



relationships

Progressing Partnership

changing the way we work

creating a future

sustaining the future

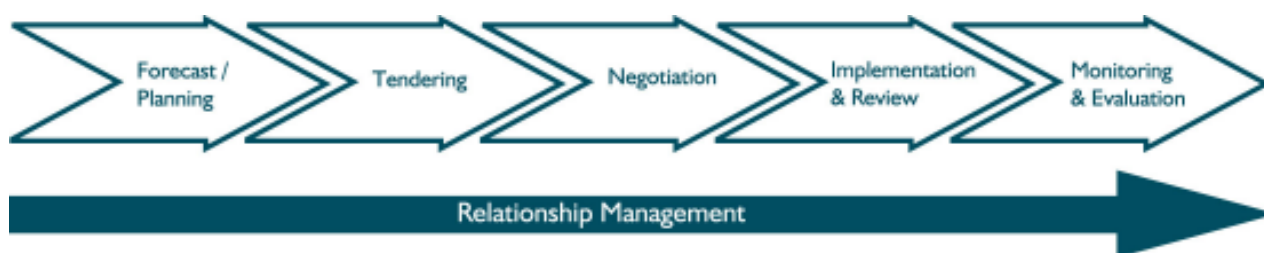
co-operation

Code of Practice on Supply Chain Partnership

supporting jobs

Code of Practice on Supply Chain Partnership

The Code of Practice is set out below and is structured in terms of the objectives to be achieved at each key stage of the commercial process. Changes in behaviour and metrics are also set out for each such stage.



1. Commercial Stage - Forecast/Planning all activity up to the point of tender

High Level Aim
More effective planning for business cycles.

Objective
Ensure transparency in planning and commercial activity across all operators on the UKCS.

Proposed Action

1. Develop, launch and adopt standardised approach by UKCS operators to communicate future plans as follows:
 - Data to be collected by DTI/UKOOA as part of the existing annual survey, amended to make information gathered relevant to contractors.
 - Data to be published by following criteria:
 - geographical region
 - type of development/activity.
 - Data to be aggregated by UKOOA/DTI unless an operator is content to be named.
 - 100% uptake by operators by Q3 2002.
2. 6-monthly "Industry Share Fair" (based on Brownfield event model) at which operators communicate their plans at a nominal costs. The first in Spring 2002.
3. Operators to identify and make public internal contacts (including R&D) able to discuss future plans with contracting community by end of Q1 2002.
4. Contracting community to respond to such operator information in terms of resource availability within 3 months.



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2. Commercial Stage - Tendering

all activity up to the point of contract negotiations, including elimination of bidders

High Level Aim

Reduce the cost of unsuccessful bidding.

Objective

1. Adoption of FPAL as the only company generic pre-qualification required in order to reduce the cost of pre-qualification.
2. Commit to shorter tender turn-around times.
3. Recognise value as a standard element of tender specification including investment in new technology.
4. Without exception, carry out de-briefs on unsuccessful bids.

Proposed Action

1. Single qualification by purchasers (as opposed to multiple qualifications by different business units)
 - Where pre-qualification is necessary only companies registered with FPAL, with an up-to-date capability assessment, will be asked to bid, by the end of 2002.
 - Augmentation of FPAL company data will be kept to a minimum and should not duplicate FPAL in any way.
 - All FPAL registered companies must keep their details valid and up-to-date. Those without up-to-date capability assessments will not be asked to bid and operators/contractors will notify companies of their exclusion for this reason.
2. By end of Q1 2002 all tenders will include an up-front guideline on the timetable for completion.
3. By Q1 2002 all tenders should include, up-front the award criteria (including guidance on project drivers) and include an opportunity for bidders to show where they can add value to the contract.
4. 100% detailed, two-way feedback for all unsuccessful bids on contracts over £300K by end of Q2 2002.

3. Commercial Stage - Negotiation agreement of contract terms

High Level Aim

Cut waste.

Objective

Reduce the amount of time and money spent on unnecessary paperwork.

Proposed Action

1. Use of standard contract documentation (in the areas for which they exist) for 100% of contracts by end of 2002. (Standard contracts can be LOGIC (formerly CRINE) or company specific global contracts.)
2. Additional clauses and terms to standard contracts actively challenged and kept to a minimum.
3. By Q3 2002 all contracts to include prompt payment terms of 30 days.

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4. Commercial Stage - Implementation and review through the life of the contract and at the end of the contract

High Level Aim

1. Get the job done right.
2. Minimise waste.
3. Learn from mistakes and best practice.

Objective

1. Develop and maintain trusting relationships through the use of a structured review process.
2. Allow contracts to be modified if solutions that add-value and are best for both sides are identified during the contract execution.
3. Use feedback (FPAL feedback loop), both ways, throughout the execution of the contract.

Proposed Action

1. By Q3 2002 all contracts above £5 million by the end of 2002 and £1 million by end of 2003 to contain key performance indicators and an up-front, at least 6-monthly, review programme to be agreed at the time of contract signing for the life of the contract.
2. Prompt payment of invoice within 30 days in 100% of cases.
3. 100% feedback on contracts over £300k (using FPAL format as a template for the review) by end 2002.
4. 50% use of FPAL feedback loop for contracts over £300k by end 2002. (This is not meant to replace robust feedback but enhance it.)

5. Commercial Stage - Monitoring and Evaluation of Code

High Level Aim

To set systems in place.

Objective

1. Involve Supply chain champions network in monitoring of Code.
2. Pan-industry sharing of success and best practice.
3. Strategic overview.
4. Continuous improvement.

Proposed Action

1. Supply chain experts to assess the performance of their company against the Code, producing a report, to DTI, to a standard format every year.
 - Supply Chain Champions & Experts to be given time and resource to carry out duties.
2. Hold as part of the LOGIC conference a free, annual, high profile industry "sharing" event to showcase successes and exert informal peer pressure.
3. DTI to provide annual report to PILOT.
4. DTI to publish range and average of industry performance.
 - Users of the Code of Practice will aim for continuous improvement against the industry average.

Implementation and Adoption of the Code

To ensure its long-term contribution, the adoption of the Code of Practice will need to be effectively implemented. During the first quarter of 2002, a sub group of Progressing Partnership will work to develop and execute a comprehensive approach to enrolling as many industry participants as possible (active UKCS Operators, Licensees, Contractors and Suppliers).

It will be important that the Code is endorsed, by signature, by the Senior Management of UKCS participants and additionally is supported and endorsed by the DTI. Senior Management of individual companies should also present and explain the Code to their staff as a guidance document for the conduct of supply chain activity, and emphasise their personal commitment to the Code. Internal incentives and penalties could be developed to encourage such compliance.

The industry and DTI should monitor the use of the Code and annually report to PILOT the extent to which expectations are being met and also to promote best practices. This will be a transparent monitoring system with information readily available to industry.

Conclusion

This code offers a tangible step towards improving the workings of commercial relationships within the UK oil and gas industry. However, key to its delivery will be the endorsement, commitment and participation of the UKCS supply chain.