Our crisis resilience is regularly tested and we have proven our efficiency in peace and our effectiveness in conflict.

Our involvement in joint operations has vigorously renewed historical ties with our American counterparts and the lessons identified in Op Telic have been very successfully taken forward, especially in the area of heavy lift operations. We now have a common process and clear understanding of the needs and purpose of each. This will be formalised within a Memorandum Of Understanding and in the short term we look to achieve commonality across other capabilities with the aspiration to migrate this understanding across NATO and the commercial sector.

We recognise that our links with the 'land' area are not as robust or evolved as necessary given their increasing role in the littoral. This has already been highlighted within the Departmental Corporate Service construct and is being targeted as an area for improvement.

In summary, the business indicators all show increasing demand against a background of diminishing resource and changing structure. We are an output-based organisation and must continue to prioritise in consultation with our front line customers and the DLO to deliver the best we can with the resources allocated. I do not underestimate the challenge that this represents but I trust my team and their commitment to deliver to the best of their ability and that has regularly been proven to be first class.

INTRODUCTION

Salvage & Marine Operations (S&MO) is a key element of MOD's worldwide maritime capability and tasked to provide the authority and project management for Salvage, Mooring, Towing and Heavy Lift services to all three Armed Services, the Defence Procurement Agency and on request, other Government Departments. The S&MO became an IPT on 26 October 2001 and a Departmental Corporate Service on 1 January 2005. For Platform support we are Tier 2, but for aircraft salvage, moorings and boom defence we are a Tier 1 IPT.

The S&MO team leader is the Chief Salvage and Mooring Officer (CSALMO), who has tri-service responsibilities under the MOD's Endorsed Marine Salvage Policy (ESP). This requires the S&MO IPT to maintain the ability to conduct salvage tasks worldwide, which was effectively demonstrated during financial year 2004/05 with the recovery of HMCS CHICOUTIMI and participation and recovery of military assets, including aircraft wreckage from World War Two, as well as modern fast jets and helicopters. CSALMO is also responsible for managing the ROYAL OAK project, the aim of which is to reduce hydrocarbon pollution within Scapa Flow emanating from this shipwreck.



ROYAL OAK

The formal tasks, outlined in the ESP, are the outputs of S&MO and can be traced through the Plans of the DLO and, ultimately, the Departmental Plan. This document sets out the activities and the expected consumption of resources that S&MO intends to undertake in financial years 2004/05 to 2007/08. Apart from the management of legacy wrecks, there is also increasing demand for assistance with boom defence issues. All are currently un-resourced tasks.

ENDORSED SALVAGE POLICY

Current tasking covers the ability to conduct the following activities, subject to the availability of commercial assets:

- a. Recovery of floating but disabled HM Ships, Royal Fleet Auxiliaries, Ships Taken Up From Trade and other MOD owned vessels
- b. First aid patching and pumping of HM Ships, Royal Fleet Auxiliaries, Ships Taken Up From Trade and other MOD owned vessels after collision or grounding to a standard necessary to reach a repair port
- c. Recovery of ditched aircraft from the sea or inland waters
- d. First aid repair to, and re-floating of, any stranded HM Ship, Royal Fleet Auxiliaries or other MOD owned vessel
- e. Recover of MOD owned vessels sunk in harbour or sheltered waters
- f. Port clearance of Naval or Army Base ports and approaches, the Department's Military Port
- f. Assistance to a bottomed, disabled submarine, conventional or nuclear powered
- g. Recovery of a bottomed disabled and evacuated nuclear submarine
- j. Provide expertise and advice to the Department of Transport and Other Government Departments (on a repayment basis)
- k. Object recovery, including nuclear weapons, from the seabed
- l. The management of all MOD ocean and coastal towing and ship transport by uplift or barge



HMCS CHICOUTIMI Recovery - 2004

VISION

To be an intrinsic element of military capability

Our Vision ensures that we look wider and seek different ways of increasing our capability at reduced cost. This means that new tasks may emerge and our expertise will be grown to match the requirement. It also means that we will look harder at the way we conduct business to make sure that we are delivering in the best possible way, including the use of technology.

MISSION

To provide marine salvage, safe moorings, towing and heavy lift expertise worldwide

Our Mission requires us to build partnerships with our industry suppliers and to educate our customers. It also means that we will continue to develop productive relationships with all our stakeholders.



Port Clearance (Solent Yacht Jasmine) - 2005

ROLE

- b. To meet the requirements of the Endorsed (tri-service Marine) Salvage Policy (ESP) including Blue Water Towing advice and services*
- c. To act as the tri-service manager for MoD moorings*

OUTPUTS AND OBJECTIVES

Output 1

Management of MOD Marine Salvage

We develop and provide salvage services and advice, primarily to internal MOD customers and we contribute to the activities of other MOD organisations through the provision of marine expertise

Output 2

Tri-service management of moorings

We are responsible for the design, setting of standards and clearances to lay for all mooring maintenance work, including the recovery and disposal of redundant moorings. We are also the inspection authority for this work.

Output 3

Towing advice and services

We provide expertise, advice and project management for MOD ocean and coastal (blue water) towing and for maritime heavy lift operations

CORPORATE OBJECTIVES

In order to meet our outputs, we have identified five corporate objectives, which align with our three core themes of Better Management, Better Value and Strategic Change. They are:

1. To meet requirements of ESP in peace and conflict
2. To be a SMART efficient improving business
3. To satisfy our customers and stakeholders
4. To achieve our long term vision
5. To be a high performing team of skilled, motivated and happy staff

CULTURE

“As in any service organisation our strength lies in our people.”

CSALMO

S&MO brings together people with varied backgrounds that all work together as one team to meet operational requirements. Our aim is to welcome new members and build on the diversity of our staff to achieve our Vision. Our culture ensures that our people are motivated and equipped with the right skills and experience to deliver outstanding service to our customers.



S&MO IPT/DCS Personnel Following Receipt of Their Iraq Medals - 2005



Our core values are:

Work as one team

We will try to be open and honest with each other

Accept responsibility for our own work and that of our staff

We will encourage trust and respect for each other

Delegate responsibility where practical to do so

We will ensure that our people have the opportunity to develop

Support each other in achieving our objectives

We will work together and use our best efforts to deliver

Give praise whenever possible

We will reward excellence and innovation

Admit when wrong and learn from the experience

We will listen and look to do things better

Adopt a no blame culture

We will support each other and work together to prevent mistakes being repeated

Work on improvements together

We will encourage new ideas and try new things

Motivate our staff and encourage each other

We will ensure that our people understand their contribution to what we do

Value each and every person we come into contact with to achieve our targets

We will use our best efforts to support the business

Be positive in what we can do

We will challenge the status quo where it acts as a barrier to progress

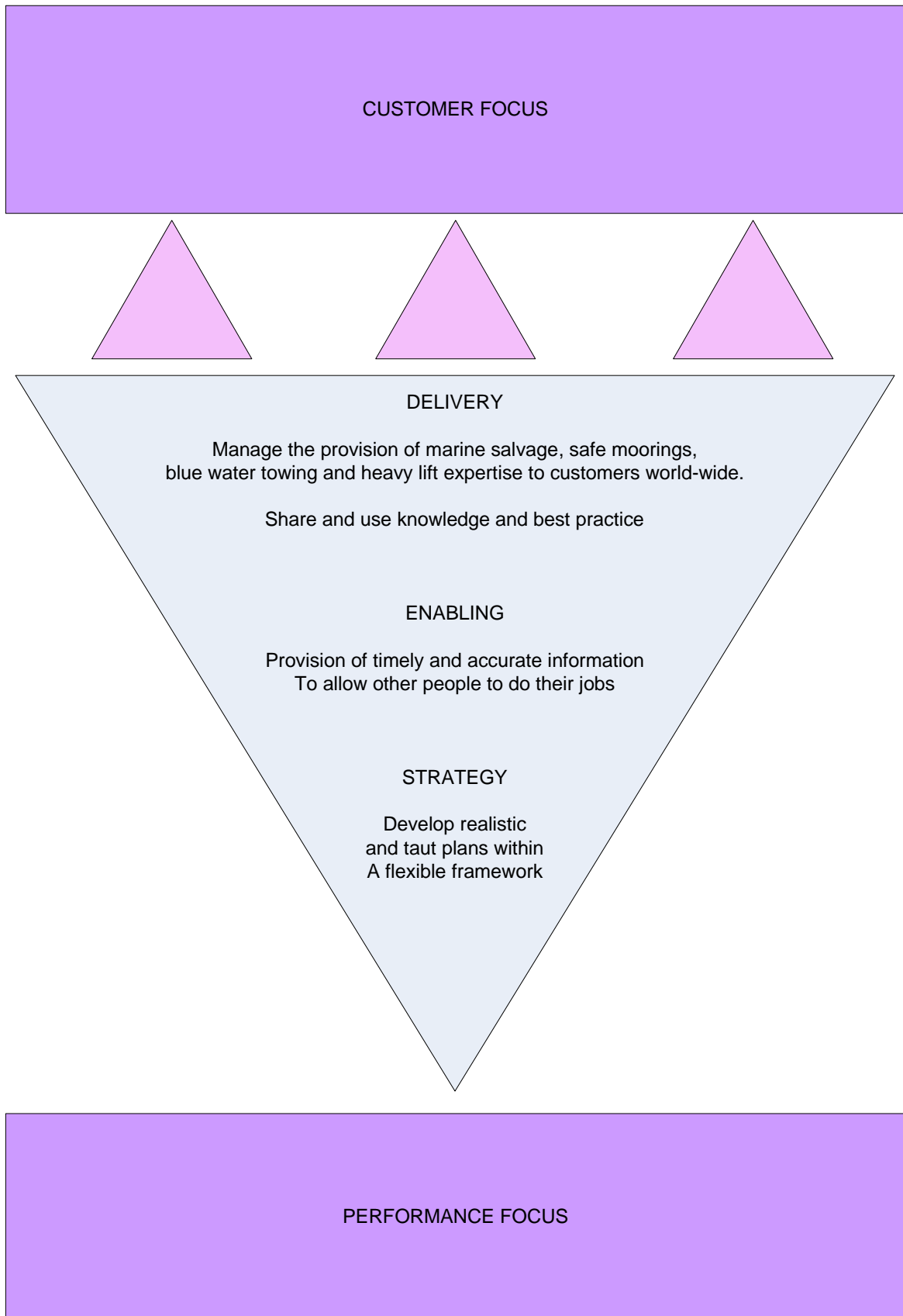
Adopt a flexible approach to the ever changing environment that we work in

We will test the boundaries having assessed the risk

Accept the difficulties that face us and work together to counter them

We will go the extra mile to satisfy our customers

BUSINESS MODEL



KEY BUSINESS FUNCTIONS

Underpinning the three S&MO outputs are many essential enabling functions provided by Heads of Department that ensure that the S&MO can continue to provide its outputs efficiently and effectively. These include personnel support, technical advice and support, financial policy, planning and management, corporate outputs and commercial services.

