

Safe roads, Reliable journeys, Informed travellers



Strategic Supplier Development Industry Advisory Group Meeting

24 September 2008

Agenda

- Welcome and introductions
- Previous IAG meeting and actions
- Sub-group feedback
 - CAT
 - Performance
 - Diversity
 - Sustainability
- Review and actions
- Review sub-group composition and roles
- Communications
- Next steps

Previous IAG meeting and actions

Communication

- Transcribed flip charts and draft two-page summary circulated to IAG members
- Agenda, slides and two-page summary document have been posted on the HA web site

Role and focus of IAG

- Membership: HA Procurement, Major Projects and Network Operations, CAT assessors, key members of supplier base
- Focus: any issue connected to supplier selection and development (HA and supplier perspective)
- Link back to HA objectives, e.g. achieving best value, sustainable supply chain
- Capture opinions of peers – members responsible for communicating with them
- Commit to attend or send a substitute

How will the IAG work?

- Engage the whole supply base through:
 - Working groups (do the work)
 - Communication via members and the HA
- Periodic meetings to review and make progress
- To produce:
 - Agreed approach on the future of CAT
 - Agreed mechanism for integrating live performance data into selection
 - Supply chain more engaged in taking forward real actions on diversity and sustainability

CAT3 review

- Reviewed background and summary of results from CAT3
- Reviewed experience of CAT3 from HA, assessor and supplier perspectives
- Generally positive conclusions with some specific points to learn from

CAT – what next

- Options for CAT4 – stretched minds
- HA timing and cost constraints
- Desire to optimise value from CAT3
- HA focus on sustainability and diversity
- Tighter link to HA business objectives
- General desire for consistency with CAT3

Sustainable development

Development which meets the needs of the present without compromising the ability of future generations to meet their own needs

- Sub-group tasked to draw on and feed into SSR and other HA work on sustainability to explore how we can shape the HA selection process to take account of sustainability

Diversity

- Reviewed HA viewpoint on diversity
- Explored what suppliers can do to create momentum on diversity, what we need to help us, and what are the barriers to progress
- Sub-group formed to take the subject forward

Performance data – HA positioning

- Long time intention of the Agency to use live performance data in pre-qualification – a key part of procurement strategy
- Held off full introduction until now
 - Concerns about quantity, coverage and consistency of data
- How can we make this a fair process for existing and new suppliers?

Subgroups

Sustainability		Diversity	
Colin * Paul F Tom	Steve W – Amey Steven St J – Ringway Steve A – ACE/URS	Donald Jenny Steven St J Roland *	Tom's hat
CAT 4		Performance data	
Andrew (1) Paul B (2) Steve W (2) * Ian (3) Sue A	Steve A (2) Mark T-W (1) Gray (2)/Hilary (1) HA rep [Tom (3)]	Mike Paul B Ian Martin Paul F - Mouchel	Nigel Andrew * Jenny MP NO

Subgroup objectives

- Performance Data
 - How should the Agency use performance data in its pre-qualification process?
 - What will the mechanism look like?
- Diversity
 - How can we shape the HA selection process to take account of diversity?
- CAT 4
 - How can we best shape CAT 4 to achieve what we want within the constraints?
- Sustainability
 - How can we shape the HA selection process to take account of sustainability?

