

U.K. Study Tour

Presentation to Construction Clients Group

Assoc Professor John Boon

Unitec New Zealand

25.10.06

Egan report 1998

debilitating cycle of competitive tender, conflict, low margins and dissatisfied clients

The industry must replace competitive tendering with long time relationships based on clear measurement of performance and sustained improvement in quality and efficiency

Themes observed

- Client led
- Long term relationships (frameworks)
- Measurement of performance (KPIs)
 - 2-3 years before benefits realised
 - Significant improvement
- Culture shift within the industry
 - Well educated professional work force
 - Strong emphasis on health and safety
- Sustainability a growing concern
- Industry still not very profitable (1-3%)

Client led

Tesco

Start to structural steel

Cost

90

90 – 37wks

220p/sf

04

14 – 16 wks

116p/sf

Royal Bank Scotland (contractor = Mace)

- **World headquarters** – cost reimbursement with gainshare/painshare
3 months early 50m under budget after absorbing 25m of extra cost.
- **Branch refurbishment programme**
framework relationships to level 2
automated design, pricing, ordering
30% cost reduction
1% snag free on time → 95% snag free on time year 3

Midlands Housing Association (contractor Thomas Vale)

Modernisation of 1850 Homes (whilst occupied)

New bathrooms, kitchens, central heating etc

Use of workstudy

Time 35 -45 days reduced to 20 – 25 days

Hertfordshire County Council

Schools, fire stations, libraries etc

- 2003 traditional system
- Now 5year frameworks based on bands of project size
- Direct cost plus overheads and profit
- Selection technical 60% commercial 40%

- Achieved 5 year goals in 3 years (client satisfaction etc)
- Difficulty measuring cost and time savings
- Next: supply chain management, component standardisation, defects on completion.

British Airports Authority

- Framework agreements

Terminal 5

- 4.2 billion bpd
- 6 year construction
- Opening 4.00 pm 30 march 2008

- Cost reimbursement + overheads and profit + gainshare/pain share
- Performance measured against KPIs
- BAA pay for workers to attend induction, training, etc

Response by contractors

MACE

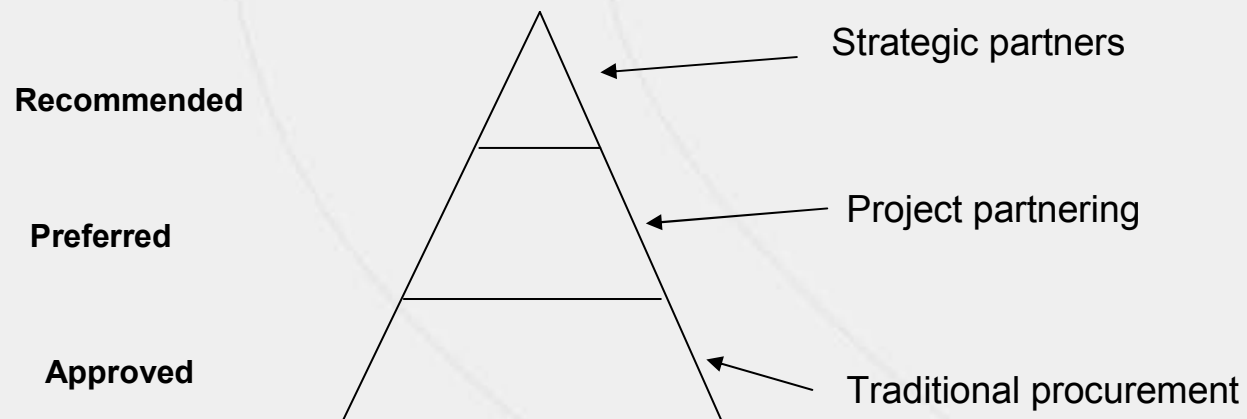
- Construction management
- Project management
- Cost management

- 350 bpd t/o 2,500 people
- Clients include BAA, Royal Bank of Scotland, Hertfordshire County Council

- Mace Solutions – dry linings, ceilings, fire stopping etc

MACE cont'd

- Supplier status



- **Mace Business School** – education of the supply chain
 - Focus on transferring knowledge to and from our suppliers
 - Companies that have grown with Mace – 25-35m bpd t/o
 - Training targetted at management level of strategic partners

Thomas Vale

Medium sized regional contractor – projects 30k – 25m

92 t/o = 18m 05 t/o = 18m

Appointed business improvement director from car industry

Use work study to improve performance

Work with strategic suppliers to improve their business

Costain

KPIs

- **Safety:** accidents per 100,00 mhrs
- **Client satisfaction:** score 1- 10
- **Project completion:** days early / late
- **Cost of quality:** cost of rework (estimated)

Significant improvements particularly in client satisfaction

Participate in industry group benchmarking

Taylor Woodrow

Learnt from experience with Tesco

Restructured into one company

Strategic alliances with suppliers initially M&E

Now

- Building services
- Groundworks
- Envelope
- Steel frame
- Concrete frame
- Drylining

Believe the next gains are at the interfaces

Mansell

Five key focus areas

- Chosen markets
- H&S & environment
- Customer satisfaction
- Employee satisfaction (retention)
- Commercial performance

85% repeat business – frameworks and sustainable relationships

Turnover up 24% staff numbers down 18%

Comparisons with New Zealand

Few repeat clients

- AIA
- Housing New Zealand
- Accident Compensation Corp
- Warehouse

Most major projects are one off

- Te Papa
- Sky City
- Auckland Regional Hospital
- Vero
- Sylvia park
- Price Waterhouse Coopers
- Botany Downs

But not using traditional procurement methods

Many medium sized commercial projects have not used traditional method

- Difficulty of securing contractors who can perform
- Management contracting
 - Negotiation of profit and overheads
 - Tendering of sub-contract packages
- Good relationship only at first level

Culture of Industry

- Improving at first level
- But not at next levels

- Little measurement of performance

- No push to improve from clients

- Significant regard for health and safety (eg SiteSafe)
- Little regard for education and upskilling

As workload falls off will we seek to improve performance are go back to traditional method?