The Heads of Department are:

Chief Salvage and Mooring Officer (**CSALMO**) has overarching responsibility for S&MO through his Letter of Delegation from Chief of Defence Logistics (CDL), which covers operational capability and financial and personnel management. He is accountable for the quality and timeliness of our outputs and prudent management of the resources within his control.

Assistant Director Salvage and Operations (AD S&O) is responsible for salvage capability, which includes personnel, who are all experienced in maritime operations with the majority recruited directly from the commercial maritime sector. In order to meet operational requirements personnel and equipment is continuously maintained at a high state of readiness.

The Maritime Management group is led by Assistant Director Mooring Towing and Planning (AD/MTP) and comprises of 6 SALMOs, 4 technical support staff and 5 commercial staff. These personnel are located at both HQ and the field stations. AD/MTP is responsible for the technical outputs associated with mooring, towing, and heavy lift.

There are two Marine Salvage Units (MSUs), which are managed by an Officer in Charge (OiC). OiC (North) manages the MSU in Greenock, Scotland, whilst OiC (South) manages the MSU at Devonport, England. The MSUs are identified Defence deployable units and their disposition and utilisation form an integral part of the MOD's emergency response capability.

Experience has consistently demonstrated that provision of a fully trained multi-skilled and "worked up" team is an essential prerequisite to the successful execution of potentially hazardous salvage and recovery operations. This was recently demonstrated when, at very short notice, a team was dispatched to Singapore to undertake an underwater welding repair on a submarine. Normally, contractors would have done this, but the host nation would not allow contractors onto their base. As military divers are not trained in this competence, S&MO represented the only MOD resource that could be utilised.

Within the Corporate Headquarters, there is a dedicated Corporate Business Manager (CBM) whose role encompasses Business Planning and Performance and Output Management, Communications, Corporate Governance and the oversight of the Budget and Personnel Groups.



The distinctive nature of our business has repeatedly demonstrated the need for an independent management team and a separate budget, as previously expenditure was subsumed within larger budgets making it impossible to effectively track operational costs. This was rectified and led to the creation of S&MO as a discrete organisation. This rationale has been carried through to the current organisational structure with delegated budget responsibility.

Salvage and its related operational tasking are high profile issues that often require exceptional and un-programmed funding at extremely short notice. To remain viable and operationally effective CSALMO is allocated separate 'ring-fenced' funding to cover un-programmed salvage operations.

The unique role of our operational personnel within Defence means that S&MO civilian specialist Retained Grades are outside the general structure of other, more generalist MOD Civil Servants. Consequently, their Terms and Conditions of Service are also unique so a pool of personnel management expertise is maintained at HQ.

Due to security considerations associated with certain aspects of submarine salvage and weapon recovery, all key technical posts hold high-level security clearance.



Faslane Submarine Barrier, Scotland

Wainfleet Danger Zone Marker Buoy



KEY BUSINESS PROCESSES

Customer Supplier Agreements (CSAs) have been set up to formalise the horizontal relationship between customers and suppliers. CSAs reflect the services that customers need and permit the supplier maximum flexibility on how to deliver against the requirement. They also set the levels of output agreed for each year.

S&MO's relationships with its main customers were covered in the DLO Four Star CSAs with Commander in Chief (CinC) Fleet for the Royal Navy (RN), CinC Land for the Army and Assistant Chief of the Air Staff (ACAS). However, the status of a Departmental Corporate Service allows S&MO to migrate CSAs to Internal Business Agreements, Service Level Agreements or other internal 'service contracts' to reflect the un-programmable nature of salvage operations. S&MO business agreements, of whatever type, will eventually be used to communicate the costs of all intermediate outputs through to the Departmental Final Outputs.

Where appropriate, various agreements are being introduced to formalise the provision of services between S&MO and other business units in line with the DLO drive towards full output management.

THROUGH LIFE MANAGEMENT

“Our customer base continues to develop and closer ties with the Defence Procurement Agency (DPA) through Director Land & Marine has highlighted a number of areas where input at the front end of the CADMID cycle will make our job in dealing with the equipment when it comes into service that much easier. Additionally, in-service DPA equipment, such as COMA aircraft, have been identified as a salvage commitment that has not been fully visible in the past. There can be no doubt that closer working with the DPA will generate significant capability improvements in the medium and long term.”

CSALMO

The delivery of S&MO’s capability is based upon the retention of a core of salvage expertise but with a minimum of in-house salvage equipment, which was identified as the best value for money model for Defence. Commercial resources are engaged as required from the market at the market rate.

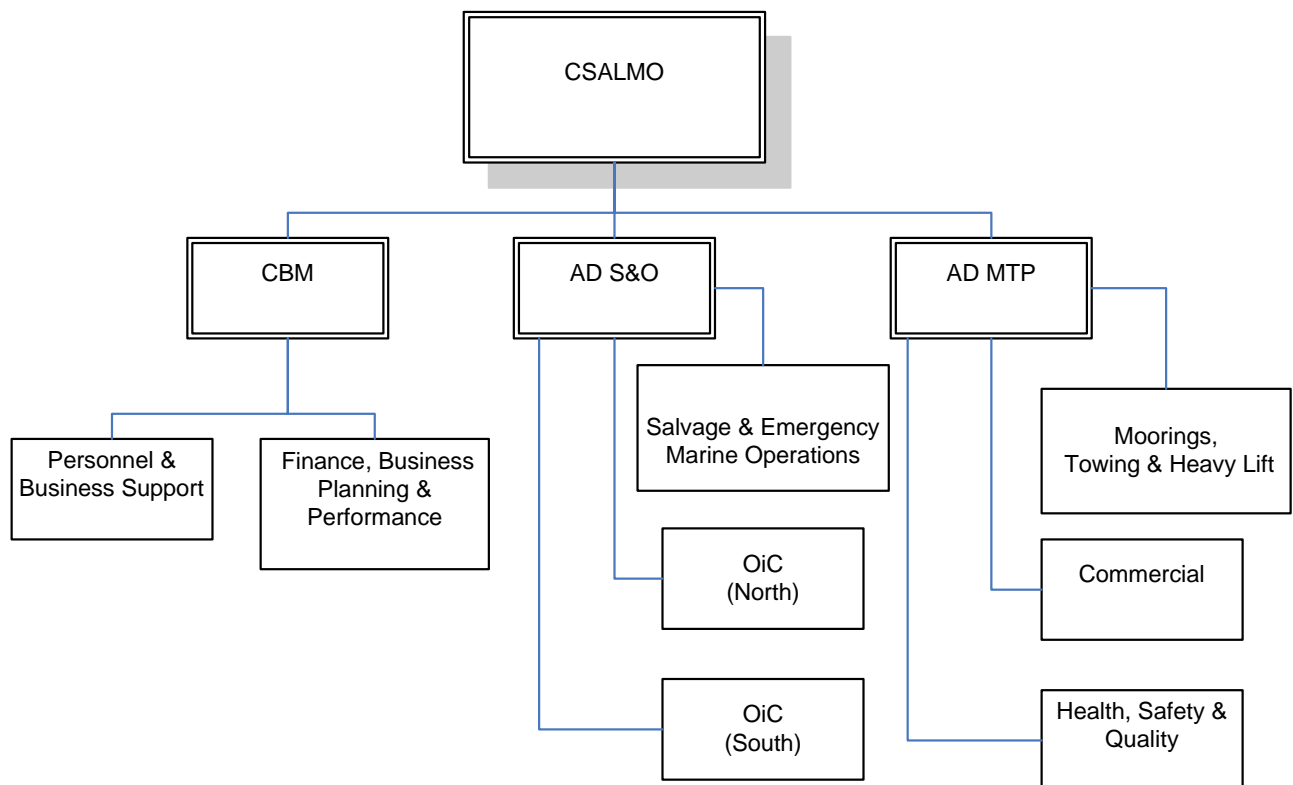
Although S&MO is a service provider organisation and not an equipment-based business unit, it uses the principles and disciplines of TLM to support delivery of its outputs, where appropriate, for example:

LIFE CYCLE	OUTPUTS	BENEFITS
Salvage involves multiple concurrent category C and D projects with short CADMID cycles		
CONCEPT ASSESSMENT DEMONSTRATION	Advice and guidance on requirements for successful recovery in the early stages of project design	Significantly reduces the cost of recovering a platform (ship, submarine or aircraft) during its in-service life
MANUFACTURE IN SERVICE	Participation in military exercises	Allows salvage solutions to be tested and adjusted where appropriate
DISPOSAL	Advice and guidance on towing or heavy lift and other maritime disposal considerations	Enables the safe transportation of platforms in a marine environment

Our customer dialogue takes a number of forms, including regular feedback, briefings to key personnel and the establishment of formal business agreements. We now have 18 separate ‘internal contracts’ (business agreements), which serve to provide clear visibility of the range of services we provide. Significant costing information is included within these agreements, and indeed, all the details contained within them are being refined year-on-year.

