

SME4SPACE

New ESA procurement rules first impressions

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SPACE SECTOR FORUM 2018
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- Brief overview on SME4SPACE
- SME4SPACE first impressions on ESA New procurement rules
- SME4SPACE proposals

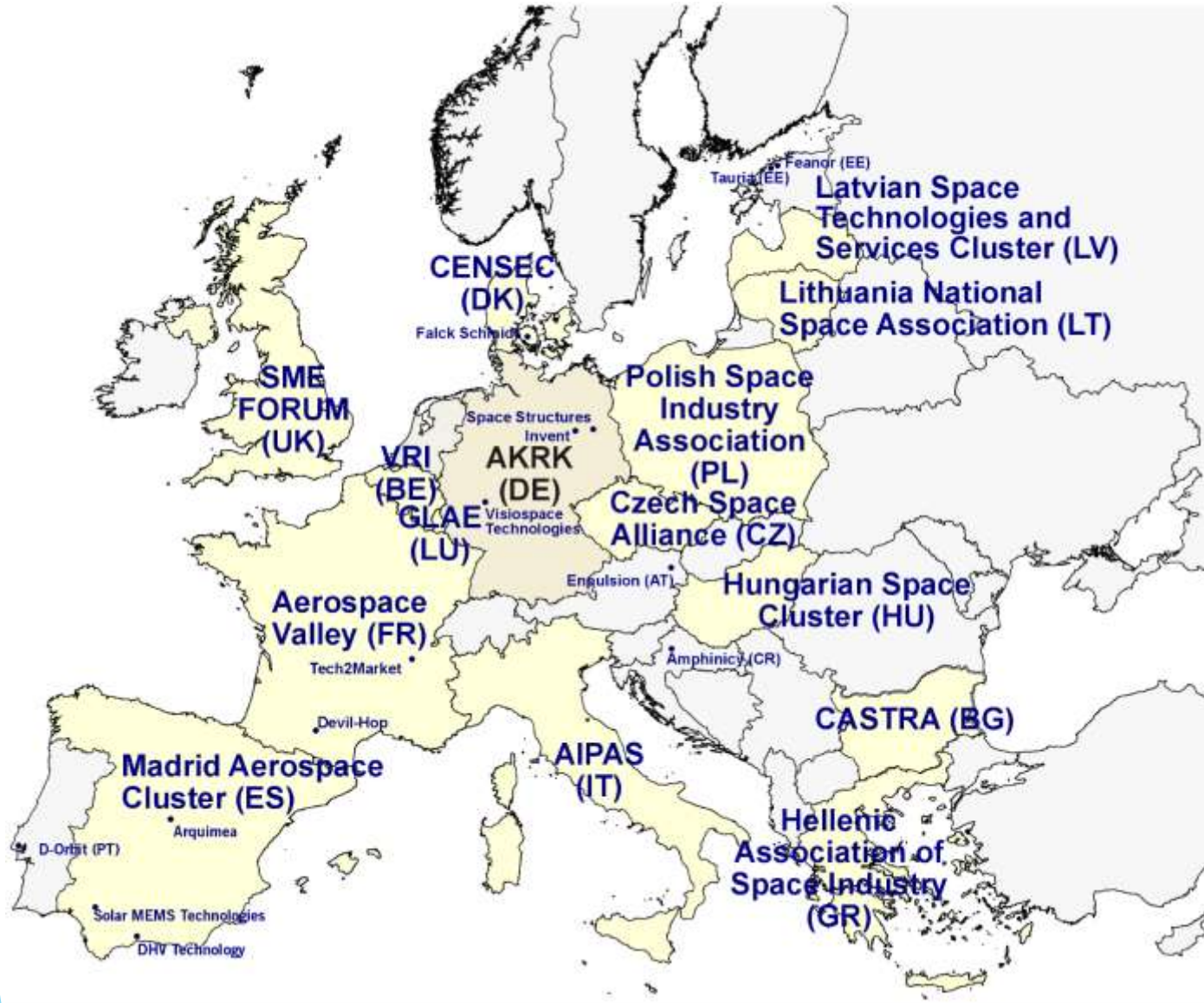
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WHAT IS SME4SPACE

- ▶ An Association of Associations (registered in Belgium)
- ▶ Membership of individual SMEs also possible
- ▶ Representing 14 European Countries so far, with Members in 19 Countries
- ▶ More than 570 SMEs
- ▶ MoA with ESA (renewed in Sept. 2016)
- ▶ Providing feedback to/from SMEs
- ▶ Participating in EU/ESA projects

SME4SPACE MEMBERS

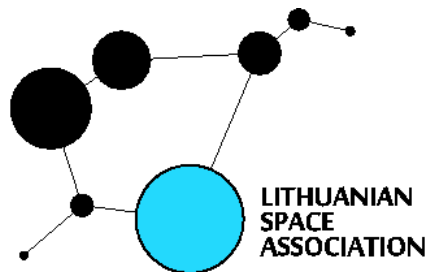


Working Members (Associations/Clusters)

- Aerospace Valley - FR
- AIPAS - IT
- CASTRA - BG
- CenSec - DK
- Czech Space Alliance - CZ
- GLAE - LU
- Hellenic Ass. of Space Industry - GR
- Hungarian Space Cluster - HU
- Latvian Space Technologies Cluster - LV
- Lithuania National Space Association - LT
- Madrid Aerospace Cluster - ES
- Polish Space Industry Association - PL
- SME Forum - UK
- VRI - BE

Collaboration with AKRK (DE)
The Space SME working group within DLR

SME4SPACE WORKING MEMBERS



SME4SPACE

SME4SPACE INDIVIDUAL COMPANY MEMBERS



ARQUIMEA



ENPULSION



Feanor

In Extenso
Innovation Croissance



INVENT



SME4SPACE

SME4SPACE MISSION

- ▶ defining and defending common positions, representing the SMEs towards public authorities i.e. the European Space Agency, the European Union and its related agencies;
- ▶ organizing seminars and information sessions;
- ▶ organizing a network of SMEs in order to increase the possibilities to cooperate;
- ▶ promoting the networking and cooperation of SMEs with research centres and institutions;
- ▶ carrying out research projects, participating at National, European and International calls in space and related activities.

