INDUSTRY COMMENT

BRING IT ON

As bumper PR24 draft business plans are published this month, supply chain companies and their representatives are clear: they are gearing up, working together, and stand ready to play their part in delivery.

LET'S TRANSFORM – TOGETHER

Lila Thompson says the supply chain is collectively preparing to deliver a PR24 package of a size and scale that can really get to grips with sector challenges.

Lila Thompson is the chief executive of British Water.

With Ofwat signalling that the next water company investment cycle will be among the biggest and most ambitious since privatisation, the supply chain is gearing up for change in more ways than one.

One of British Water's roles is to amplify the voice of the supply chain and that of the wider industry. Given the need to:

- *significantly improve environmental performance*
- *increase the rate of asset maintenance and renewal*
- *enhance the roll out of digitalisation*
- *ramp up the adoption and roll out of innovation*
- *attract and retain a diverse range of talent*

we cannot afford a final determination which is not in keeping with a long-term plan to tackle current and future challenges.

From the supply chain the voice is clear – there is no desire for investment in AMP8 to be curtailed. Companies of all sizes are keen to see greater collaboration across the sector and have improved visibility of project pipelines with consistent delivery timeframes and adaptable, fit for purpose, procurement processes and terms and conditions. The supply chain remains keen to continue to explore opportunities to deliver new technologies and solutions.

Many companies have significantly ramped up recruitment - investing in graduates, apprentices, upskilling and attracting talent across their organisations. Investment has also gone into restructuring organisations to meet expected future demand across AMP8 and beyond.

Don't wind back

In terms of the impact of any potential winding back of the AMP8 programme? This could lead to an extremely difficult period for the supply chain, resulting in a deeper trough and higher peak across the next five-year spending cycle, jeopardising deliverability. It takes time to get staff ready to be deployed and instability will only mean that business critical decisions are deferred.

We have an opportunity now to build an effective ecosystem that fosters a stable and sustainable commercial environment that supports the largest clients to the smallest of supply chain companies, where risk is effectively apportioned to those most appropriate to bear it. For the sake of customers and the environment a low margin / high risk sector is not where we want to be.

Better together

With an anticipated larger Water Industry National Environment Programme and Drainage and Wastewater Management Plan programme on the horizon, and the impacts of climate change ever present, we need to work better together to restore biodiversity. 'Better Together' is a phrase which British Water has been using throughout the year to indicate our ambition to bring people together to help transform the sector over the long term.

Our Annual Conference in Manchester on 21 November is set to do just that. We will be convening key players to explore where we can make a collective difference. 'Collective' is the operative word as the need for a sector purpose and vision is now more necessary than ever.

I have been encouraged to see and hear the amount of water companies engaging with the supply chain with plans to smooth transition spend from AMP7 to 8. The anticipated increase in spend in the industry is definitely driving confidence and behaviour, so let's continue to gear up for change.

Stuart Rothery explains how supply chain companies, such as pipeline specialist Victaulic, are going about building capacity and confidence to help deliver a supersized AMP8.

HELPING TO BUILD CAPACITY FOR AMP8

As water companies have worked on their Price Review 2024 (PR24) business plans, which will underpin expenditure for AMP8, the market has received lots of signals to suggest investment in the next period is likely to be significantly higher than in AMP7. This will happen at a time when UK infrastructure continues to grow rapidly.

Listening to trade associations, to the supply chain and to many water company capital delivery teams, it appears that things are already hot and widely expected to get much hotter! If contractors, designers and the wider supply chain are already close to or at capacity, what should all stakeholders across the water industry be considering to ensure the programme, the performance commitments and the satisfaction of customers are assured?

Many firms are setting out ambitious plans to recruit new talent to rise to the challenges ahead. Experience tells us that actually obtaining these precious resources is anything but simple. Significant effort is needed to retain staff, facilitate training and implement recruitment strategies – all major factors affecting a company's ability to serve and grow. This raises two critical questions – to what extent are we simply moving the resources around the chessboard? And how much resilience is there actually in place for UK water to exceed expectations in the next AMP?