MANAGEMENT STRUCTURE

Prior to becoming a Departmental Corporate Service (DCS) S&MO staff conducted a review of the way existing DCS style organisations were set up and found that a common feature was the setting of strategy by a Steering Committee. Therefore, key stakeholders were invited to join the S&MO Steering Committee with the twin responsibilities of setting the strategic direction of the organisation, ensuring the currency of the ESP and guiding new policy initiatives through the Defence corporate structure.



Roles and Responsibilities

Director of Logistics Waterfront Operations (DLog WO) is responsible for providing Cluster activities to assure S&MO outputs, such as negotiating the level, frequency and quality of the provision of support services from DLO's Enabling Layer.

CSALMO is an executive member of the S&MO Steering Committee, together with DLog WO. CSALMO also sits on DLog WO's Coherence and Business Improvement Board. In addition, CSALMO uses a series of Committees to consider the strategic objectives and priorities of the business on a regular basis. Delivery of output to customers is the major focus as it enables S&MO to report against its performance measures and to take any necessary action to adjust focus to improve outcomes.

Tasking

The future MOD marine salvage policy remains based on the retention of a core salvage expertise with a minimum of in-house salvage equipment and the use of commercial resources when required to augment capability.



Hot Tapping ROYAL OAK – 2004

But the world does not stand still and our stakeholders are adapting their requirements to meet the changing environment, therefore we have to evolve too. For example, the war against terrorism and the unpredictable activities have caused the reassessment of the threats and capabilities needed to deal with them. This means that activities, such as the provision of Boom Defence, which was removed from our tasking because it was not thought to be essential in the 1980s, are now being revisited.

The tsunami in late December 2004 highlighted the requirement for a capability involving port clearance and wreck disposal outside of UK waters. CSALMO was reviewing current defence provision in view of operations in Iraq and the potential requirement for our assistance directly after military engagement and is now expanding this work to cover humanitarian aid scenarios.

Our increased involvement with historic wrecks and the problems they present also needs to be formalised and have resources allocated against the work to meet the demand. The ROYAL OAK is just one wreck that has involved our skills, but there is potential that the management of legacy wrecks will expand considerably with increasing awareness of environmental obligations around the world. Policy is still being developed, but the experience of S&MO makes it a natural advisor to the process.

The MOD does not have a consistent policy on recovering human remains from the seabed, resulting in ad hoc arrangements being made as different circumstances are encountered and on a case-by-case basis. This situation means that each service adopt a different policy. The consequence may be the breach of commercial or financial controls, lack of preparedness in some areas and the setting of technical precedents, which may become unaffordable. For example, it is possible to survey and recover at full ocean depth, but the cost can be prohibitive depending on location, time of year and equipment availability. We have developed an Options Paper that highlights these issues and passed it to the Directorate of Joint Commitments to staff through the MOD hierarchy, with the expectation that Service Personnel (Policy) will issue a tri-service policy.

In addition, new proposals are emerging that mean that we have the opportunity to work jointly with other organisations, such as the Civil Aviation Authority's Air Accident Investigation Branch and the Maritime Coastguard Agency, to share best practice, equipment and enhance each other's abilities. Therefore, they will be both customers and colleagues depending on the circumstances.



Exercise Purple Quiver – 2004

We are fortunate in that there is neither geographical limitation nor depth constraints, other than those imposed by the capability of commercial equipment. Foreign assets may be used for salvage operations, including nuclear related work. One consequence is that we monitor commercial assets and capability in order to ensure that these can be fulfilled, with any potential gap being identified early to ensure that appropriate corrective action can be taken.



From Integrated Project Team to Departmental Corporate Service

The articulation of salvage and recovery operations to MOD customers (TLBs), including PJHQ FLEET, STRIKE and DPA were through Customer Supply Agreements (CSAs). However, the provision of salvage and marine services and the associated policy framework does not meet the criteria for CSAs set out in official MOD documents. Consequently, it was recommended that these services be removed from the CSA regime and be provided as a Departmental Corporate Service (DCS).



The Seaeye 1203 ROV

There is no template or laid down process that could be followed to guide us through the transformation from Integrated Project Team (IPT) to DCS. Therefore, we have navigated ourselves through a strategy of open communication and seeking opinion and advice wherever it could be found.

We began implementation of our change plans in the summer of 2004 by consulting various departments and committees within the MOD to gain support. We then set up a Steering Committee, drafted Terms of Reference and identified potential members. Subsequently we published a DCI informing stakeholders of the change.

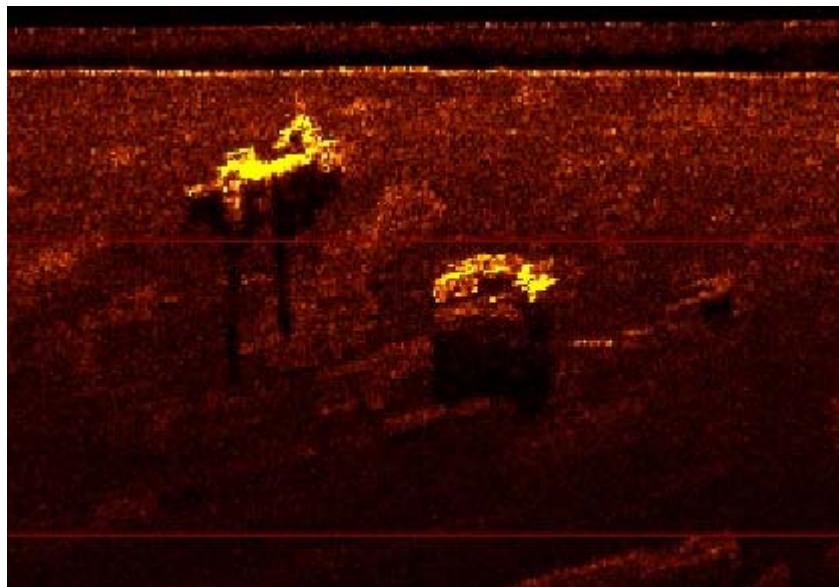
The proposed S&MO DCS Steering Committee was:

DCE DPA	David Gould	(Chairman)
D Log WO	Cdre Mike Graves	(DLO 2* Domain Rep)
DEC ELS	Brig Charlie Hobson	(Customer 1)
DJtCmts	Cdre Peter Eberle	(Customer 2)
FLEET ACOS(E)	Cdre Brendan Hesselton	(Customer 2)
D DASC	Air Cdre Al Hudson	(Customer 2)
DPA/DLO HR	Shauna Lindsay	(Human Resources Rep)
CSALMO	Morgyn Davies	(Subject Matter Expert)

However following the inaugural meeting, it was agreed that the footprint of the Front Line Commands of the RAF and the Army needed to be strengthened, so STRIKE and LAND have been approached to nominate representatives to become executive members and attend subsequent meetings. Meetings are held in January and July.

S&MO will retain the structure, disciplines and management framework of an IPT especially for programmed work, such as the management of global moorings on behalf of PJHQ, but will benefit from having access directly to stakeholders, who share our interest in delivery of a high quality service at best value to Defence.

A further advantage for us it that the members of our Steering Committee will be exposed to the issues and risks that we manage on a daily basis and they will be asked to provide collective wisdom on how best to resolve any challenges. For example, they have already discussed and agreed a strategy for delivering a tri-service policy on dealing with human remains in a maritime environment.



Underwater Scan Image - Exercise Purple Horizon - 2005

SALVAGE & RECOVERY

“In the area of general marine operations we continue to develop subject matter expertise in the issues of wreck management, port clearance, boom defence and mooring design to name a few.

Port clearance and ‘end-to-end’ provision of waterfront capability through sea basing is an integral component of our thinking.”

CSALMO

Achievements

AD/S&O staff and equipment have been heavily engaged in a number of operational salvage incidents throughout the year, these have included the salvage of two ditched aircraft, where in-house Remotely Operated Vehicles were used quickly to locate and confirm the status of the wreckage, something that in the past would have resulted in a potentially lengthy time delay and significant cost.

We have continued to successfully develop and modify our outputs in order to effectively and efficiently meet our customers changing needs, undertaken through a process of dialogue with customers, Other Government Departments (OGDs), and regular capability reviews through a number of in-house capability working groups. This process enables capability shortfalls (and surpluses) to be identified and rebalanced. Moreover, to ensure that capabilities are maintained and remain visible, a comprehensive capability monitoring system has been established, which is updated monthly and is regularly reviewed by the in-house capability working groups, providing an accurate picture of our salvage capability.

We have worked in conjunction with the airworthiness section of the DPA on the Defence Standard relating to the fitting of Sonar Locator Beacons on military aircraft, which has been redrafted to increase detection effectiveness. An additional benefit is that it better reflects the needs of the end user.

We have also worked with Fleet and the Submarine Escape and Rescue organisation to further enhance submarine contingency planning, which was utilised during a tabletop exercise. The Sub-Surface Working Group (SSWG) has been set up to effectively manage this process that has also engaged key stakeholders including the United States Navy Supervisor of Salvage, Fleet HQ and the Submarine IPT. The working group has already identified a number of areas for improvement and action is now in hand to make better arrangements over the coming year .

As part of its joined up government initiative, we are also actively engaging with Other Government Departments (OGD) to increase synergy. For example, the development of a Memorandum of Understanding with the Maritime Coastguard Agency for shared salvage equipment access, which will allow each party to draw down specialist equipment that they do not hold, but may occasionally need. Thereby reducing the overall Government salvage equipment holdings.

