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BULLETIN

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GLASGOW
RIVER CITY OF THE FUTURE

INSIDE ■ BEST PRACTICE IN SUPPLY CHAIN MANAGEMENT

WELCOME



Euan McEwan,
CEO of Currie & Brown

SINCE becoming Group CEO of Currie & Brown in July I have been working with the management team to build on the firm's reputation for delivering exceptional quality of service and sustainable added value to our clients in the international construction industry.

In this regard my view is that the Bulletin, like all our services, should be a tool for helping our clients realise those twin goals of quality and value. After all, you should rightly expect a return on the time you have invested in reading it.

That's why we've chosen to examine the theme of partnership in some depth in this issue. Through overuse and misuse, the term partnership is in danger of becoming an empty cliché to which few pay more than lip service. But our articles reveal that the construction industry is entering a new era in which genuine partnership between client and service provider is rapidly replacing the adversarial culture as the industry standard.

The new generation of industry leaders is revolutionising a sector which was previously notorious for budget busting projects completed years behind schedule.

With the most advanced firms pioneering concepts such as the virtual organisation, the industry is experiencing a step change even from the ground-breaking approach developed by Sir Michael Latham and the Egan Report in the 1990s.

Currie & Brown is championing the application of concepts such as third generation partnering, sophisticated supply chain management and lean office environments, all of which are analysed in this issue.

Such practices are good for the clients, good for the taxpayer, good for the country and of immense benefit to the industry itself through improved margins and profitability.

Only optimum information flows will allow us to maximise performance in delivering quality and adding value. That is why the open book approach is core to the Currie & Brown philosophy.

I look forward to the opportunity to work with you in future.

NEWS



Madrid: its €4 billion ring road project is the largest PPP initiative in continental Europe

Clyde regeneration grows

CURRIE & BROWN'S involvement in the regeneration of Glasgow's Pacific Quay project, located in the former Prince's Dock site on the south bank of the Clyde, has been expanded by additional contracts.

The brownfield site experienced a renaissance in 1988 when it hosted the highly successful Garden Festival and is now undergoing a £150 million mixed-use regeneration programme raised by Scottish Enterprise Glasgow.

Currie & Brown was originally appointed to undertake a multi-disciplinary review of developer's proposals for Pacific Quay which involve design quality, costs, phasing, funding, risk and the case for public sector intervention.

The company has since won another contract to provide a comprehensive review of developer's submissions for grant

support towards common infrastructure works.

A third contract has also been awarded to Currie & Brown by Scottish Enterprise Glasgow to provide cost management services on the first phase of the proposed new digital media centre at Pacific Quay. This will include the infrastructure and landscaping aspects of the new office development which aims to attract cutting-edge companies to the area.



Major wins in Latin markets

TWO landmark international Public Private Partnership (PPP) projects in Mexico and Spain have been won by Currie & Brown.

The first is to manage the development of a US\$6 billion hospital programme for the Mexican Ministry of Health, and the second, to provide technical advice on the €4 billion M30 ring road in Madrid.

The Mexican contract, involving the construction of seven hospitals over the next 25 years, is one of the largest PPP initiatives outside the UK, and the single largest project to be managed by a UK consultancy. Currie & Brown will act as procurement adviser and sole international consultant to the Ministry of Health.

Currie & Brown has been working in Mexico for two years advising the Ministry of Health on its first PPP hospital, as well as working for the Ministry of Transport on the country's first PPP toll way project.

The contract in Spain is the largest PPP initiative in continental Europe and the largest to be managed by a UK consultancy.

Currie & Brown has been appointed by the

three lead banks that are financing the 35-year project on behalf of Madrid City Council. These are Dexia Sabadell, Societe General and Caja Madrid.

The project has three phases: technical adviser to ensure the project is able to service its debts; monitoring and inspecting the construction progress, and ensuring the completion of the project meets all its technical, legal and financial obligations.

Currie & Brown director Santiago Kline said: "We are dedicated to meeting the goals set by the City Council and will ensure the programme is delivered on time and within budget. This contract reinforces our position as a key player in the international PPP market."

Also in Spain, Currie & Brown has been awarded the refurbishment project for the 454-room, 5-star Hotel Arts in Barcelona. The hotel is owned by HOVISA, a group of Spanish investors, Deutsch Bank and operated by Ritz Carlton.