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HA Industry Advisory Group

CAT 4
Sub-Group

Background

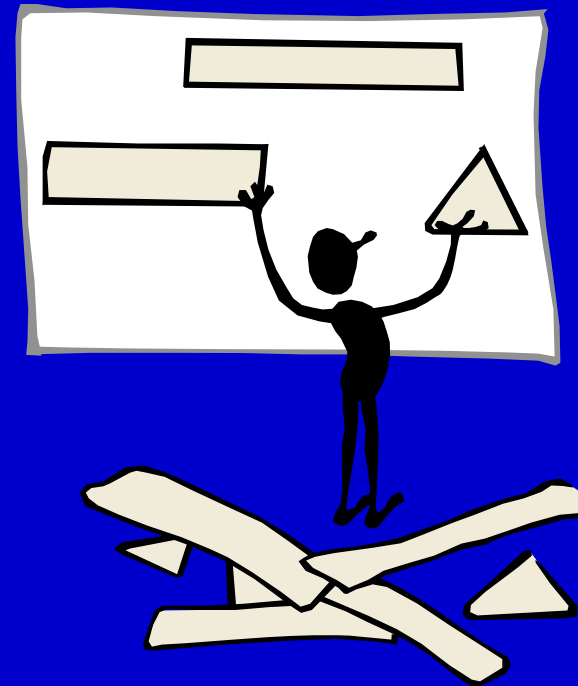
Capability Assessment Toolkit was developed to address company capability

The CAT has proved mutually beneficial to both the HA and its supply chain and functions as a tool for both selection and continual improvement

The CAT is now used by the HA for prequalification on capital projects and maintenance contracts worth in excess of £20m

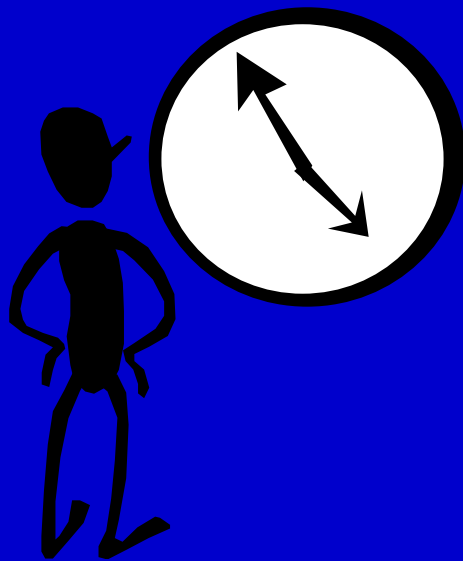
Objective

To develop a model for the CAT4 process and assessment, given the requirements of the 2009/10 budget and the increasing HA focus on sustainability and diversity



Recommendation #1 – Timing

The IAG recommends that the CAT continues to be a key element in the HA's supplier selection process and that CAT 4 is assessed in 2010 at the earliest



Recommendation #2 – Assessment

Build on the CAT3 model and process with a full CAT4 assessment for new suppliers and a reduced scope assessment for existing suppliers:

New suppliers would have 3 CAT assessors over a 3-day visit

Existing suppliers would have 2 CAT assessors over a 3-day visit, supported by the CAT3 report

Recommendation #3 - Scope

Adopt the following changes to the CAT4 model:

Retain the structure and scoring system of the CAT model and adapt the existing indicators to include any required scope changes – eg diversity and sustainability

Each indicator to be scored on its merits – making a top score of 288 possible

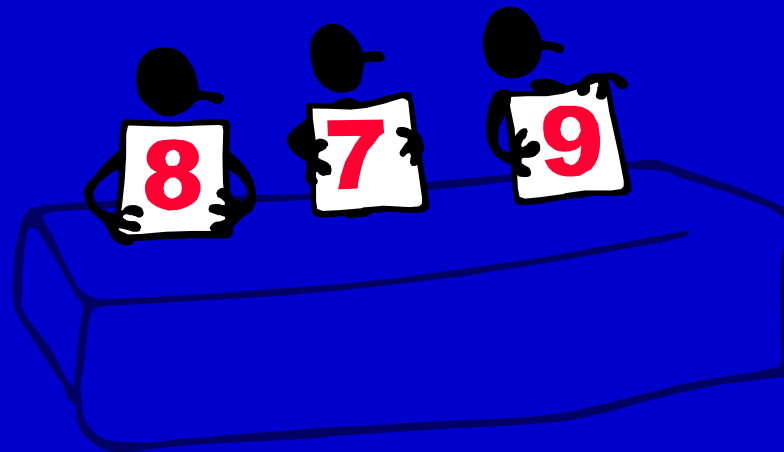
Existing suppliers to be re-assessed at CAT4 on 14 of the 24 indicators