We are also promoting joined up behaviour across the MOD to minimise waste and assets, such as the pan- MOD Under Water Tools User Working Group (UWTUWG), which brings a level of coherence in this subject area across the user community. Also our involvement in the diving acquisition, through the Customer 1 focus group (Director of Equipment Capability) and safety processes as a member of the MoD Diving Safety Panel are good examples.

Key Business Objectives

The AD S&O area strategic aim is to ensure that outputs remain consistent with both our customers' needs and the changing nature of Defence outputs. Through a process of continuous improvement, we seek to enhance our role as Subject Matter Experts (SME) and intelligent supplier/decider to meet existing and future Customer Supplier Agreements (CSA) or Departmental Corporate Service (DCS) outputs. Dialogue with our customers takes a number of forms, such as regular feedback at meetings, briefings to key personnel and the establishment of formal business agreements.

The Standing Submarine Salvage Panel chaired by CSALMO has been re-brigaded to better meet current doctrine and a number of sub-working groups now support this group. The Sub Surface Working Group chaired by AD S&O has engaged the majority of stakeholders involved in this area including the United States Navy and identified a number of capability gaps. Action is now in hand to close these gaps over the coming year.



AD S&O – James Ward

The AD S&O area strategic aim is therefore to ensure that outputs remain consistent with both our customer needs and changing nature of Defence. Through this process of continuous improvement, we seek to enhance our role as Subject Matter Experts and an intelligent supplier/decider to meet existing and future IPT and Departmental Corporate Service outputs.

Key Operational Objectives

Under the framework of Departmental Planning, there is a firm requirement for S&MO to be able to attend and support marine incidents within a prescribed readiness regime. To ensure that the Marine Salvage elements of S&MO are readily available to deploy to a marine incident within the agreed timescales, personnel and equipment undertake regular continuation training. Therefore, training is one way that salvage skills are maintained and equipment is confirmed as being fully operational.

Indeed, to ensure realism and customer awareness, it is intended that continuation training will be conducted with the organisations likely to be encountered in a real operation. A comprehensive capability monitoring system has been established to assure the effectiveness of this training. This capability monitoring system, which is regularly reviewed by the in-house capability working groups, provides an accurate snapshot of IPT salvage capability to our stakeholders.

During the coming year a number of realistic exercises are currently being planned, one in Cyprus will simulate a crashed Tri-star and will involve many of the local military assets, whilst another marine aircraft location exercise in the UK will engage both the Air Accident Investigation Branch (AAIB) of the Department for Transport and Fleet aviation. We also intend to further integrate with the military through active participation in the military exercise programme, including Joint Maritime Courses and Operational Sea Training.

In addition to being ready to deploy as first responders operationally at short notice, we will continue to be effectively engaged in longer-term legacy wreck management, because although the Defence Internal Audit has placed the responsibility for the ownership of legacy military wrecks with the Permanent Under Secretary (PUS), and PUS has in turn passed the responsibility for developing a policy to Director Claims and Safety (DS&C), resulting in little progress yet. So we will continue to press for the development of policy, which will allow the potential risks to be identified and appropriate funding allocated. As a measure of its proven technical expertise in this area the IPT has been asked to deliver a paper on its wreck/harbour remediation programmes to a forthcoming prestigious EU workshop on legacy wrecks.

One example of our successful management of a legacy wreck is the ROYAL OAK was a Royal Navy ship sunk in 1939 as a result of enemy action in Scapa Flow, Orkney. She has been leaking oil at an increasing rate since approximately 1960, with the result that the hydrocarbon pollution has caused significant environmental concern. Consequently, the Secretary of State took the decision in 2000, to begin a project to reduce the risk of a catastrophic pollution incident. The task was transferred to CSALMO to manage and a transfer of funds from another part of DLO was concluded during 2002. The funds, however, did not accurately reflect S&MO's planned oil removal programme and therefore re-profiling has been necessary to ensure completion of the task. Current programmed activity includes pumping out the high-risk areas only and the development of methods to speed up the removal of trapped oil, following a recent review and trend analysis.

We are also involved with another legacy wreck, the Richard Montgomery, which is receiving increasing Ministerial interest, and therefore is likely to require a more of our resources, particularly if a long-term solution is adopted.



MOORING, TOWING & HEAVY LIFT

“Changes to mooring capability are closely linked to the outcome of the Future Provision of Marine Services but it is already apparent that there will be a surge requirement during any transition phase, and the design and provision of mooring capability in the operational theatre will remain with us.

Our increasing heavy lift expertise has application in a wide number of routine and emergency evolutions.”

CSALMO

Achievements

We managed the emergency tow of HMCS CHICOUTIMI in October 2004, which required deployment of personnel to the scene and intensive supporting effort at a variety of locations in the UK. Subsequently, we acted as expert advisers to the Queen’s Harbour Master, Faslane for the heavy lift of HMCS CHICOUTIMI, and as observers during the offload in Halifax, Canada in response to a request from the Canadian Department of Defense.

A review of the other activities that engaged our mooring, towing and heavy lift business showed that the working relationship with United States Navy (NAVSEA SUPSALV) and Heavy Lift -DD has been further enhanced by means of a symposium, including workshops, held in Portsmouth, UK in November 2004. We are also drafting a Memorandum Of Understanding to formalise the deployment of a joint UK/US heavy lift capability, in conjunction with the International Relations Group and Washington Embassy.

We attended the heavy lift of US Army Watercraft in the Hythe, Southampton Water in November 2004 for training and development and have engaged with Director Equipment Capability (ELS) on “Afloat Support Strategic Reach” regarding the use of Heavy Lift facilities in conjunction with deployed operations. We also published a draft UK Heavy Lift Manual.

We successfully participated in Fleet Exercises PURPLE QUIVER (Oct 04) and RAMULAR (Jan 05) and were able to share our expertise with military colleagues and gain understanding of their methodologies.

We have set up the Submarine Towing Working Group to establish ownership of the technical guidance and authority required to support the towing of surfaced submarines.



AD MTP – Steve Quinn

During the year (2004) we also provided advice to the Astute Submarine IPT and senior staff in BAe Systems, Barrow in connection with proposals for the egress of ASTUTE Class submarines.

We also organised and planned the provision of an escort vessel for the passage of a V Class submarine from the South Coast to her operating base at Faslane, Scotland.



HCMS CHICOUTIMI Recovery - 2004

Key Business Objectives

The AD MTP area is conducting a review of their business, to investigate the use of innovative techniques to continuously improve capability and efficiency. It is our goal to ensure that our business practice remains coherent with the evolving needs of our customers. By taking a path of continuous improvement, we seek to enhance our role as Subject Matter Experts and intelligent supplier/decider to meet existing and future IPT and Departmental Corporate Service outputs.

The addition of organic Suitably Qualified and Experienced Naval Architecture resources, including the recruitment of a deputy Naval Architect, has ensured that S&MO can fulfil its future obligations in sustained output for multiple operations, or a single major operation of extended duration. The applicability of this type of approach to other areas of AD MTP's output will also be considered during the various activities supporting DLO Transformation.

Key Operational Objectives

By establishing a Transportation Working Group under the auspices of the Standing Surface Ship Salvage Capability Panel, we will continue to be the MOD "expert customer" and design authority for specialist moorings, towing and heavy lift transportation. The IPT will sponsor manuals in the key areas of towing and heavy lift transportation.

We will continue to liaise with US Department of Defense, developing and refining exchange of information, expertise and resources to deliver integrated capability in heavy lift transportation, towing and mooring. This will include participation in UK/US joint exercises, sharing mutual training objectives and compatible functional competences, thereby promoting ability to conduct integrated operations with US Forces in accordance with MOD strategic guidance.



Towing A Decommissioned Vessel For High Sea Firing Exercise - 2004

The relationship with Fleet remains positive and ensures cohesive integration of S&MO expertise within the objectives of Operational Maintenance And Repair contained in BR 2002. We shall further develop our formal relationship with the Fleet Operations Maintenance Officer (FOMO) organisation, seeking to introduce a realistic and credible towing scenario in major Fleet exercises. This was achieved to some extent as the RAMULAR 05 exercise did consider aspects of submarine towing during the tabletop exercise.

We will develop, establish and deliver training programmes for Platform IPTs, Fleet and other stakeholders with an aim to promulgate best practise within the arenas of towing, mooring and heavy lift transportation. In addition, we will assist Defence Procurement Agency IPTs in the development and inclusion of mooring, towing and salvage equipment design for future platforms.

We will also maintain our expert knowledge within S&MO and seek to expand the number of SQEP personnel within S&MO IPT in the field of S&MO specialist maritime software, in order to ensure sustainability of output. The broadening of our Suitably Qualified and Experienced Personnel (SQEP) capability is to be achieved within existing resources through in-house training and tabletop exercises with Customers.

Existing SQEP personnel will continue developing specialist software in support of salvage and marine operations and to encourage development of alternative software suites within industry, leading to delivery of optimum software capabilities within these specialist areas.

We will also manage the development and maintenance of a database containing ship and submarine characteristics for mooring and towing, encompassing new vessel designs, with particular reference to ASTUTE. This will eventually include a database of available commercial vessels and specialist plant of interest, for potential use with MOD assets.



Our programme of participation with industry in the areas of towing and heavy lift, by contributing to Joint Industry projects such as SAFETRANS will continue and we will develop our capability in a manner, which will assist in the provision of Subject Matter Experts in support of Project ISOLUS (Interim Storage of Laid up Submarines).

Wet Bell Training - 2005

One of our Naval Architects will be on the on-scene SQEP engineer with respect to stability and structural assessment. As part of their duties, they will be required to assimilate and communicate information in a manner that will enable the Design Authority, specifically the Platform IPT, to fulfil its role as Duty Holder.

Moreover, S&MO shall consult with the Naval Authority (STG) to establish functional competences that shall enable the deployed Naval Architect to act as agent for the Platform IPT.