The phased floor-by-floor renovation will start on site in December and is expected to be completed in February 2006.



Currie & Brown goes back to school

CURRIE & BROWN'S presence in the education sector was further strengthened recently after a number of significant wins in the market.

In the further education sector, the firm has been appointed as project manager for the proposed new £30 million Langside College campus in Glasgow and as cost manager on James Watt College's Learning Resource Centre development in Greenock.

Further south in the higher education field, it has also been retained to act as cost manager for Brunel University in West London on a 5,000m² extension to facilities.

Currie & Brown has had significant involvement in the Building Schools for the Future (BSF) programme since its inception and has recently been appointed as technical adviser by Newcastle City Council and Westminster City Council to assist with their schools' development programmes. The firm has also been appointed to act as project monitor on the City Academy in Waltham Forest.

Projects across the sector, from schools programmes to further and higher education, have allowed Currie & Brown to demonstrate its involvement across the education spectrum, providing a diverse range of services in a variety of geographic locations.

Seagulls' stadium finally kicks off

DEPUTY Prime Minister John Prescott's decision to give Brighton & Hove Albion the green light to build its new 23,000-seat football stadium ends four years of uncertainty for the fans of the 'Seagulls'.

Currie & Brown was retained to cost the project which is estimated at £51 million. Since the old stadium at Goldstone Ground in Hove was demolished the team has been using a 7,000-seat ground at Withdean as well as briefly sharing Gillingham's Priestfield site for the past seven years.

Brighton and Hove City Council granted planning permission for the Falmer stadium on the outskirts of Hove in June 2002 but this decision faced criticism from environmentalists, who argued that it would spoil views of the South Downs. Two public enquiries followed, the last one initiated by the



Deputy Prime Minister himself.

Currie & Brown estimates that the stadium and coach park will cost £28.9 million but infrastructure costs, which include a railway footbridge and an A-road flyover, will add an additional £4.4 million. The remaining costs are made up of purchasing additional land, builders' overheads, professional fees and contingency costs.

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COMMENT BY JIM STEWART



Partners in supply

SUPPLY chain management in Britain, the great Samuel Johnson might have observed, is like a dog dancing on its hind legs. "It is not done well; but you are surprised to find that it is done at all."

With major projects from the Millennium Dome to the new Wembley Stadium running over schedule by years and costing huge multiples of the original planned budget, supply chain management has come under close scrutiny from such august bodies as the National Audit Office (NAO) and the Office of Government Commerce (OGC).

Given that the UK construction industry is worth some £65 billion a year, eight per cent of gross domestic product, and employs some 1.9 million people, the case for discipline and rigour is self-evident.

The consensus is that the industry has to get away from the ramshackle norm where responsibility for different aspects of design, construction and maintenance is fragmented and the entire culture is adversarial and self-interested.

The benefits for the economy and taxpayers are clear. Sir John Bourn, the head of the NAO, has told Parliament that four agencies alone – Defence Estates, NHS Estates, the Highways Agency and the Environment Agency – are achieving efficiency gains of over £600 million a year by improving supply chain management.

Meanwhile the construction industry itself stands to benefit by improving its level of profitability beyond the current industry average of one per cent of turnover.

Jim Stewart, divisional director at Currie & Brown's Edinburgh office, is at the forefront of driving through best practice in supply chain management in his work with clients. He is a strong advocate of the partnership approach. "Our objective is to help clients optimise their return on investment. It's not so much about reducing costs as enhancing value.

"Much of the work we do is focused on performance improvement in the construction industry in both capital and maintenance projects."

According to Stewart, establishing good supplier and contractor relationships is paramount. "A good contractor performance is the key to good business performance.

"There is no single factor that can make a substantial difference to delivery on time and on budget. Instead it is a holistic process which requires getting the right information and using the feedback effectively."

He identifies several critical areas where the confrontational culture can be replaced with the partnership ethos and can deliver radical improvements in budget, timescale and quality.

Selecting contractors on the basis of value for money rather than cost is a crucial aspect. Too many contracts are still awarded on the basis of the lowest price tenders only for the client to see the final price for the work escalate through contract variations and claims.

All services, whether from specialists, contractors, sub-contractors or suppliers

should be selected on value for money grounds, not lowest price tenders. "When there is no open book situation, contractors try all sorts of angles to generate income recovery."

