CHOOSING THE RIGHT DELIVERY MODEL

Report of 30th Annual Conference held on 19th–20th September 2012 at Alexandra House, Swindon

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<td>21.00</td>
<td>Optimising government’s delivery</td>
<td>Ian Watmore, former Chief Operating Officer, Cabinet Office</td>
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<td>Nick Bliss, Partner, Freshfields Bruckhaus Deringer</td>
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<td>Julian O’Connell, Vice President Developments Middle East, BP International Ltd</td>
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<td>Simon Addyman, Programme Manager and Miles Ashley, Programme Director, Transport for London</td>
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<td>Jennifer Osbaldestin, T45 Head of Programme, BAE Systems Maritime and Russell Brown, Type 45 Build Deputy Head, Ministry of Defence</td>
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<td>Nick Rayner, Managing Director Global Supply, Chain Consulting, Derek Thomason, Operational Head for Supply Chain Services, Unipart</td>
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Decisions made at the inception or initiation stage of a project have a profound impact on its likely success. Without a clear understanding of the needs and consequences of choosing the best delivery model, the very earliest decisions have the potential to constrain the project leader and the team charged with taking the major project through development to delivery.

This year’s Annual Conference brought together delegates from the Major Projects Association’s broad range of business sectors to debate, learn from each other and to determine the parameters and boundaries for choosing the right delivery model for the circumstances faced.

Chaired by Sir Robert Walmsley KCB, Chairman of the Major Projects Association, the conference heard contributions from key sector experts. The presentations included three case studies, which looked at why each project was deemed successful and what lessons could be drawn to help key decision makers in the future. As usual, there was also the opportunity for shared in-depth dialogue through group sessions and panel discussion.

The keynote speaker on the opening evening of the conference was Ian Watmore, who as former Chief Operating Officer at the Cabinet Office had a key role to play in ensuring the UK delivers its much needed investment in major projects.

The recent London 2012 Games have shown that the UK Government can deliver major programmes successfully. In his address Ian considered what lessons can be drawn for future projects of critical national importance or reputation. To illustrate this, Ian focused on eight positive reasons for the success of London 2012.

In outline, these eight reasons included:

- A clear and unambiguous national imperative to succeed.
- A necessary and sufficient budget to achieve success.
- The seven years available was an appropriate time span in which to plan and deliver, and the time was used properly.
- The importance of a key team member – in this case Sebastian Coe – to ‘front’ the project, allowing the rest of the team to get on with the job in hand.
- An open and transparent publication of progress, which was regularly assessed externally by International Olympic Committee members and other experts.
- The advance testing and contingency planning.
- The right balance between using tried and proven processes, and the need to do things for the first time.
- The crucial determinant for success – in this case, the fact that the British really took London 2012 to heart.
Ian went on to question to what extent these reasons for success are replicable, noting that rarely in the future will there be such a clear and unambiguous national imperative to bring a project to reality. It would be only too easy for the delivery of public projects to slip back from the great success of London 2012 to something more mediocre.

**ADVISING CLIENTS ON THE BEST DELIVERY MODEL**

The opening presentation on the following day, from Freshfields Brukhaus Deringer, provided some observations on the genesis, development and delivery of projects over the last 20–25 years.

It considered the process of moving from an initial project delivery model ‘on paper’ to a successfully completed project, looking at what a well-run process looks like. For example, at the outset there must be a clear objective, and clarity of purpose as to what is being delivered, when it is to be delivered, and how.

The stability of politics, policies, and the legal and regulatory regime is critical to success. For example, the London 2012 Games were delivered amidst political consensus, and the PFI delivery model produced a great deal of investment in infrastructure during the time when there was political agreement over its use. However, it was noted that a key drawback of PFI was over-complication and over-structuring. Any successor to PFI should include increased flexibility around through-life variations.

Where there is an established market and delivery mechanism, use it – projects develop best in an established market. For example, the UK water industry, privatised in 1991, is a good example of a successful delivery model with an established regulator and regulatory regime.

Other factors stressed were the importance of aligning all stakeholder interests, and project representation – there has to be a nucleus of people focused only on the project and its delivery.

**EVOLUTION OF PROJECT DELIVERY IN A COMMERCIAL OWNER’S ORGANISATION**

In this session BP focused on how the structure of an owner’s organisation can influence project development and delivery decisions. In BP’s case, the ability to choose the right delivery model required changing the way the company operated. Standardising the owner’s organisational model had a strong influence on its approach to project development.

The presentation started with an overview of the reasons behind BP’s radical change to their entire delivery approach over the last 15 years. This was followed with an outline of how project delivery has evolved, focusing particularly on 2005 to the present.
In order to optimise project performance, BP integrated the delivery of its major Upstream projects portfolio under its Global Projects Organisation (GPO). This provided the rationale for moving to a centralised delivery organisation. It was explained that the GPO takes new projects from first discovery to first production of oil or gas, leveraging the global scale of the portfolio. By standardising development concepts and components higher levels of project delivery efficiency can be achieved, and learning and operational feedback enhanced; quality is maintained through optimising the supply chain.

Prior to this BP had been a heavily decentralised organisation, so these developments represent a huge shift in terms of organisational structure and culture.

DEVELOPING AN EFFECTIVE DELIVERY MODEL

The morning’s presentations finished with a session from Centrica, looking at the development of an effective delivery model from an end user’s perspective, both in general and from the nuclear industry perspective.

First, Centrica considered the variation in major projects delivery around the world, noting that there is no one-size-fits-all model that ensures success. Within the nuclear industry, as elsewhere, performance is ultimately determined by the environment that is created for people to operate in – an environment which allows transparency and openness to learning, and the liberty to flourish.