We will promulgate and maintain configuration control for Towing/Salvage Packs for all vessels engaged in MOD operations and indeed, extend capability by developing generic information for Commercially Chartered Shipping and Ships Taken Up From Trade to promote the ability of S&MO to respond to emergent requests for assistance to these platforms.

We shall engage further with Fleet and the Chief of Joint Operations to refine the procedures covering the provision of the capability to provide moorings within an operational zone.

We intend to enhance our organic expertise for dry-docking damaged vessels, in order to improve the liaison with Platform IPTs and ensure the provision of a seamless end-to-end DLO salvage capability.

COMMERCIAL

“We continue to contract for capability.”

CSALMO

Achievements

In addition to the numerous conventional contracts placed during the year in support of outputs, the commercial team have also arranged specialist vessel charters over the year for the following tasks:

- a. Mooring maintenance at Gibraltar, Hythe, and Cyprus
- b. 2 Ocean going tugs for High Seas Firing 04 and Escort tug for HMS VANGUARD
- b. ROV Support Vessel for North Sea Tornado recovery
- d. Saturation diving vessel for RN Lynx recovery off the Lizard
- e. Mothership for Submarine Rescue Exercise - Flying Scotsman 2004

Key Business Objectives

To enable speedy agreement of vessel Charters in emergencies, vessels are chartered on commercial conditions that are widely accepted in the shipping market. As with all “standard” sets of conditions it is necessary to modify them to meet specific government requirements. Although these modifications are kept to the minimum necessary, it is desirable to have them pre-agreed with vessel owners so that vessel negotiations can be effected quickly and be centred on price. It is therefore intended to engage with industry to develop and refine industry standard charter parties/clauses to meet both our needs and those of industry.



***Head Of Commercial Branch
– Stuart Seale***

During the HMCS CHICOUTIMI incident, it was necessary to charter one of the Maritime and Coastguard Agency Emergency Towing Vessels to provide towing assistance. Lessons identified from the CHICOUTIMI incident identified that we should seek to negotiate an agreement with the Maritime and Coastguard Agency to gain the capability to utilise their chartered Emergency Towing Vessels under favourable terms to the Department, thereby promoting benefits of joined-up government.

CORPORATE BUSINESS

“The IPT is evolving into a Defence Corporate Service to utilise the better business practice and flexibility that comes with a DCS process. We will retain much of the IPT construct and for many the difference will not be noticeable, but in terms of compliance and regularity we will be in a much stronger position. The DCS committee has met and already made significant progress in addressing the issue of the future Endorsed Salvage Policy.”

CSALMO

The Corporate Business team have worked hard over the last year to continue to provide an effective and efficient service to their Retained Grade colleagues, whilst also delivering on a challenging change programme.

Achievements

Our achievements have been both immense and important. We attained status as a Departmental Corporate Service on 1 January 2005, reaching our stretch target some three months ahead of the hard target of 1 April 2005. We are still exploring the implications and boundaries of our new status, but we have already benefited from the support of the Steering Committee on opening debate on a number of policy issues and once issues have recognition, it becomes easier to formalise practice and have funds allocated to the task. A good example is legacy wrecks, where there is optimism that the Endorsed Salvage Policy will be amended to reflect the requirement to have less ad hoc arrangements and subsequent business agreements with our customers will acknowledge their ownership (e.g. Navy for ships and RAF for aircraft) and the responsibilities that ‘ownership’ entails.

We reached Level 4 on the Through Life Management (TLM) maturity assessment that was conducted in the autumn of 2004, despite the difficulties of not being a Platform, Equipment or Commodities IPT, where TLM has a better fit to their outputs, especially since the process was designed with them in mind. We have also published our TLM Plan that explains how we manage service delivery based on holistic and lean principles.

But we have not stopped there and have married the requirements to maintain the TLM ethos to our existing ISO 9001:2000 system, so that we have one tool to monitor and measure the quality of our outputs, through customer surveys and process audits.



***Corporate Business Manager
– Christine Lake***

Silent Hours Support

S&MO's travel cell was set up in May 2004 to meet the unique demands of our operational staff, who may need to deploy at short notice. We have put in place a fully functional facility that can respond immediately to any travel requirement both in office and silent hours. Indeed, this has led to a rota being developed, for out-of-office hours, to provide the full range of administrative support when needed, including the operation of the specialist communication systems.

Freedom of Information Act

The Freedom of Information Act became live on 1 January 2005. It places an obligation on public authorities, including S&MO, to make information available on both a proactive and a reactive basis.

The proactive obligation of the act is for each public authority to maintain a Publication Scheme. The key reactive provision is a general right of access to all recorded information. Subject to certain exemptions, anyone making a request for information must be informed whether the public authority holds the information and to have it supplied to them within 20 working days.

The S&MO IPT has now produced a Local Area Index, which is a comprehensive library of paper files, photographs, charts, CD's and videos, which now lists over 4000 entries, this is updated on a monthly basis.

Both the Freedom of Information Focal Point and the Practitioner are based at S&MO HQ in Bath, however there is an FOI support service provider located at the Marine Salvage Units in Greenock and Devonport, who are in regular contact with the Focal Point. The MOD is currently dealing with approximately 700 FOI requests although interest from the public in our work has been limited so far.

A DLO toolkit has been produced to record and track Requests for Information, which is accessible to the S&MO Focal Point, who has the authority to update it with the latest information. We have also introduced a system for tracking and updating requests that have to be forwarded to the DLO for authorisation of release.

Planning

As a deployable unit within the DLO, we must manage the fine balance between the Chief of Defence Logistics' (CDL) declared Strategic Intent to replace activity with planning and the requirements of our customers that expect us to deliver successful outcomes in salvage, blue water towing, heavy lift and moorings.

We are achieving this balance through marrying our strategic and business plan into one coherent document that articulate our programme plans, which set out what we intend to achieve over the next four years. CSALMO's latest delegations from CDL are based on our stated intentions and reflect financial authority, whilst generic responsibilities are being cascaded as a joint Defence Logistics Organisation/Defence Procurement Agency (DLO/DPA) Standing Instruction.

Our plans provide information about what we need to do and, in some cases, also provide the reason why we need to do it and how we intend to produce the identified outcome. The next consideration is deciding how we will measure our achievements against our intentions and what mechanisms are available to be used to veer and haul our resources to ensure that the key outputs are delivered.



Mosquito Recovery, Kings Lynn - 2004

Performance

We have examined the use of the plethora of quality management systems that have been introduced into MOD, DLO and S&MO since 1998 and made the decision to rationalise them, so that we only have one principle performance and quality management methodology. We have identified our key system as ISO 9001:2000, which has the advantage of linking processes with outcomes and organisational inputs.

Clearly, this does not mean that the previous methodologies did not add value when they were introduced, it merely means that we have moved on and so has performance and quality management. For example, EFQM and ISO 9001:2000 can now be mapped onto each other to the extent that there is duplication in many of the aspects being monitored. Consequently, EFQM will no longer be used.

Indeed, we use a number of tools to help us to manage and, where appropriate, improve our delivery of outputs. Our performance against CSAs and other business agreements are monitored at a quarterly meeting and our annual customer survey is now in its eighth year. The trends are excellent and although improvement has slowed down as we have met customer expectations, this is usual because continuous improvement tends to become incremental over time. Both our performance and customer satisfaction processes are part of the ISO 9001:2000 scheme.

We have also reviewed the Balanced Scorecard and simplified it, so that it concentrates on the main indicators that could prevent us delivering against our plans and business agreements. However, this may be amended, since we are awaiting direction from DLO on the performance measures that they wish to monitor from their overarching perspective of delivering effective and integrated logistics support that is best value for Defence.

S&MO was previously *Investors in People* (IiP) accredited, which is another approach to improving business performance. It uses good practice in human resource management as its base and the focus has recently¹ been updated to highlight the key role that managers play in developing their staff. We continue to maintain the IiP standards, because they are built into our ISO 9001/2000 processes and have proved helpful in building a robust framework for human resource management and development.

¹ The IiP Standard was reviewed and updated in November 2004

Risk

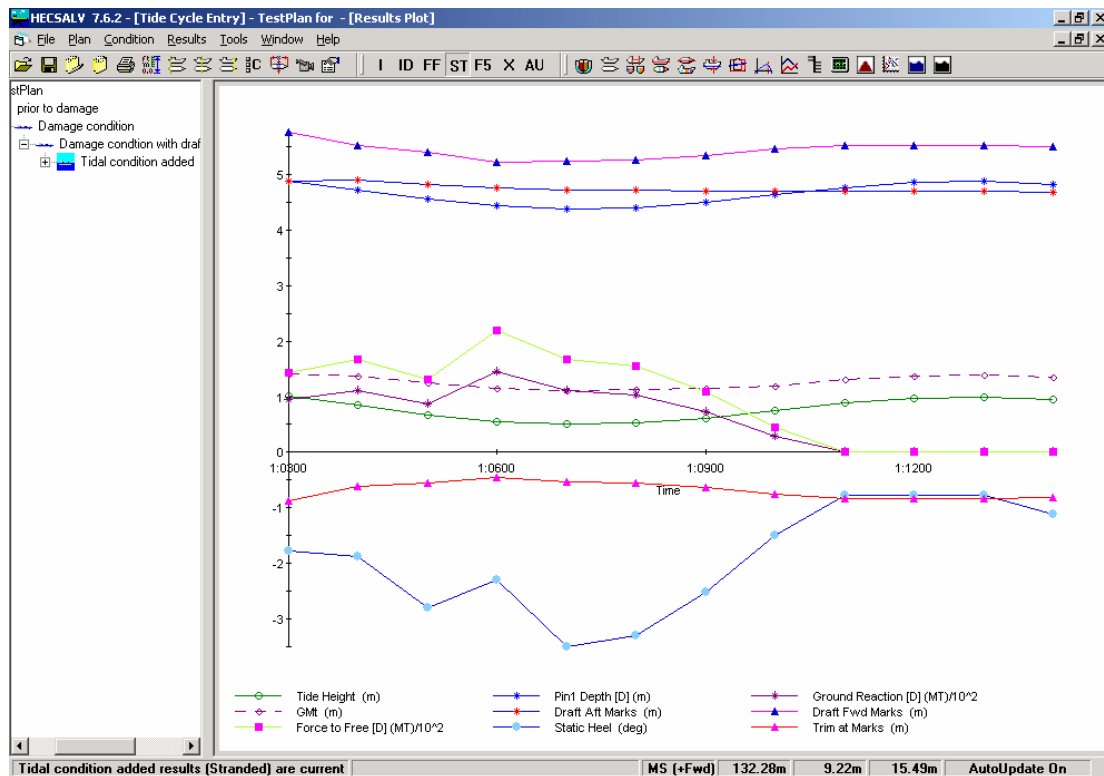
There may be circumstances or situations that prevent us from succeeding in achieving our objectives and these are identified as risks. We have a Risk Register that we use to manage our high level risks that covers subjects as diverse as the availability of personnel experienced in the commercial maritime sector, the ability to hire assets from industry and the amount of funding available to support military exercises.