Existing suppliers to be re-assessed on 14 of the 24 indicators

7 selected by the HA to include changes and particular priorities – all suppliers would be assessed on the same 7

7 selected by the supplier likely to be those indicators where the supplier believes that they can demonstrate significant improvement

The remaining 10 scores would be as CAT3



Recommendation #4 - Process

Retain and develop the following from CAT3 to CAT4:

Pre-visit planning discussion is valuable but should be remote and shorter

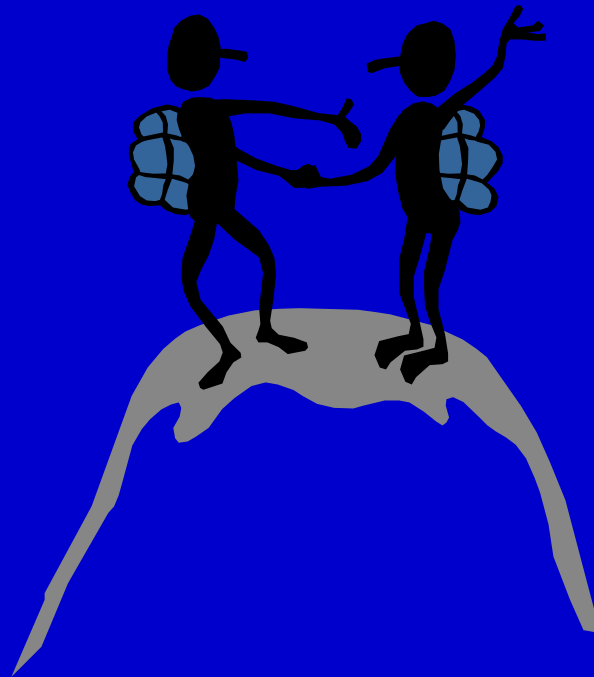
Investigate grouping of assessors to aid consistency and strengthen moderation but avoid cross-contamination

Training/briefing for CAT champions and assessors together is beneficial and necessary but could be shorter

Dialogue between the assessors and the CAT Champion should be encouraged during the process

Mechanism needed to resolve any supplier issues in exceptional circumstances

**The Sub-Group would like to review the
CAT4 model prior to roll-out**



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HA Industry Advisory Group

Performance Measurement Sub-Group

Background

Business Excellence model - CAT addresses company capability and PPD provides the results element

Strategy - measure supplier performance on current projects and at some point switch from PPD to using this live performance data

Two barriers (1) need an adequate and consistently applied performance measurement process and (2) procurement process has to allow new suppliers

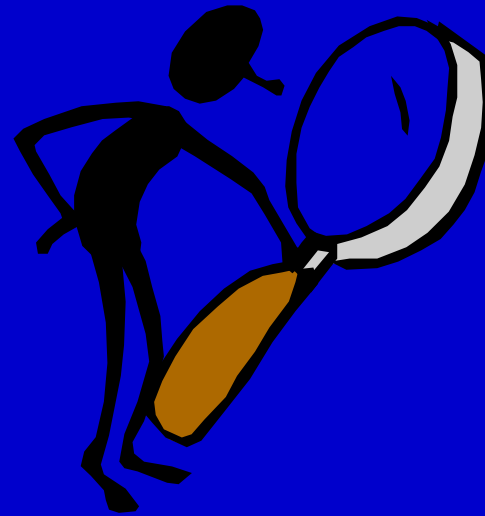
CAT and PPD processes are now mature, and the Motivating Success Toolkit is used to measure performance on project and maintenance contracts

Consequently the HA want to see performance measurement scores feeding into selection process

Objectives

To investigate the use of HA project performance data in supplier selection

To recommend a process that is transparent and fair for both existing suppliers and suppliers wanting to enter the market



