

ANGUS COUNCIL

ROADS COMMITTEE

15 OCTOBER 1998

A92 PROJECT - PROPOSAL FOR NOMINATION AS A "DEMONSTRATION PROJECT" TO THE ASSOCIATION OF CONSULTING ENGINEERS

REPORT BY THE DIRECTOR OF ROADS

ABSTRACT

This Report describes the background to the Egan Report commissioned by the Deputy Prime Minister and seeks the Committee's homologation of the Director's agreement to nominate the A92 Project as a "Demonstration Project" in the context of the Egan Report.

1 RECOMMENDATIONS

It is recommended that the Committee:

- (i) note the completion of the Report "Rethinking Construction" (The Egan Report) produced by the Construction Task Force under the chairmanship of Sir John Egan;
- (ii) note the content of the Executive Summary from that report (attached to this Report at Appendix 1).
- (iii) note the request from the Association of Consulting Engineers for nominations for projects to be considered as "Demonstration Projects" in the context of the Egan Report.
- (iv) homologate the agreement of the Director of Roads to liaise and co-operate with the Council's technical advisers for the A92 project, the Babbie Group in nominating the A92 project as a Demonstration Project.
- (v) direct the Director of Roads to remit this report to Dundee City Council for its interest, noting that the Director of Roads has previously discussed the proposal with the Director of Planning and Transportation in Dundee City Council.

2 BACKGROUND

On 16 July 1998 Rethinking Construction was published. This document is the report of the Construction Task Force appointed by the Deputy Prime Minister and chaired

by Sir John Egan. Rethinking Construction sets out where and how the task force believes that improvements in efficiency and quality can be achieved within the construction industry. The Executive Summary from the Egan Report is enclosed with this Report at Appendix 1.

3 DETAILS

- (i) Set out below is a summary of key points and action being taken at national level to assist in the implementation of changes both in culture and processes as advocated by the task force responsible for the production of the Report.

Performance improvements will be driven by

- Committed leadership
- Customer focus
- Integration of processes, people and practices
- An agenda driven by quality
- Commitment to people

Performance must be measured and targets for year on year improvements in the following areas have been set

- | | | |
|----------------------|---|-----------------|
| • Capital cost | - | reduce by 10% |
| • Construction time | - | reduce by 10% |
| • Predictability | - | increase by 20% |
| • Defects | - | reduce by 20% |
| • Accidents | - | reduce by 20% |
| • Productivity | - | increase by 10% |
| • Turnover & Profits | - | increase by 10% |

Commitment to people requires

- Investment in management and technical training at all levels
- Improvements in site conditions

Other imperatives include

- Standardisation of products and processes
- Greater use of technology as a tool especially in relation to information exchange and design
- Greater investment in research and development for products and processes
- Greater integration between design and construction
- Knowledge sharing
- Less reliance on contracts

(ii) To assist in the delivery of improvements, the following national level initiatives are being established

- A Movement for Innovation central to which is the identification of projects that will demonstrate the approach advocated by the task force
- A high level Steering Group comprising Nick Raynsford MP, Sir John Egan, Geoffrey Robinson (Paymaster General), Tony Jackson (Chairman of the Construction Industry Board) plus other task force members to monitor progress
- A Housing Forum to focus specifically on improvements in the housing sector
- A Knowledge Centre for the collection and dissemination of information to the industry
- A conference in the autumn to which it is likely that only those actively involved in demonstration projects will be invited.

(iii) Demonstration Projects

Demonstration projects are seen as crucial. At the time of the launch of Rethinking Construction a number of such projects nominated by public and private sector clients were announced. They are:

English Partnerships	Allerton Bywater Urban Village
Environment Agency	North East Combined Capital Works Project
Highways Agency	M60 Manchester Outer Ring Road Contract 3 Project
Ministry of Defence	Building Down Barriers project
Tesco Stores Ltd	Hazelmere Store
Slough Estates	Industrial "Flex" Building, Slough
Whitbread Hotel Co	London Heathrow Marriot Hotel Extension to Gatwick Travel Inn Tower Bridge Travel Inn
British Steel plc	Office Development, Birmingham
BAA plc	South Terminal Gatwick Airport Office development Stansted Airport Perishables Warehouse, Heathrow Airport
Railtrack	Station refurbishment programme
Transco	National transmission line extension

There is very little in the way of guidance regarding what may constitute a demonstration project. However, the definition given below is based on discussions within the Construction Industry Council and with the Department for the Environment, Transport and the Regions.

A demonstration project is one where

- an aspect of innovative construction in line with the task force's recommendations can be demonstrated. For example:
- an innovative process of construction
- a new way of working
- a change in culture in dealing with the workforce or client or supply chain
- Less reliance on contracts
- all project participants are committed to learning from the experience
- performance is measured systematically
- results, both positive and negative, will be shared with others

A demonstration project can be

- a whole project
- part of a project (eg a feasibility study)
- a stage in the overall process

A wide cross section of projects are being sought in terms of

- size
- complexity
- building, civil engineering, repair and maintenance
- industrial sector
- client
- procurement route
- nature of any partnering type arrangements
- relationship between members of the supply chain

Performance measurement can cover any number of matters such as

- cost and time savings
- cost and benefit analysis
- defects and rework
- productivity
- customer satisfaction