However, not all risks need specific action and some of them are managed through being tolerated, although they are monitored to ensure that should their status change, the potential impact can be dealt with effectively and efficiently.

Some of our risks are currently recorded on our Risk Register because a more suitable owner has yet to be identified amongst our customers, for instance, the provision of funding for S&MO personnel and equipment during military exercises. These risks are the ones that we anticipate transferring eventually. The risks that receive greatest attention are the ones that we have identified as needing to be treated within S&MO and may directly interfere with our ability to deliver and that we can do something about.

An example of this type of risk is the reducing pool of qualified and experienced personnel that may be recruited to S&MO and hence may adversely affect our capability. Here, a single action will not necessarily help, so we have set up a Working Group that is looking at a range of options in order to provide a menu of choices that should bring about improvement by attracting new people and thereby increase the pool of recruits available to S&MO.

Excerpt from Ship Lightering Plan Results – 2005



PEOPLE

“We are as vulnerable as any other organisation to the consequences of demography, attrition of industry base and general ‘sea blindness’ of the society we ultimately serve. We are actively engaged in strengthening ties with industry providers and looking to the long-term provision of skilled and capable technical staff in partnership with the dwindling maritime community. By informing and educating on military need and integrated solutions, membership of international specialist bodies and developing accredited competencies we are sowing the seeds for future capability and sustaining the interest and enthusiasm of existing staff.

In a society where potential recruits have been brought up in a portfolio culture, with no loyalty other than to themselves, it will be increasingly difficult to generate the commitment and sense of duty that is inherent in public service and the maritime community.”

CSALMO

S&MO is one of the few wholly civilian organisations in the MOD that has a truly operational remit, taking its authority from *Defence Council Instructions* and *Joint Service Publications*. In addition, Fleet Operating Orders describe their ‘customer’ expectations and requirements for S&MO and provide the authority in the operational environment. This was demonstrated during Operation TELIC (military engagement in IRAQ during 2003), when S&MO personnel operated on the Front Line with coalition maritime forces, as an embedded part of the Maritime Contingent.

S&MO has a complement of 65 and although the complement is comparatively small, the remit is significantly larger because S&MO is a tri-service and specialist unit. The majority of our staff are specialist Retained Grades, so called to distinguish them from other MOD Civil Servants. They have technical skills and experience and individuals can be mixed and matched depending on operational requirements.



Naval Architect, Nigel Hills whilst on deployment

Each Marine Salvage Unit (MSU) currently comprises 14 deployable people, who are experienced in maritime operations. They are multi-skilled with most personnel having specialist expertise, such as underwater welding, electrical and marine engineering, whilst some are trained divers.

They also provide expert advice on damaged stability and salvage options and logistics and maintenance support. In peacetime one MSU is maintained at 24 hours Notice To Move (NTM) and the other at 48 hours NTM. The MSUs maintain a stock of salvage equipment, which is immediately deployable as it is stored in specialist containers.

The competence of S&MO is understanding the techniques and risks associated with the emergency salvage and recovery of platforms in a maritime environment. It is unique, with the exception of the United States of America (USA) and Norway, in that it can theoretically manage the recovery of nuclear assets that have been involved in an incident at sea.

To maintain and encourage a good multi-functional operational capability our deployable Retained Grades personnel are drawn from all areas of the marine industry. Capability, therefore, exists to undertake or oversee all aspects of marine work using hired platforms from which to conduct operations.

Training

We have an intensive training regime to support the attainment and retention of the numerous specialist functional skills and capabilities. The successful management of these competences plays a vital part in sustaining our skills capability matrix, thereby ensuring that we can provide and sustain agreed business and operational outputs. The process also ensures a comprehensive evaluation of the functional and continuation training undertaken.

Notable skill enhancements over the past 12 months include:

- development of a demolition, dispersal and explosive cutting capability
- development of a Glass Reinforced Plastic repair capability.
- amalgamation of certain boat handling skills
- deletion of some fork lift truck skills, following a rationalisation of equipment types

We have also been engaging with industry to develop a long-term industry standard competency programme for salvage personnel.

Dockyard Navigation Buoys, Gibraltar



We participated in a DLO pilot scheme to trial the Skills Management System module, which will accompany the DLO Learning Management System software suite. The trial resulted in a slightly different package, the Skill Tracking and Management system (STARS) being selected, but it was confirmed that although the STARS did not necessarily satisfy all of our aspirations it was however a step in the right direction. STARS enables the individual to monitor his/her training via link to Learning Management System software and to conduct self assessments against competences for grade, etc. DLO implementation of STARS is expected to take place during Financial Year 2005/06.

We are also utilizing Crystal Software to enable bespoke reports to be compiled from the Learning Management System to enable our Training Working Group to undertake proactive evaluation and management of the training undertaken by our people.

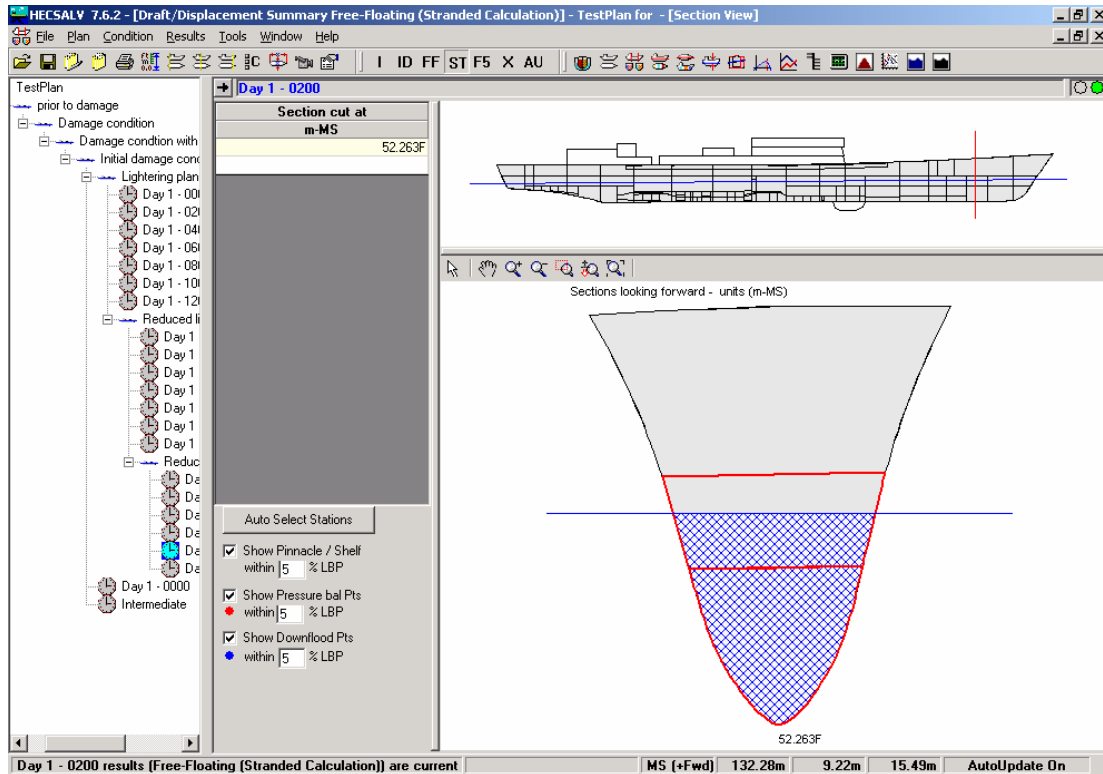
Sponsored Reserves

In September 2004 Fleet requested that S&MO provide a both a guarantee of capability to them and protection to our staff under the Geneva Convention, specifically related to the capture of staff whilst engaged in supporting war-fighting activity. Fleet further suggested that Sponsored Reserves (SR) status for specialist S&MO Retained Grades might resolve these issues.

To this end negotiations have taken place both with Director of Naval Reserves and Director General Civilian Personnel on the applicability of SR status to our specialist Retained Grades. Further work on meeting Fleet's request will undertaken during the forthcoming months.

We also intend to investigate the option of extending Sponsored Reserve status to those members of S&MO that are not specialist Retained Grades, but are actively involved in providing operational capability in frontline situations. This may include strategic capabilities such as Naval Architecture, Logistics and Commercial.

Ship Draft/Displacement at Float free – sectional view - 2005



Public Relations

Our 'Information Brochure' has been updated and amended to reflect the changes that happened during the previous year. It now has the same look and feel as the rest of our S&MO publications and is available to the public, our stakeholders and customers should they wish to know the details of our work.