LPD - Motivating Success Toolkit

MST - an effective tool used at project level

Issues about the applicability and consistency of the Areas of Measurement, and consistent application across projects, prevent it being used fairly in procurement as a selection tool

Current review and development of the MST metrics and process - the revised MST will be operational and in use across all HA contacts from March 2009 and will focus on the Contractor

The benefits of using MST data

The MST, can be more closely aligned to HA objectives and current initiatives in the sub-measures

MST data is being collected and demonstrates the performance of suppliers on HA projects – the currency, relevance and availability of MST data could inform selection

MST data shows change of performance over time, providing evidence of continual improvement, or otherwise

How MST data could be used in the selection process

At Prequalification Stage – alongside the CAT in combination or in lieu of PPD

At Tender Stage – instead of or to support evidence provided by tenderer. A tenderer can choose to use performance data. If the HA requires the use of performance data then problem for new suppliers - more simply resolved at PQ stage

The benefits of using PPD

Data is representative of the whole project cycle, or whole cycle to date

The data for all suppliers is adjudicated by a third party, EC Harris, and provides consistency

Allows both HA and non-HA projects to be assessed and benchmarked

PPD measures “outcome” of the project

There is a currency check – PPD only valid for a limited period

Allows new suppliers to easily enter the market

Allows “relevance” to be assessed of PPD to new project

Recommendation #1

The IAG recommends that MST data is used to inform Strategic Overview in exceptional circumstances and continue to use Past Performance Data in supplier selection



No “level playing field” between existing and new suppliers

PQ process was intended to be simple

MST data may have come from projects that are not relevant in scale or type to the project being selected for

Profile of suppliers may change with MM contracts

Current MST is a project tool and has some problems

Revised MST can't be used until it has time for sufficient months of data to be assessed, say from March 2010

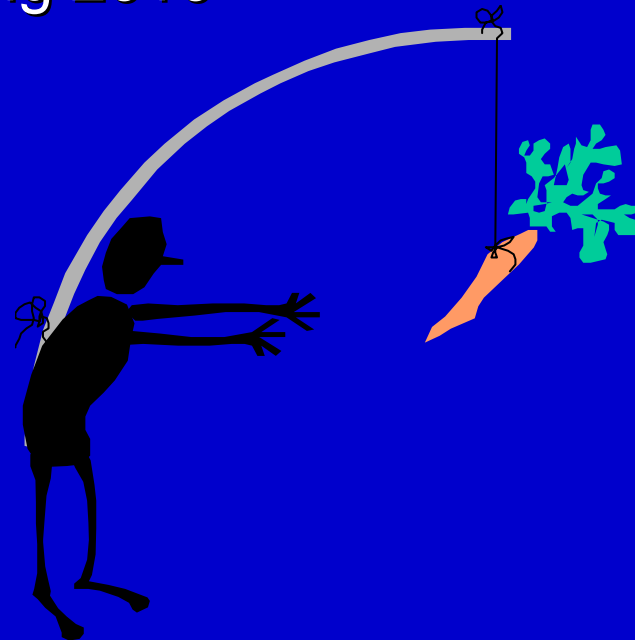
The live data process relies on a constant stream of projects

MST data could be used to inform a “yellow and red card” process

This would allow senior HA MPD or NOD managers to warn suppliers regarding continual poor performance, require such suppliers to produce an action plan, with the sanction for continued poor performance being de-selection at prequalification stage as part of the Strategic Overview

Recommendation #2

If the HA requires live performance data to be used in supplier selection then the IAG recommends that MST data is used in conjunction with PPD as set out below commencing in Spring 2010



Desire to use current performance data vs avoidance of uncharacteristic and therefore unfair data

HA PMs will assess supplier performance on their projects using the revised MST from March 2009

HA commercial teams collect MST data and provide:

- monthly score – average across all contracts
- rolling average of 12-month's combined project scores

Annualising and averaging MST data militates against spikes, uncharacteristic incidents & external effects