Development and learning opportunities

As the industry gears up for change, proactive organisations may consider how to enhance capacity from other areas. Generating new ideas, landing new technologies and building up existing teams sparks an ambition to look at development and learning opportunities from other sectors and other geographies. Being committed to what is widely expected to be a capital programme like no other, means that all firms in the mix must have the right skills, services and products available to them when they are needed. Presenting realistic and demonstrably beneficial options to water companies becomes an essential step in the procurement process – always with the strong caveat that these are reliable and capable of becoming part of the wider value proposition.

Both incumbent industry players and would-be new entrants are looking at ways to ramp up and support this effort and it is recognised that securing the confidence of stakeholders is paramount. This is where strategic development, client engagement and assurance planning must focus. Confidence is earned over time – often a long time – and that journey should start now to ensure the water industry as a collective is united in achieving its stated targets and can turn the spate of negative media messages into stories of high performance and collaborative success.

Establishing confidence and building a strong case for fresh ideas and developing alternative ways of delivery, may include further consideration on a number of themes:

> Significant effort is needed to retain staff, facilitate training and implement recruitment strategies – all major factors affecting a company's ability to serve and grow.

- **Accreditation and compliance –** *the route for gaining the appropriate accreditation and certification seems to be unclear to many in the industry. Trade organisations are already discussing this important and enabling factor that is central to most work across the sector. There are regulatory mandates such as DWI Regulation 31; British and European standards; Water Industry standards, including WIS, WIMES and WRAS; and then a host of other guidance documents from professional institutions, trade associations and universities. Unlike other highly regulated sectors, both in the UK and abroad, there is no single point of control that focuses on the breadth of standards that control compliance while also providing a platform for future evolution.*

- **Asset standards** *– taking the above point further, when compared to other sectors in the UK, such as oil & gas and petrochemicals, it is evident that water could benefit from further standardisation. This could help rationalise aspects of the industry and optimise design and product solutions, thereby saving time and money while also enhancing resource capacity across the programme. The variety and spectrum of asset standards is often a subject for discussion and debate; a prime opportunity for UK water to consider an optimised set of rules by which we govern practices for design, construction, operation and maintenance of some of the UK's most critical assets. Accessibility of these benchmarks would certainly assist the supply chain and would provide a mechanism for introducing asset life value propositions.*

- **Visibility –** *there is much dialogue around water companies providing visibility of planned work and giving multiple years lookahead to enable the supply chain to gear up and meet the expected demands of each programme. While there is much positive development in this area, there are other aspects that would strongly enhance the supply chain's ability to serve effectively. As above, having access to asset standards as is the case in the oil & gas or petrochemical sectors, would assist supply chain capacity and efficiency. Another area is the visibility of company frameworks, incumbent supply chain organisations and planned timing for either new procurement exercises or contract renewal. This is often highly visible in other geographies as public funding promotes an open data approach. The effort that water companies go to, to forward plan and communicate their upcoming programme of*

Stuart Rothery is vice president at Victaulic Company, a global leader in multi-sector pipeline solutions, focused on proprietary mechanical pipe joining and flow control applications for the water industry.

INDUSTRY COMMENT *continued*

work, is evidenced by the many liaison meetings, market engagement sessions, feedback sessions and other communications. Is there a next step in this positive evolution, to create an integrated UK-wide line of sight that sets out who is working for which water company, including notifications of how and when prospective new entrants can get on board?