Stewart also points out the need for better relationships between clients and all those involved in the design and construction process. "It's important that everyone works more closely together and shares information with clear and agreed targets and incentives."

If there is not an optimum flow of information from the moment the first tender is submitted, then problems and cost overruns will occur. Performance targets must be given visibility.

The key to excellence is supply chain partnership, a three-stage process according to Stewart: select the right project; define the project effectively and deliver it.

"The secret is to pay very close attention in the initial stages to give the clearest picture possible of what the outcomes will be at later stages," he says.

"In the past many projects have failed to link project estimates and programmes. There has been no implementation plan. Reality checks must be there to ensure that the necessary resources are available so that targets are achievable. Predictability is the watchword for good supply chain partnership."

Integration of the supply chain is essential since many construction problems are caused by breakdowns in communication and co-operation. One of the biggest culprits is late design-change. The problem is that project designers are held to tight deadlines which they meet by submitting a rough draft of the plan on time and then adding lots of changes after the event.

This means materials being ordered late or the cannibalising of existing materials by contractors, all of which incur huge time and cost penalties as targets are missed.

However, the Currie & Brown partnership ethos is to get clients, contractors and consultants working together to optimise project delivery.

"The 'Open Book' approach is our philosophy," says Stewart. "We identify potential problems and eliminate them before they occur. Or, if there is a problem, we get it on the table as soon as possible to sort it. The old practice was for a contractor to try and solve the problem unilaterally while frequently making the situation worse."

With Currie & Brown's partnership approach now widely regarded as the new industry standard, perhaps Dr Johnson's maxim will soon no longer apply to construction supply chain management.



£60 billion is earmarked over the next 15 years to create a new era of education

Future schools – delivering educational excellence

BUILDING Schools for the Future (BSF) is taking the best of British design and using it to improve educational standards and culture within English schools. Crucially, the aim of the programme is the delivery of educational excellence rather than construction.

It is a huge programme, with the government forecast to invest some £60 billion over the next 15 years to meet the needs of every secondary school in the country, and provide a genuinely 21st century educational environment.

Partnership is the key to success in ensuring that long term planning, innovation, and economies of scale are brought to bear to achieve the goals of increased efficiency and improved attainment.

According to Mike Walker, director of Currie & Brown, the programme is not exclusively taking the PFI route. “Of the newbuild aspect of the programme, some 50 per cent of the total will be through PFI,” he says. “But the 35 per cent targeted at refurbishment and the 15 per cent repair aspect, totalling £1.1 billion, will be procured using traditional contracting methods.”

The size and timescale of the BSF programme has seen the introduction a new strategic model for developing schools, based on long-term partnership between government, local authority and companies in the private sector.

The programme of building and contract with the private sector will be managed through Partnerships for Schools (Pfs), the new body which is a joint venture between the Department for Education and Skills (DfES) and Partnerships UK.

PfS is making it easier to work with local authorities, and has developed a standardised process for the private sector and local authorities to engage in the renewal of the secondary school estate by establishing Local

Education Partnerships (LEPs).

Given the radical nature of the BSF programme, it is no surprise that the successful partners will be those who show an understanding of the broader requirements of local communities and supply chains.

“The government wants to spend the money quickly through the PFI route so there are standard documents and contracts to facilitate the process with the LEPs,” says Walker. “80 per cent of the money comes from the private sector, 10 per cent from government and 10 per cent from the local authority.”

In order to deliver effectively, PfS has launched national frameworks for all the services that it will require from legal, financial and project management to communications, advisory and technical services.

These frameworks are designed to help local authorities choose the right private sector partners to support them in delivering the programme. Currie & Brown is one of seven leading technical advisers.

Across the board, the calibre of advisers is international blue chip. In financial services, for example, the panel includes Ernst & Young, KPMG and PWC, while in legal services the major names include Eversheds, Nabarro Nathanson and Pinsent Masons.

According to PfS chief executive, David Goldstone, the organisation and local authorities were very rigorous in their selection criteria. “These frameworks will provide efficient access to consistent, good quality advice,” he said. “Our expectation is that these advisers will help make the BSF programme a success.”

Mike Walker reports that Currie & Brown has already seen the benefits of being selected for the prestigious technical adviser panel. With the first wave of the programme now underway with a budget of £2.2 billion in 2005/06, Currie & Brown has already won the

Newcastle and Westminster projects.