Use MST data from Spring 2010 alongside CAT4

MST could be supported by occasional moderation and auditing visits by the commercial team to project sites

Continue to use CAT as “capability” part of the Business Excellence model and use a combination of PPD and MST data for the “results” element

Not all contractors wishing to prequalify will have MST data. Two alternatives (1) equivalent MST data for projects that they are currently undertaking for another client, or (2) utilise a two-stage prequalification assessment method which allows the use of MST data

Currently CAT, Past Performance Data, and Added Value are used in a 60:35:5 weighting. PPD would continue to be for two, projects, HA or non-HA

In the two-stage assessment the suppliers are first assessed using CAT, PPD and Value Added and ranked by combined score

Stage 1 is used to prequalify suppliers with no MST data. A supplier with no MST data which is ranked in the top 5 companies after Stage 1 is prequalified

Suppliers that have MST data are then assessed and ranked in stage 2 - weightings are shown below:

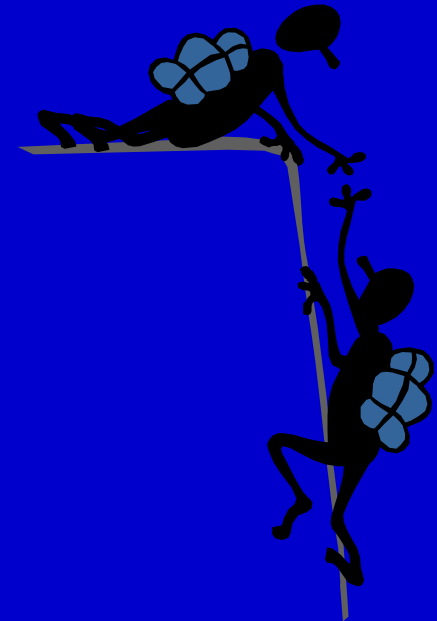
Stage	CAT	PPD	MST data	Value Added
1	60	35	-	5
2	45	25	25	5

The advantages of the above process are that it provides:

- open access to new suppliers
- a mechanism for combining PPD and live data

PPD, Relevance Criteria, Added Value and Technical Ability would all continue as currently applied

The disadvantage is that it favours new suppliers



Diversity

IAG Sub Group

Background

- The Highways Agency has a duty to promote equality and eliminate discrimination in everything they do.
- We expect the same of our suppliers – this is already reflected to an extent in CAT3, but there is more work to be done.

Objective

- Review the adequacy of the current CAT 3 indicator for Diversity
- Explore what needs to be done to assist the supply chain in improving and developing its approach to Diversity

Recommendations 1

- The sub-group recommends that the HA should consider defining what it expects of its supply chain in respect of Diversity.
- What does the HA want Diversity to mean to its supply chain as a minimum objective?

Recommendations 2

- The IAG recommends to the HA that the best means of identifying its objectives with respect to Diversity to its supply chain would be by the use of a one day diversity Workshop.

Recommendations 3

- The sub-group recommends to the HA that the existing Indicator be subdivided to provide several sub indicators. Sub indicators to be focused on the key drivers for Diversity for the HA as presented at the aforementioned Workshop. Rather than just benefit in achieving corporate goals these should be community and customer focused as well.

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Sustainability

IAG Sub-Group

Background

- The Highways Agency has a duty to promote sustainability in everything we do.
- We expect the same of our suppliers – this is already reflected to an extent in CAT3, but there is more work to be done.

Objective

- Review the adequacy of the current CAT 3 indicator for Sustainability
- Explore what needs to be done to assist the supply chain in improving and developing its approach to Sustainability

Recommendations 1

- The sub group recommends to the HA that the current indicator requires some re-wording for clarity.
- The indicator should refer directly to sustainability
- The guidance supporting the indicator should contain more examples.

Recommendations 2

- The sub group recommends to the HA that the best means of identifying its objectives with respect to Sustainability is to hold a further workshop with wider representation from the supplier base.