During 2005, we are providing salvage cover and a display stand for the Trafalgar 200 pageant, at which there will be a major naval presence. It is anticipated that this will inform the public of our work and generate interest from young people in becoming Salvors in the future.

In the same vein, we expect Blue Peter to film the hot tapping of the ROYAL OAK during 2005 and they plan to broadcast the programme as near to Remembrance Day as possible. Due to health and safety concerns the BBC team will not be allowed to dive on the wreck, but they will be able to follow events from the dive platform.

MOD TEAM TO THE RESCUE WHEN DISASTER STRIKES



Whenever and wherever major accidents involving UK military ships and aircraft happen at sea the first emergency port of call is to an 'International Rescue' ...

... recovering the severely damaged HMS Nottingham, recovering crashed Sea Kings in the last Iraq War, surveying and recovering the crashed Royal Navy Lynx off Cornwall last year, recovering two WW2 planes (Mosquito and B-17 bomber), salvaging two air display aircraft (Nimrod and Harrier), helping pump out a brand new flooded Brittany Ferries vessel in Plymouth, clearing a scuttled Argentinean submarine and helping a tanker grounded in Cawsand Bay.

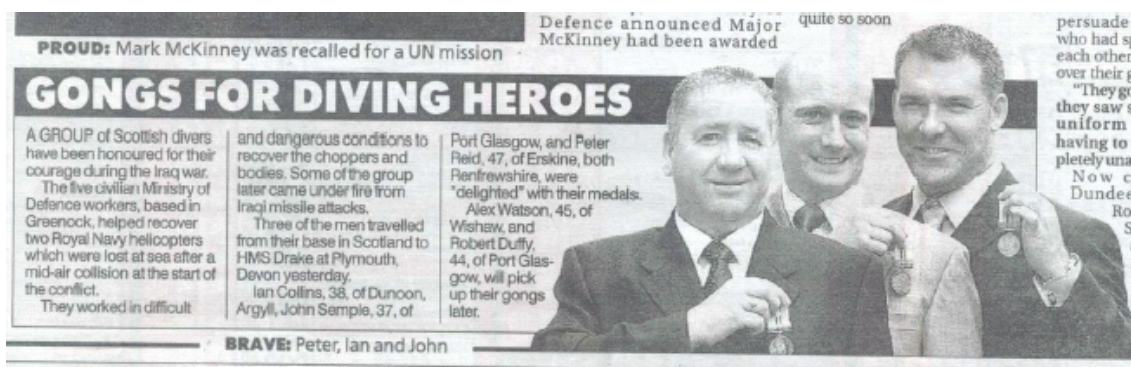
Officer-in-Charge of Marine Salvage Unit (South) Mark Tilbury, perhaps the 'Jeff Tracy' (after the famous Thunderbirds television series), is ... quietly spoken and modest, but very efficient, ready for any challenge and highly experienced.

There is a Marine Salvage Unit (North) in Greenock.

Devonport Evening Herald – 25 January 2005



Daily Mail – 19 May 2005



Daily Record – 24 March 2005

Knowledge Management

There are long held aspirations within S&MO to develop a single repository of corporate knowledge that can be stored in one place, but used many times by different people for different reasons.

The MOD's drive to introduce the pan-defence Defence Taxonomy has added impetus to these ideas and a project is working to transfer current data to a new shared file structure, based on headings outlined in the framework documents. The result will be that, for the first time, we will have all our information held in one place despite the geographical dispersal of staff.

A huge amount of effort has been made, especially by headquarters staff, to build the initial file structure and devise ways of making the MOD's parameters fit with our requirements. Concern has been expressed that S&MO may be taking a backwards step because we have a working system already. This has been overcome by slowly developing the Taxonomy and ensuring that we understand how we can optimize its functionality. At the same time, a users manual is being written to inform personnel on the tricks that we can perform to reduce any limitations that we have already identified.

The building of the Taxonomy has taken longer than expected so the loading of data has been postponed until we have tested it with current information. Once we are satisfied that it works according to plan, a project will begin to cross reference our paper files to the Taxonomy and vice versa. Such an exercise should enable us to identify and locate the documents that we need quickly and with minimum effort, whether they are in hard-copy or soft-copy format.

To help us manage this information better, we intend to scan paper files into the knowledge base going back to 1 January 2000, but this aspiration remains dependent on resource constraints. Then, working backwards, we will process documents from all the major operations that we have been involved with relating to incidents that are already known in the public domain. We are also exploring the possibility of having data mining interviews conducted with key members of the team, so that we can capture their corporate memories.

Whilst this project is underway, we are also revitalising our intranet and internet sites. Our address on the world wide web is <http://www.sandmo.mod.uk> and is structured in such a way that members of the public can find the answers to any straightforward queries that they may have about us. This is being undertaken to increase access under the Freedom of Information Act.



FINANCE

(Based on Short term Plan 2005)

“For us there is no ‘peace dividend’ flowing from the Strategic Defence Review (and SDR: The Next Chapter) and subsequent evolution of the military task as it was inevitable that the move from ‘blue water’ warfare to ‘littoral’ was going to increase demand for our outputs and shorten reaction times.”

CSALMO

S&MO is the MOD specialist capability for salvage recovery and the potential cost to the Department of not being able to afford our capability far exceeds the cost of the funding we need.

Provision of our ring-fenced salvage funding was initially made during 1999/00, following a study of salvage operations for a period of over 20 years. This showed that in an average year the number of recoveries totalled five at a cost of approximately £5.125M (99/00 prices) per year. Therefore funds of this value were injected into S&MO’s budget as a separate provision, but there were subsequent reductions during the financial bidding process.

Since 2002/03 there has been a 58% line item reduction in S&MO’s Fixed Asset Register. This write off action has reduced the Annually Managed Expenditure (AME) provision across the STP period. Divesting S&MO of Fixed Assets, whilst reducing Capital expenditure, has led to increases in Resource DEL because of the need to secure alternatives to owning equipment. The result is that equipment is not being capitalised, since it is falling below the Fixed Asset threshold set by DLO at £10k.

OPERATING COST STATEMENT

	£M 05/06	£M 6/07	£M 07/08	£M 08/09
STP2004 Total Operating Costs	6.473	6.173	6.587	6.435
STP2005 Total Operating Costs	<u>6.695</u>	<u>6.622</u>	<u>6.774</u>	<u>7.248</u>
Difference	0.222	0.449	0.496	0.812

BALANCE SHEET

S&MO continues to have an ongoing programme of rationalising its specialist salvage equipment and further items have been identified for disposal in 04/05.

	05/06 £M	06/07 £M	07/08 £M
STP2004 Total Net Assets NBV	1.682	1.875	2.054
STP2005 Total Net Assets NBV	<u>1.614</u>	<u>1.572</u>	<u>1.535</u>
Difference	(0.068)	(0.303)	(0.519)

CAPITAL EXPENDITURE ADDITIONS

The capital expenditure programme is lower than control totals issued. The plan consists of Plant and Machinery replacement items.

	05/06 £M	06/07 £M	07/08 £M	08/09 £M
STP2004 Capital Additions	0.501	0.487	0.494	0.506
STP2005 Capital Additions	<u>0.307</u>	<u>0.299</u>	<u>0.312</u>	<u>0.318</u>
Difference	(0.194)	(0.188)	(0.182)	(0.188)

DEBTORS

Trade Debtors and HMC&E Debtors remain constant and comparable with STP04.

CREDITORS

Creditors <1 year remains constant and comparable with historic In Year Management (IYM) figures.

EQUIPMENT ACQUISITIONS

Equipment capabilities needed to meet both volume of activity required under Defence assumptions and readiness required by Customer Supplier Agreements are regularly reviewed and adjusted by the Salvage Equipment Capability Working Group (SECWG).

Notable equipment programmes over the past 12 months includes:

- The replacement of the 2 unreliable and inflexible Rigid Hulled Inflatable Boats (RHIBs) with reliable and flexible Rigid Inflatable Boats (RIBs) that can be trailed on roads
- Further enhancement of the well-proven ROV capability, through the provision of an improved manipulator (5 function) and video recording capability. Indeed, the ROVs will also shortly be equipped with underwater tracking systems
- The replacement of non-compliant (in terms of EU regulations) pumping sets with modern high capacity variants
- The replacement our light utility vehicles with more capable vehicles
- A diving A frame which is deployed during extended operations in order to improve work rates and reduce stress on the divers

The SECWG regularly reviews the Resources Account Budgeting (RAB) implications of holding equipment. Additionally, in an effort to reduce these costs it has been investigating both sharing equipment with Other Government Departments (OGDs) and placing low use/high value items with industry on a basis of a transfer of benefit in return for a time limited guaranteed of capability.



7.4 Metre Delta Rib Purchased 2005

HEALTH, SAFETY AND THE ENVIRONMENT

We maintain a positive health and safety culture, reinforced through management resolve, training and an effective system supported by regular audit. For example, we have concluded an Internal Business Agreement (IBA) with the Institute of Naval Medicine for the provision of environmental and hazard identification services during salvage operations. This IBA was successfully utilised during the recovery of a RN Lynx in Dec 04. Also we have successfully conducted a safety case assessment on the newly in-service diving A Frame.

Nevertheless, we are increasingly reliant on process to assure safety rather than designing to negate risk, which is a consequence of resource limitation against 'new' tasks, such as legacy wrecks being identified. However, the International Standards Organisation (ISO) process and other business tools along with the Suitably Qualified and Experienced Personnel (SQEP) approach to operational activity provide a robust health and safety structure throughout S&MO.

Our safety management system is routinely reviewed at quarterly 'Business Management Review' meetings in accordance with its ISO 9001:2000 status. Any failures within the system are reported and action taken out of committee.