“This draws on a range of expertise from our Newcastle, Glasgow, London City and London West End offices,” says Walker. “This depth of knowledge and experience is one of our strengths.”

He points out that various consultants have been brought together as a team to help Newcastle go from a standing start to a completed school. “There are a number of gateways that projects must go through, from strategic and outline business cases to actual procurement, so the expert advisers are essential,” he says.

Having been appointed to the framework, there are considerable opportunities for Currie & Brown. “We can work either regionally for particular local authorities or nationally for PfS,” says Walker. “In fact we are currently preparing one of the template specifications that will be used for all design and build refurbishment contracts in future.”

There are also advantages in terms of networking and credibility for Currie & Brown, while the PfS work will lead to other opportunities. “We could work for the local authority education partnership. Contractors like Carillion or Skanska have to put together multi-skilled teams to bid.”

However he confirms that the firm has strict conflict management processes in place which preclude working for both the local authority and the private sector bidder: “Chinese walls are in place and we have strict procedures.”

Given that the LEPs need to borrow money to fund the projects, Currie & Brown also anticipates acting in an advisory role to the banks as they conduct their due diligence and risk control. “Effectively this looks at who they are lending to, on what, and why,” says Walker.

The BSF programme is a new way of procuring secondary schools that will cut costs, speed up the process, and improve quality.

Seven Pillars of Partnering

Third generation partnering helps to develop virtual organisations with their own supply chains

IN THE Seven Pillars of Wisdom, Lawrence of Arabia famously chronicled his campaigns which led to the Arab capture of Damascus in the First World War.

Nearly a century later, that literary classic had been replaced on the bookshelves by another work which represents something of a road to Damascus for the construction industry, The Seven Pillars of Partnering.

Just as TE Lawrence melded warring Arabian tribes into an effective military force, so the work by Bennett and Jayes of Reading University showed how the confrontational tribes of the construction world – the clients, contractors, sub-contractors, advisers and specialists – could be turned into an effective unit with a common purpose.

It led to a revolution in attitudes to project management, a revolution which is continuing with the adoption of so-called third generation partnering among the industry's leading players.

Published in 1998, the seminal work defined partnering comprehensively as follows. 'Partnering is a set of strategic actions, which embody the mutual objectives of a number of firms achieved by co-operative decision making aimed at using feedback to continuously improve their joint performance.'

The book represented the bible of a partnership movement begun by Sir Michael Latham, chairman of the CITB, in the early 1990s.

A prime mover and pioneer of the partnership model in the UK, his seminal report 'Constructing the Team' in 1994, brought the

US experience to Britain where the concept of partnering was virtually unknown.

He recalls thinking that introducing any sort of collaboration would be a major achievement. "The culture in 1994 was so adversarial that even suggesting the need to build non hierarchical relationships was regarded with suspicion as dreamland."

However Sir Michael blazed a trail and cleared the way for the Egan Report of 1998. Egan's 'Rethinking Construction' report drove home to both public and private sector clients that partnering delivers real value and much better performance throughout the project.

That same year the University of Reading team set out to create a methodology to deliver the benefits identified by Sir Michael, namely cheaper, faster and more efficient construction.

Three levels of partnering best practice were identified. The entry level focused on mutual objectives, greater openness and continuous improvement. The second level, the so called 'Seven Pillars', is more sophisticated but generates greater returns.

In the third generation of partnering, the construction firm builds virtual organisations with its supply chain to provide a complete service which is efficient, creative and innovative.

Many firms are still trying to get their heads round the first level while successful companies and partnerships are now operating at the second level in the manner prescribed by the Seven Pillars.

However, Currie & Brown is now focused on the disciplines of third generation partnering. According to Shonagh Hay, director of Currie & Brown: "This dispenses with the familiar shoddy practice of clients immediately renegotiating deals as soon as early savings become apparent, the so-called 'cut and slice' approach.

"Third generation also overcomes the tendency for specialist consultants to demonstrate their expertise by finding fault. This culture of criticism is inimical to

partnership. At Currie & Brown the focus is on successfully managing outcomes rather than merely administering processes."

As Hay firmly believes, it is vital to remember that, in the 21st century, the new wave of partnering is not a procurement route, but a business strategy aimed at assisting people to understand appropriate relationships.

