



THE INSTITUTE OF RISK MANAGEMENT

MINUTES OF PPP/PFI SPECIAL INTEREST GROUP

HELD AT WSP, 24-30 HOLBORN, LONDON

ON THURSDAY 21ST FEBRUARY 2008

Expected Attendees

Manuela Baroncini (SwissRe), Warren Beardall (JLT), Nick Bellamy (Chubb Insurance), Geoff Buckingham (CORDA), Socrates Coudinaris (OmegaRisk), Fiona Davidge (London Underground), Barry Dickinson (WSP), Joanne Foley (Willis), Andy Garlick (The Risk Agenda), Tracey Hutchinson (Northumbrian Police), Robert Kemp (Tube Lines), Iain Lawrie (IoW), Adrian Letty (Alfred McAlpine), Henry Mgbezeh (Cyril Sweett), Janice Oram (Marsh), Tom Smith (Derbyshire), Poh Tan (Cyril Sweett), Graham Taylor (Chubb Insurance), Steve Tuston (GSL), Mike Walker (Chair of SIG and Metronet), Roger Walton (LB of Redbridge), David West (WSP)

Apologies

Sian Biggs (TfL), Patricia Burton (Cyril Sweett), Sam Dexter (GSL), Sandra Elston (Willis), Anna Kingsmill-Vellacott (HM Court Service), Paul Miller (Cyril Sweett)

Items

1. Barry Dickinson of WSP welcomed us all to his offices and the meeting. He then introduced David West as lead speaker for the day.
2. David took as his subject risk in the bidding process. He gave us an account of the approach used by WSP to ensure that the risks to the business are properly managed. Among his points were:
 - a bid is a project in its own right, a discrete set of activities with their own cost - often substantial
 - losing is bad, but winning can be worse: Laing lost £31m on the Millennium stadium; Multiplex £150m on Wembley, in both cases with major corporate impacts
 - getting the requirement and output specification right is of critical importance, but often difficult - what is required is real communication - questioning, listening and so on to as to get clarity
 - schedule risk is very important as high levels of parallel activity make delay almost inevitable; this is exacerbated by poor programmes with faulty logic due to a scarcity of good planners (as opposed to software operators)
 - a recent survey showed that on average projects were 8 months late and £1.2m overbudget
 - risk analysis should be used not only to inform pricing but also for the go-no go decision as a whole; David had seen too many projects where a no bid decision would have been appropriate but was not taken
 - how the review process should work and what the key risks are.
3. Throughout the talk Barry provided us with practical examples of what David was describing.

4. The presentation was followed with questions. It was thought the risks which caused headaches for PPP/PFI bids in particular were availability, service and, particularly, maintaining flexibility over the contract period. It was important that customer and contractor worked together in that. Barry had two examples where PFI-built facilities had contingency space and this had been beneficial for both customer and contractor.
5. Mike thanked both speakers, on behalf of the IRM, for the effort they had put into preparing their presentation. The IRM is very grateful to WSP and other organisations who can host these meetings. He invited volunteers to host and present at future meetings.

Attachments: Powerpoint presentation to be posted on IRM website