Looking specifically at the nuclear industry, different existing delivery models were outlined, and some of the challenges of the industry discussed. These include the difficulties in assessing the costs throughout the long timescale – which can be up to 75 years from project planning, through to the end of the operational life and then the decommissioning phase.

The customer or user is the base underneath the cost consideration, and intelligent project clients involve the end user at every part of the planning, construction, commissioning, operational and decommissioning phases.

Key lessons learned were explored, followed by pointers for successful project delivery – such as the importance of establishing where the risk sits, and factoring it into the scope, schedule and costs from the beginning.

The presentation concluded with an overview of what the speaker considered the most important aspects of choosing the right delivery model. For instance, the client should provide clarity of purpose and accountability, identify indicators of success, and make shared learning a priority.
In the first of three case studies, Transport for London outlined the background to London Underground’s (LU’s) use of Innovative Contractor Engagement (ICE) in its programme to upgrade Bank station.

The programme is one of LU’s biggest and most complex projects. Bank is the fourth busiest interchange station on the Underground network, with 96,000 users during the morning rush hour, a figure which is set to increase. By 2021 the upgrade programme will include increased capacity at the station, and a step-free route between the Northern line platforms, DLR and street level.

LU is using the new ICE procurement process for the first time with this project. The process aims to improve relationships with the contractor market and obtain the benefits of early contractor involvement while developing major design and build contracts. It has been designed to allow bidders to bring their expertise and knowledge to drive innovation that will reduce cost and risk to the project. It was explained that this innovation will be commercially confidential to each bidder, so they are able to fully derive the value and competitive advantage of their innovation through the procurement process.

The presentation looked at the key features of ICE, its advantages for the Bank upgrade project, and the timeline. It also looked at some of the complexities of the project itself – for example, the stakeholder management is significant, as there are 67 buildings in the zone of influence, including 6 that are grade 1 listed, and 14 that are grade II or II*.

The session concluded by considering a possible future concept for tender evaluation and delivery strategy to update the ‘time, cost and quality’ triangle for successful project delivery.

The second case study looked at the Type 45 ‘Six Ship Contract’, a multi-billion pound Ministry of Defence/BAE Systems procurement project for a replacement programme of six naval destroyers with anti-air warfare capability. The programme includes design, build, integration, trials and delivery.

The session focused on build through to delivery, starting with an outline of the context and history of the programme, and moving on to the financial vehicle and the incentive methods. It was explained that there were a number of issues with the early Type 45 build programme between 2000–6, and in 2007 the six ship contract was initiated.

Examples of successful problem solving during the contract were outlined, and it was explained how the new contract had helped to facilitate a positive outcome. Other advantages of the new contract were discussed, for example the benefits of using a Target Cost Incentive Fee delivery model, and the introduction of a delivery incentive plan formulated to trigger further incentives to maintain the programme schedule.
The presentation concluded by looking at the outcomes, what lessons had been learned, and the key points as to why the six ship contract was successful – for example, how it engendered collaborative working, enabled joint mitigation of shared risks, and did not stifle innovation or risk taking.

Unipart has a significant global footprint for the Jaguar business, providing all of the global aftermarket parts for Jaguar cars. The third case study looked at how Unipart has successfully enhanced the service offered to Jaguar drivers through the dealer network by rolling out a new business management service, ULS (Unipart Logistics Systems), based on SAP.

SAP ERP (Enterprise Resource Planning) systems application is a fully integrated suite of systems that run every aspect of an operation from raw materials and purchasing to warehousing, HR and finance. Implementing a global single instance of an ERP business system as a full service end-to-end supply chain outsource partner without dropping the ball on ‘business as usual’ is arguably the ultimate supply chain challenge. Over 5,000 users are involved, with 1500 vendors, 1000 delivery points worldwide from 17 global warehouses, and some 132,000 part numbers to classify.

The case study considered the reasons behind the introduction of the new system, the implementation process itself, and some of the key elements for its success. For example, the learning gleaned from discussions with other companies on their experiences was crucial, as was changing the organisational structure of the business before implementation. Another key element was the formation of the Advanced Learning Centre, which provided a test bed environment prior to roll-out, and gave the opportunity to train people properly.

The session ended by summing up the achievements and the lessons learned – for example it was stressed that there must be the right balance of people, process, systems and data, and that a fully integrated collaborative approach and project culture is essential.

The Chairman thanked everyone who had helped to shape this year’s Annual Conference, in particular the staff of the Major Projects Association for their role in making the event run smoothly.

He reiterated that every project has components in its contracts which will tend to make for success or failure. It is therefore crucial to choose the delivery model that will drive most effectively towards success. Failing to do so is analogous to building a car and then putting the wrong type of fuel into it – at best it will not work as well; at worst it will not work at all.

He noted that as well as discussion on the best delivery models from the perspective of both the public and private sector, delegates had heard a number of useful suggestions about the intelligence of the client, the role of a successful delivery organisation, and the importance of the end user.
3G Communications Limited
Advance Consultancy Ltd
BAA Airports Ltd
BAE Systems
Balfour Beatty plc
BBC
BG Group
Bircham Dyson Bell LLP
BP International Ltd
Centrica plc
CH2MILL
Chiltern Railways
CJ Associates
Costain Ltd
Defence Infrastructure Organisation
Freshfields Bruckhaus Deringer
Highways Agency
IBM United Kingdom Ltd
Jacobs Group
Major Projects Association
Manchester Business School
Mott MacDonal
National Audit Office
NATS
Parsons Brinckerhoff
Raytheon Systems Limited
Rhead Group
Risk Solutions
School of Construction and Project Management, UCL
SKEMA Business School
Thames Tunnel Project
The Leadership Factor
The Nichols Group
Transport for London
Turner & Townsend
UK Power Networks
Unipart
University of Leeds