Each Marine Salvage Unit (MSU) is subject to an annual internal SHEF audit. We also issue an annual SHEF action plan based on higher-level action plans and performance that is monitored via the safety committee and SHEF audits. Our safety policy is reviewed on an annual basis and is routinely amended to satisfy new MOD and legislative initiatives, and changes in S&MO safety practices.

We have an established SHEF committee, which meets 3 times a year. The H&S advisor routinely presents workshops on key safety issues. All S&MO projects are supported by safety toolbox talks. SHEF issues that are of major concern are communicated to all S&MO staff via Safety Memorandum. We also have a robust safety/environmental incident reporting system and all of our customers are advised of safety issues prior to and during operations via safety briefs and project communications.

S&MO have an established Personnel Capability Working Group that establishes skill sets for its operational staff to meet the business needs, which includes safety and environmental training. Due to the high risk nature of the S&MO outputs, it is mandatory that all operational staff attend the IOSH Managing Safely course. All operational staff are also trained in risk assessment and manual handling. Operations Managers are Unit Safety Officers and are trained to NEBOSH certificate standard.

S&MO has a low accident rate, but of those accidents occurring over the past 12 months, records show that manual handling incidents were the cause of most injuries, i.e. sprains and strains at 70%.



HCMS Chicoutimi, Halifax, Canada - 2005

All S&MO operational staff have been trained in manual handling and it is a prerequisite course on entry, although recognising that manual handling activities can never be entirely eliminated, they will always present a risk due to the nature of S&MO operations. In order to mitigate this ever present risk, refresher training in manual handling is conducted on an annual basis and both operations managers are to be trained as manual handling trainers, in order to provide 'hands on' manual handling training on a more regular basis.

On environmental issues, we continue to press to improve the Department's ability to respond to major maritime pollution incident worldwide, including policy, and response capability. Moreover, environmental training has been provided for operational staff in the prevention of marine pollution.

We implemented our environmental management system in 2001, following completion of its EMS aspects register. The current S&MO manual is at Issue 2 dated 2002 and is currently under review. EMS targets and objectives are included within our SHEF action plan and reviewed regularly.

In the area of contingency planning, there are still gaps in the contingency plans, dealing with the location, salvage and or recovery of damaged military assets. Therefore, we are engaging with platform operators, repair authorities and regulators to develop, implement and maintain robust contingency plans to meet such eventualities. Additionally, these plans will also inform our stakeholders and us of any gaps in capability.

A YEAR OF OPERATIONAL ACTIVITY

S&MO has successfully concluded a number of operational programmed tasks over the past 12 months, including the following tasks:

- Successfully surveyed and subsequently removed debris from the historic Mary Rose site, off Portsmouth (Apr/May 04)
- Recovered the wreckage and remains of the crew from a newly exposed World War Two vintage Mosquito from the sea off Kings Lynn (July/Sep 04)
- Managed the legacy wreck HMS Royal Oak in Scapa Flow, Orkney with a mixed team of Marine Salvage Unit (MSU) personnel and commercial contractors successfully recovering 20 tonnes of oil from the wreck (July 04)
- Engaged in two Fleet accident response exercises firstly, “PURPLE QUIVER”, where among other inputs a team deployed to an RFA with hydraulic pump sets and undertook live a pumping exercise. Secondly, a nuclear response exercise called “RAMULA” (Oct 04/Jan 05)
- Provided technical advice, on a repayment basis, to both the Department for Transport and the Maritime and Coastguard Agency (MCA) with particular emphasis of the designated dangerous wreck SS Richard Montgomery in the River Thames/River Medway estuary
- Managed various commercial contractors who undertook programmed mooring maintenance tasks in Cyprus, Falkland Islands, Ascension, Gibraltar and Hythe



Mosquito Recovery, Kings Lynn - 2004

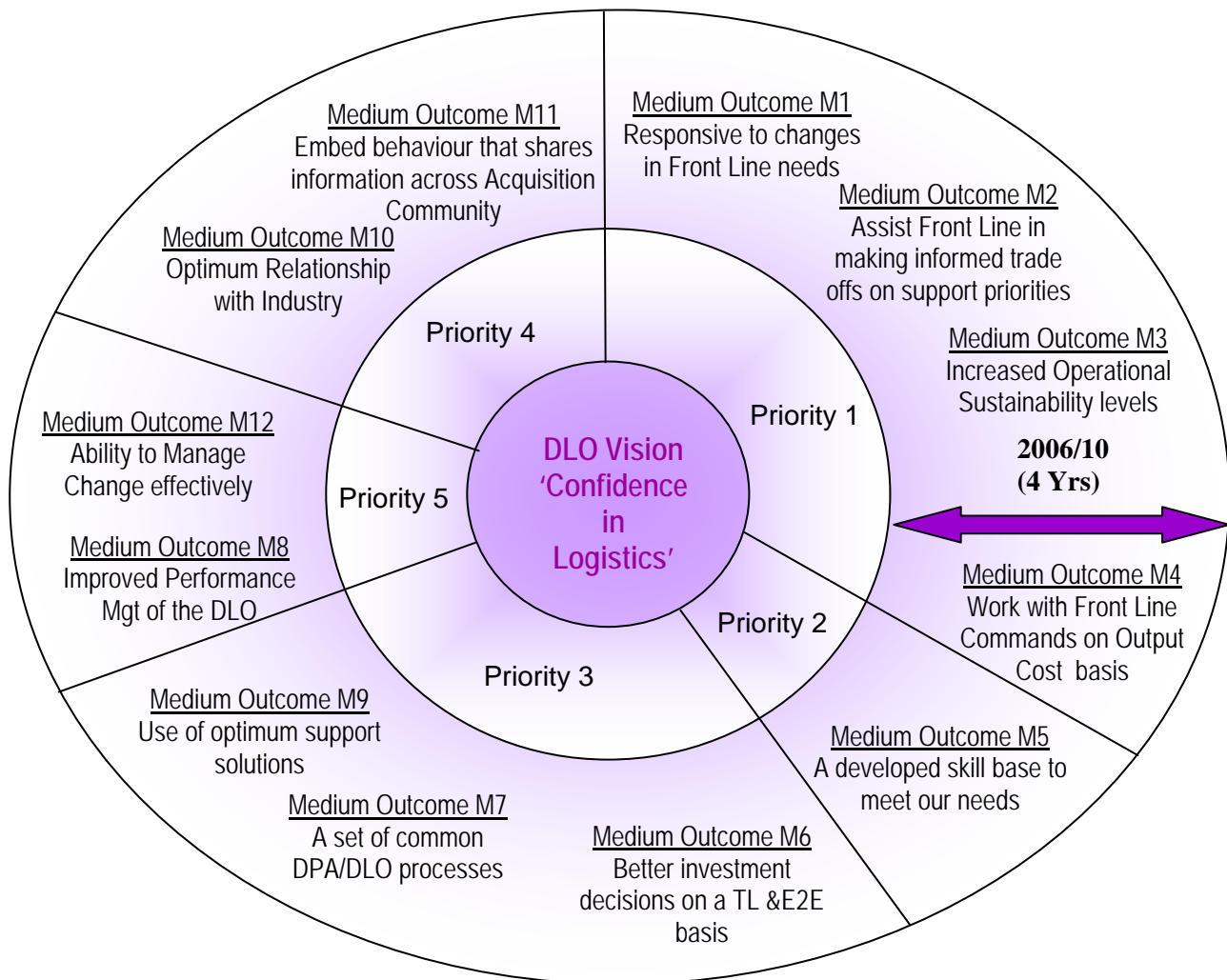
S&MO has also successfully concluded a number of un-programmed operational tasks over the past 12 months, all of which required a response at short notice. These have included the following tasks:

- Assisted RFA Sir Tristram with the unshipping of a damaged pontoon in Western France (Apr 04)
- Assisted in the pumping out of an engine room space of a new 100 million pound commercial ferry. This work was done on a repayment basis; an additional benefit was that it provided the team with valuable hands practical salvage experience (Aug 04)
- Engaged in the location and recovery of a ditched RAF Tornado off Boulmer in North East England. This aircraft was quickly located in 70 meters water depth using a combination of a Maritime and Coastguard Agency (MCA) chartered survey platform and one of our Remotely Operated Vehicles (ROVs) which was used to locate and confirm the status of the wreckage. Due to the non availability of a suitable saturation diving platform the wreckage was eventually recovered using commercial work class ROVs operating from a chartered Dynamically positioned vessel (July/Aug 04)
- Supported the safe recovery of HMCS CHICOUTIMI to Faslane, Scotland, following a fire, which damaged and disabled her in mid-Atlantic
- Engaged in the location and recovery a ditched RN Lynx off Falmouth in 80 meters water depth, again the status of this aircraft was confirmed by one of our ROVs, operating from a RN Mine Hunter. The wreckage was eventually recovered using saturation divers operating from a diving support vessel (Dec 04)
- Assisted with the recovery of a Joint Service Adventure training yacht, which grounded and holed off Cherbourg France (Feb 05)
- Supported the on-load for heavy lift transportation of HMCS CHICOUTIMI from Faslane to Halifax, Canada



HMCS CHICOUTIMI Recovery - 2004

STRATEGIC INTENT



As an integral part of the DLO's Fleet Domain, we are aligning our strategies to reflect the new DLO Vision. For example, the proposal to change S&MO Retained Grades Terms and Conditions of Employment to include Sponsor Reserve status is a Priority 1 activity and falls under the heading of Medium Outcome 1 (M1) (Responsive to changes in front line needs); whilst the work on Heavy Lift with the US Navy is also a Priority 1 and is under M2 activity.

We are fortunate that we have already reached Maturity Level 4 for Through Life Management (Priority 3 & M6) sooner than most Integrated Project Teams, and we have been in a position to contract for capability for some time (Priority 3 & M9). But we have still to meet the challenges of other Medium Outcomes and must continue to strive to optimise our outputs in support of Defence.