Sophisticated second generation partnering has been shown to cut the timescale of projects by half and to reduce costs by a third. Partners also benefit through more predictable margins, more stable workloads, faster start-ups, improved quality, fewer accidents and reduced defects.

However the third generation partnering approach, involving a transformation in organisational behaviour, achieves even greater benefits in the areas of knowledge management, risk management, continuity, communication and innovation. Third generation partnering will become the industry standard in coming years so first mover advantage is essential.

No doubt Lawrence of Arabia would endorse that view.

The Seven Pillars of partnering are:

- **Strategy** — establishing the client's objectives and understanding how the consultants and contractors can deliver them on the basis of feedback
- **Membership** — identifying the firms that need to be involved in the project and confirming that the necessary skill sets are available
- **Equity** — ensuring all partners are rewarded for their contribution on the basis of fair prices and fair profits
- **Integration** — encouraging co-operation and building trust to improve working relationships of all firms involved
- **Benchmarks** — setting key performance indicators that lead to continuous improvements in performance in successive projects
- **Project processes** — putting in place the standards and procedures that will deliver best practice based on process engineering
- **Feedback** — capturing lessons from projects and creating task forces to steer strategic development.



IN THE 1980s, the Japanese revolutionised manufacturing with their Just-in-Time (JIT) processes, designed to reduce costly inventories and slash waste in the production process. It worked, and the world now accepts it as standard practice.

However with the boom in the service economy the focus has been switched to the office environment where administration processes, business operations and communications are often highly inefficient, resulting in huge costs for companies.

Now the construction industry has woken up to the fact that creating a lean office environment will help tenants and occupiers add real value to their business.

Through its collaborative research projects with the Centre for Innovation in Construction Engineering at Loughborough University, Currie & Brown is at the forefront of this ground-breaking area which is set to make a similar impact on office culture as disciplines like JIT and Six Sigma have had on production.

The Commission for Architecture and the Built Environment (CABE) puts the cost impact of a building into context with the 1:5:200 ratio, first postulated by the Royal Academy of Engineering. This states that over a 20 year period the ratio of costs for an office building will be in the following proportion:

- 1 is the initial capital cost of the building
- 5 is the operation and maintenance costs
- 200 is the business operation costs (mainly staff costs)

The implicit criticism is that the construction industry should be more concerned with the impact of its products on its clients' business operations and success. Indeed lean techniques have been successfully applied in other industries such as aerospace.

The key drivers for this are improving the design of the workplace environment, and the success of the business operations that it supports, through lean office techniques.

"This research combines Loughborough University's academic expertise with our own industry knowledge and experience," says Simon Robinson, director of Currie & Brown. "For Currie & Brown there is a dual benefit in creating efficiencies within our own organisation and developing a product for the marketplace."

Currently, as part of the research, Currie & Brown is canvassing the views of staff to determine the organisational culture and to establish how that affects the business model.

It is vital to understand the values and culture of any organisation before the appropriate office environment can be built. Detailed studies into values and beliefs are being carried out across the whole of



Creating a lean office environment

A lean office environment helps tenants and occupiers add real value to their business.

Currie & Brown at the moment.

It is not just about skills and competence, but about what people believe in, and what they consider to be the company mission. In hard business terms, if staff believe in something they will implement it smoothly. If they feel negative or antipathetic towards a certain strategy – what industrial psychologists refer to as cognitive dissonance – there will be friction.

"The Birmingham office is using this to prototype a lean design," says Robinson. "We measure any improvement in productivity. It has to show benefit to us commercially. If we do it for ourselves then we prove it works. It has to have industry-wide benefit and not just be Currie & Brown specific."

The challenge lies in developing and applying universal methods to offices that will have widely different characteristics. An office could be on a single floor, or cover multiple floors in a building. It could be focused on one discipline, or contain many different skillsets. Different offices will vary widely in their range of age groups, mixes of various ethnic backgrounds and balance between the sexes.

"We are establishing the critical success factors in a lean office, and separating the anecdotal evidence from the hard facts," says Robinson. "For example, is open plan right or does the disruption from noise leakage override the benefits of easier communication. Is hot-desking effective or not?"