Industry best practice – *UK water has been described as a close-knit community. The various trade organisations have driven the process of knowledge sharing and building best practice to a new level. We're witnessing the emergence of new interest from overseas EPC contractors on the back of some massive schemes. Now is a good time to dip further into the experiences from overseas, such as Europe, the United States and even further afield. Many firms serving the UK water sector are in fact global organisations, and many (if not all) sing the virtues of their international pedigrees. There is likely to be considerable benefit in assessing and reviewing other practices and exploring how these may advance our collective ambition.*

Increasing the availability of resources

The anticipated growth in expenditure, coupled with the predicted levels of development across infrastructure, suggests that availability of resources will come under increasing pressure. As an example, one area that is already experiencing these effects is welding. Options exist, for instance, to harness additional capacity to support the industry and remove pressure from this pool of critical craft labour.

As firms build their portfolio across the water industry, to serve proactively and responsibly, they must determine a way to harmonise and collaborate with incumbent organisations. Creating a level of healthy challenge and tension, as industry players seek to test the norms, must not extend into untried and untested promises that detract from the overall bigger picture and lead to longer term dissatisfaction.

It is important for those seeking to build their capacity to be fully aware of the industry challenges and opportunities, and also be fully self-aware, in order to dovetail their offerings into the world of water. These attributes may include:

- *Providing proven technical solutions that meet a specific need or add value to existing practices.*
- *Creating a process for installation and on-site assembly that reduces construction periods and mitigates programme risk of rework or delay.*
- *Making additional resources available, that understand industry needs and demonstrably support (or provide) training, inspection and quality control services.*
- *Creating scope for a safer environment – mitigating risk through design, construction and the ongoing operational period.*
- *Supporting modularisation and Design for Manufacture and Assembly, which links strongly into a set of asset standards that apply across the industry.*
- *Advancing progress across the corporate ESG platform, with evidence and proofs that are available for cross-learning.*
- *Aligning with immediate, medium and long-term net zero targets for both operational and embedded carbon performance targets.*

> **The process of dovetailing with incumbent players needs care and boldness in equal measure.**

> **UK water needs expert input from a strong army of competent incumbent companies, linked to well-presented and responsive options from new entrants.**

- *Attending to whole life considerations and supporting long term performance and resilience; reducing the frequency of intervention and the cost to serve over the asset's life term.*

In seeking to build capacity, organisations must avoid trying to be all things to all people and should instead focus on niche areas and specific opportunities where there is a real and present challenge.

Assessing the full value proposition

Behind all of the above attributes lies the all-important issue of cost. We talk of cost and value and it's true to say that in an ideal world, the full scope of cost (capital and operational) would be baked into every procurement and contract assessment. However, this is a work in progress for most of the industry. It is therefore essential to build commercial confidence around a reliable set of data that includes total installation cost.

Organisations that are promoting a product or an assembly should look at the whole picture and articulate the cost benefits based on all the contributory and influencing factors. In the example of welding mentioned above, there are costs associated with fabrication, NDT, rework and internal logistics. Presenting viable alternative solutions should assess the full value proposition, in terms of real costs, potential risk, operational safety and more. Procurement teams may consider how this happens within their commercial teams, but equally the supply chain must step up to the plate and articulate its projected benefits clearly to spark debate.

Confidence is critical for any relationship to flourish. This takes time to build and it's always essential to listen attentively to understand what's really important to your customer. The supply chain must understand the interrelationships between stakeholders. The process of dovetailing with incumbent players needs care and boldness in equal measure. We all adopt routines and practices and changing from these can be difficult, even when some relationships are imperfect. We've all heard the saying, "we've always done it like this….". To be fair, that's a human trait and present in most of us; so suppliers seeking to enter the market must be resilient, honest and always proactively helpful if change is to be adopted.

Firms that present solutions that are based on engineering innovation and long standing technology, with demonstrable ability to add resource, thought leadership and a collaborative culture, may be well-placed to support the expenditure profile across AMP8. UK water needs expert input from a strong army of competent incumbent companies, linked to well-presented and responsive options from new entrants. Together these teams must evidence enhanced cost efficiencies, programme certainty, improved safety and effective technical solutions for all the industry challenges that we face. Certainly there is capacity to meet the needs of AMP8 and as a collective we have the ability to scale up and create a sector that we are all proud of. TWR