Performance can be

- benchmarked against industry standards where known
 - qualitative assessments
- (iv) The Association of Consulting Engineers (ACE) has accepted the challenges set out in the Report and a small delegation led by the ACE Chairman Tim Foley met Sir John Egan on 11 August to discuss the role of the consulting engineer in delivering change. The message from Sir John was that consulting engineers should play a much more active role in the process from inception to conclusion and use their influence to deliver change in the construction process itself. ACE Members have been invited to nominate projects for consideration as demonstration projects and to indicate whether they are involved in any projects already nominated by clients or others. The Babbie Group (members of the ACE) who are the Council's Technical Advisers for the A92 project have approached the Director of Roads with a view to nominating the A92 project as a "Demonstration Project" in this context. The Director is of the view that such nomination would potentially be to the benefit both of the project and of the Councils and has therefore agreed that the A92 project should be brought forward as a nominated project for consideration.
- (v) As the closing date for the receipt of nominations was 28 September 1998 it has been necessary to action this in advance of this current Committee meeting, therefore Committee are asked to homologate the decision of the Director in agreeing the nomination of the A92 project.

4 **FINANCIAL IMPLICATIONS**

There are no financial implications to either the Revenue or Capital budgets arising in consequence of this Report.

5 **CONSULTATION**

The Chief Executive, the Director of Law and Administration and the Director of Finance have been consulted in the preparation of this Report.

6 **CONCLUSION**

The Report of the Deputy Prime Minister's task force chaired by Sir John Egan, entitled "Rethinking Construction" has now been published. Demonstration projects are sought exhibiting characteristics in the spirit of the sentiment of that Report. Committee are asked to homologate the decision of the Director of Roads in agreeing the nomination of the A92 Project as such a Demonstration Project.

Dr Bob McLellan
DIRECTOR OF ROADS

NOTE

No background papers as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

JG/SCP
18 September 1998
Reports/demproj

EXECUTIVE SUMMARY

- The UK construction industry at its best is excellent. Its capability to delivery the most difficult and innovative projects matches that of any other construction industry in the world (paragraph 3).
- Nonetheless, there is deep concern that the industry as a whole is under-achieving. It has low profitability and invests too little in capital, research and development and training. Too many of the industry's clients are dissatisfied with its overall performance (paragraphs 4-6).
- The Task Force's ambition for construction is informed by our experience of radical change and improvement in other industries, and by our experience of delivering improvements in quality and efficiency within our own construction programmes. We are convinced that these improvements can be spread throughout the construction industry and made available to all its clients (paragraphs 15, 16 and 18).
- We have identified five key drivers of change which need to set the agenda for the construction industry at large: *committed leadership, a focus on the customer, integrated processes and teams, a quality driven agenda and commitment to people* (paragraph 17).
- Our experience tells us that ambitious targets and effective measurement of performance are essential to deliver improvement. We have proposed a series of targets for annual improvement and we would like to see more extensive use of performance data by the industry to inform its clients (paragraphs 19-22).
- Our targets are based on our own experience and evidence that we have obtained from projects in the UK and overseas. Our targets include *annual reductions of 10% in construction cost and construction time. We also propose that defects in projects should be reduced by 20% per year* (paragraphs 23-26).
- To achieve these targets the industry will need to make radical changes to the processes through which it delivers its projects. These processes should be explicit and transparent to the industry and its clients. The industry should create an integrated project process around the four key elements of *product development, project implementation, partnering the supply chain and production of components*. Sustained improvement should then be delivered through use of techniques for eliminating waste and increasing value for the customer (chapter 3).
- If the industry is to achieve its full potential, substantial changes in its culture and structure are also required to support improvement. The industry must provide *decent and safe working conditions and improve management and supervisory skills* at all levels. The

- industry must design projects for ease of construction making maximum use of standard components and processes (paragraphs 53-61).
- The industry must replace competitive tendering with *long term relationships* based on *clear measurement of performance and sustained improvements in quality and efficiency* (paragraphs 67-71).
- The Task Force has looked specifically at housebuilding. We believe that the main initial opportunities for improvements in housebuilding performance exist in the social housing sector for the simple reason that most social housing is commissioned by a few major clients. Corporate clients - housing associations and local authorities - can work with the housebuilding industry to improve processes and technologies and develop quality products. We propose that a forum for improving performance in housebuilding is established (paragraphs 75-79).
- The Task Force has concluded that the major clients of the construction industry must give leadership by implementing projects which will demonstrate the approach that we have described. We want other clients, including those from across the public sector, to join us in sponsoring demonstration projects. We also wish to see the construction industry join us in these projects and devise its own means of making improved performance available to all its clients. Our ambition is to make a start with at least £500 million of demonstration projects (paragraphs 82-83).
- In sum, we propose to initiate a movement for change in the construction industry, for radical improvement in the process of construction. This movement will be the means of sustaining improvement and sharing learning (paragraph 84).
- We invite the Deputy Prime Minister to turn his Department's Best Practice Programme into a knowledge centre for construction which will give the whole industry and all of its clients access to information and learning from the demonstration projects. There is a real opportunity for the industry to develop independent and objective assessments of completed projects and of the performance of companies (paragraph 85).
- The public sector has a vital role to play in leading development of a more sophisticated and demanding customer base for construction. The Task Force invites the Government to commit itself to leading public sector bodies towards the goal of becoming best practice clients seeking improvements in efficiency and quality through the methods that we have proposed (paragraphs 86-87).
- The members of the Task Force and other major clients will continue their drive for improved performance, and will focus their efforts on the demonstration projects. We ask the Government and the industry to join with us in rethinking construction.