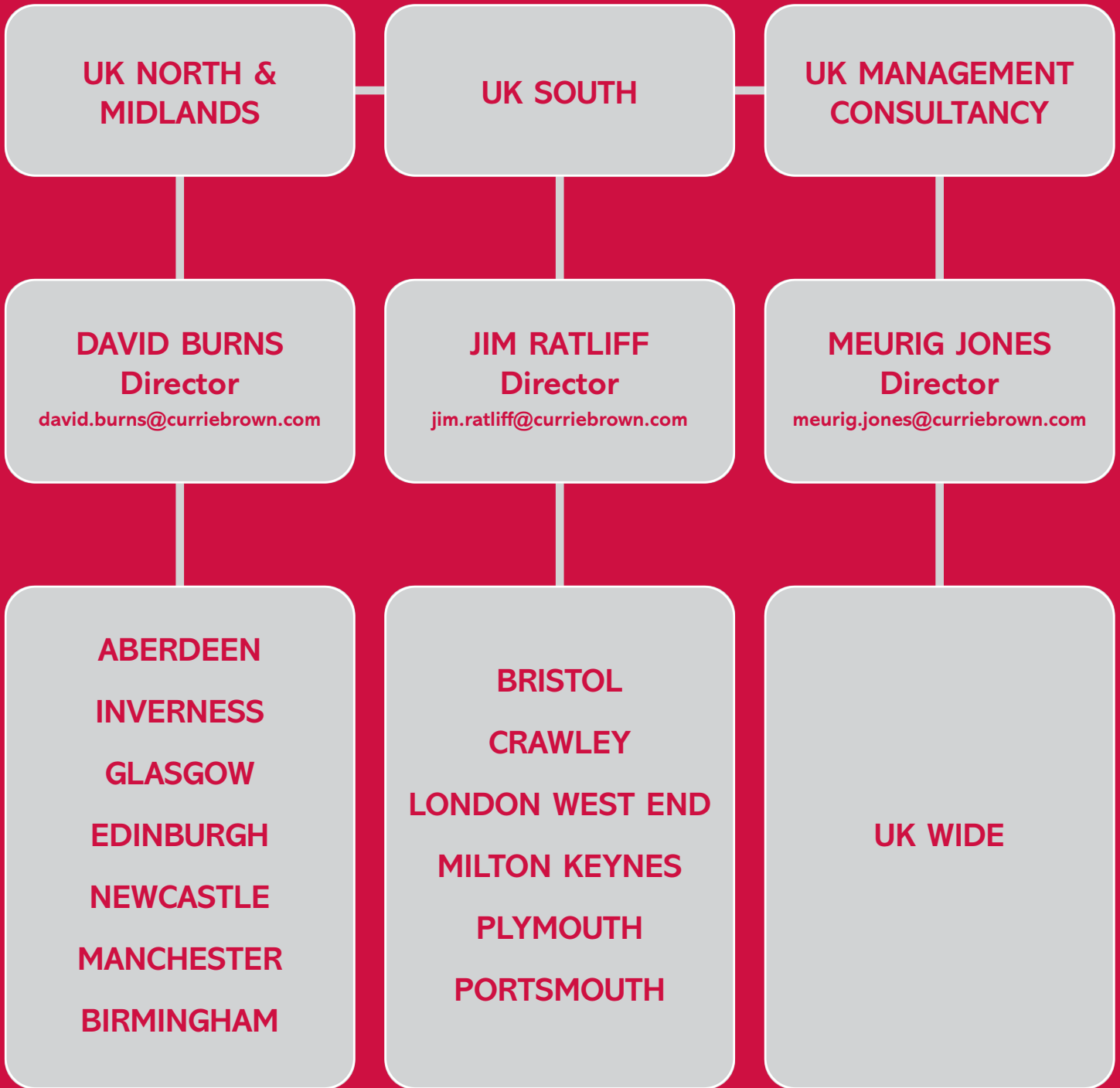
Sustainability could be a major issue. Lean office models must take account of factors such as air-conditioning, energy levels and global warming. Some of these are design issues, but they must be linked in with the business process side.

In Japan, where some manufacturing companies have piloted lean office initiatives, process times have been reduced by 90 per cent, with sales order cycle time being reduced by around 60 per cent in some cases.

Currie & Brown's aim is to develop guidance processes that will allow clients to create leading-edge workplaces that enjoy the benefits of innovative lean techniques. The ultimate benefit lies in enhancing reputation, motivating staff and boosting profitability.



Currie & Brown



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