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BEST PRACTISES vs FULL CONSORTIUM APPROACH

Under discussion

- ▶ There is an ongoing internal discussion within ESA on setting up new procurement tools.
- ▶ In particular, the proposal of the ESA executive was to establish a full consortium approach.
- ▶ This proposal is not yet approved by IPC since the proposal has to be matured and complemented with more details, before the MS delegations can decide on it.
- ▶ Best Practises are not working properly in order to involve SMEs and non-Primes, and SME4SPACE is supporting the efforts to replace them.

BEST PRACTISES vs FULL CONSORTIUM APPROACH

Under discussion

- ▶ Some potential positive aspects foreseen by SME4SPACE regarding the Full Consortium approach:
 - ▶ **enhanced transparency and visibility** of ESA and Member States on subcontractor selection;
 - ▶ **advanced control on the quality and quantity of geo-return**
 - ▶ **more weight and more negotiation power** of the subcontractors towards the Primes

BEST PRACTISES vs FULL CONSORTIUM APPROACH

Under discussion

- ▶ Although SME4SPACE supports in general terms the proposed approach, SME4SPACE believes that:
 - ▶ a **pilot test** should be foreseen in order to verify all the possible issues that can rise from the implementation of this new procedure.

MODEL SUBCONTRACT

Under discussion

- ▶ In ESA intention the main objectives underlying the drafting of the model contract are:
 - a) Ensuring fair competition;
 - b) Ensuring fair treatment of the subcontractor;
 - c) Improving time-to-contract;
 - d) Cost effectiveness.

MODEL SUBCONTRACT

Under discussion

- ▶ Clear policy aim of ESA: to avoid lengthy discussions and to support (also) SMEs
- ▶ More a framework than a binding document: negotiations will remain possible
- ▶ Initial point of view of SME4SPACE: ESA's General Clauses and Conditions are OK; limit subcontract to flow down
- ▶ Open discussions in working groups with ESA, Primes, big companies non-primes, SMEs

MODEL SUBCONTRACT

Under discussion

- ▶ Main topics:
 - ▶ Flow down of IPR rules: safeguards for subcontractors' own developments
 - ▶ Limitation of liability of subcontractor: clearly defined, included acceptance procedure
 - ▶ Payment terms: still blocking element; major issue for primes. Status?
 - ▶ No direct payment of subcontractors which would solve this issue

35% advance payment -> Neutral cash flow

Approved

- ▶ SME4SPACE applauds ESA for granting SMEs **35% advance payment**.
- ▶ This is a very important achievement that contributes to facilitate the **sustainable involvement of SMEs in ESA activities**.
- ▶ However, in our views, the further step should be the **total neutral cash flow**. This would be possible with a **smart payment schedule**

INCUBED INITIATIVE



Through **InCubed**, companies developing innovative systems, components and products in the Earth observation business sector can approach ESA at any time for support to make their venture technically viable and commercially competitive. Proposals could be about satellites, constellations, instruments or big data analytics, for example. InCubed will, in most cases, co-fund up to 50% of a proposed venture. It can also provide access to ESA expertise and technical support. Proposals must be of sufficient technical readiness and market viability, meaning that the project would eventually be sustained by the market, without further public funding.

Approved

EXPRO & EXPRO+

Already in force

- ▶ SME4SPACE encourages ESA to adopt **simplified procurement procedures** as for the case of EXPRO (EXpress PROcurement) and EXPRO+ for R&D and Small Services:
 - ▶ Standard contract
 - ▶ Tendering conditions
 - ▶ RFP Response template
 - ▶ Proposal template

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OUTCOMES-BASED CONTRACT APPROACH

Proposal

▶ KEY CHARACTERISTICS

1. A focus on business outcomes rather than activities and tasks.
2. The use of measurable performance standards that are tied to the required outcomes.
3. A pricing model that comprises or includes rewards and risks.

OUTCOMES-BASED CONTRACT APPROACH

Proposal

▶ BENEFITS

- ▶ Cost savings
- ▶ Supporting innovation on the part of the service provider
- ▶ Closer alignment of objectives between the customer and the service provider
- ▶ Increased motivation for the service provider to achieve the best outcome to maximise its financial gain
- ▶ More responsive to customer requirements
- ▶ Greater efficiency in service delivery, through allowing the service provider flexibility in its method of delivery and an ability to adapt to technological advancements
- ▶ Better outcomes for customers.

OUTCOMES-BASED CONTRACT APPROACH

Proposal

▶ CHALLENGES FOR OUTCOMES-BASED CONTRACTING

1. Defining the desired outcomes
2. Measuring performance
3. Pricing
4. Cultural shift

CONCLUSIONS

- ▶ SME4SPACE supports the efforts to establish and implement new and more efficient procurement rules in order to better involve SMEs in ESA activities
- ▶ Simplification, neutral cash flow and time-to-market are the main pillars of SME4SPACE proposed policies in favour of SMEs.
- ▶ SME4SPACE is of course at disposal of European Space community for supporting the proposition of innovative approach for the benefit of SMEs and of European Space sector.

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**Thank you
for your attention!**