

# Agenda Item 10 – Open Forum Topics 1

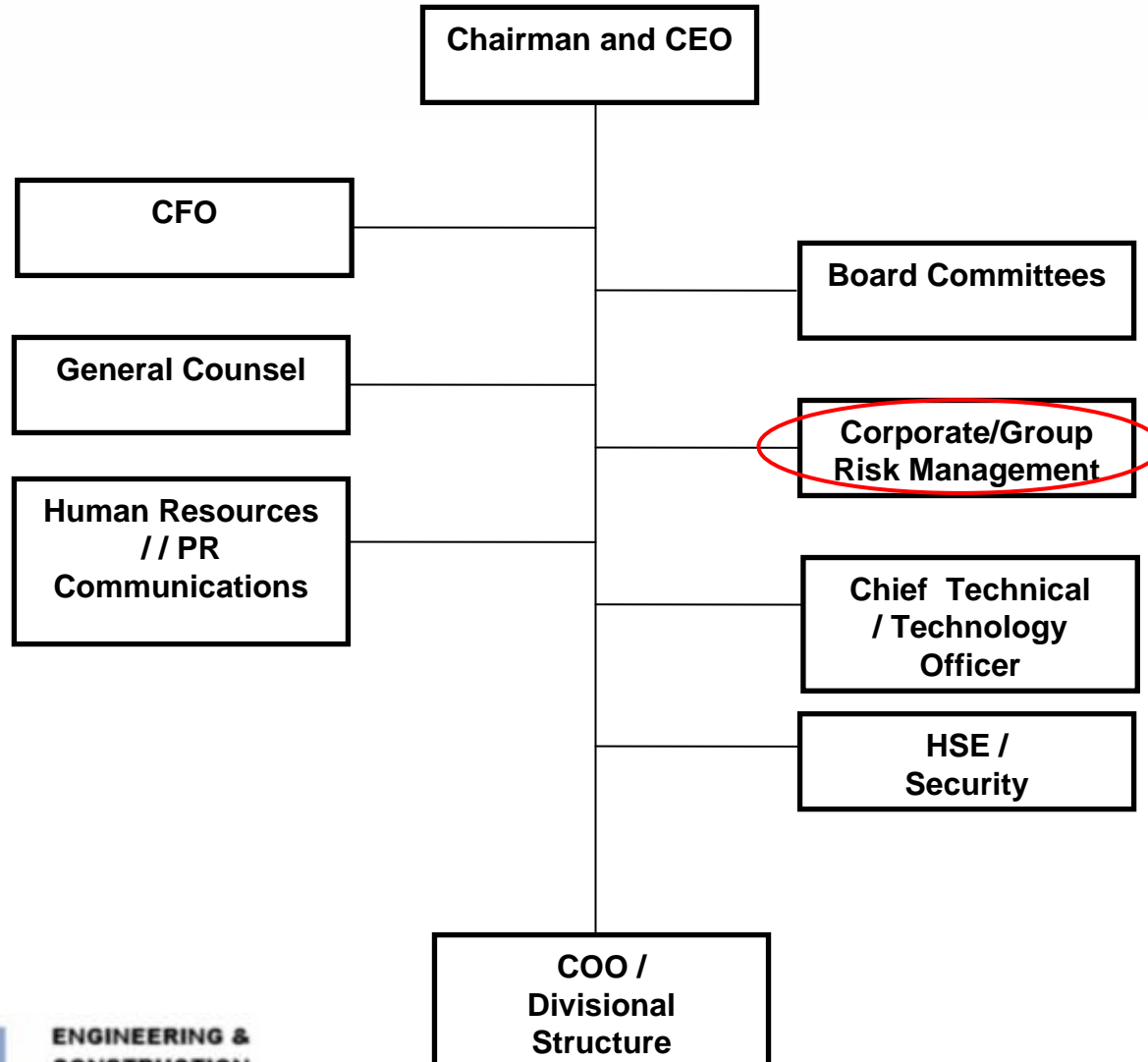
## OPEN FORUM TOPIC INTRODUCTIONS

--- ALL ---

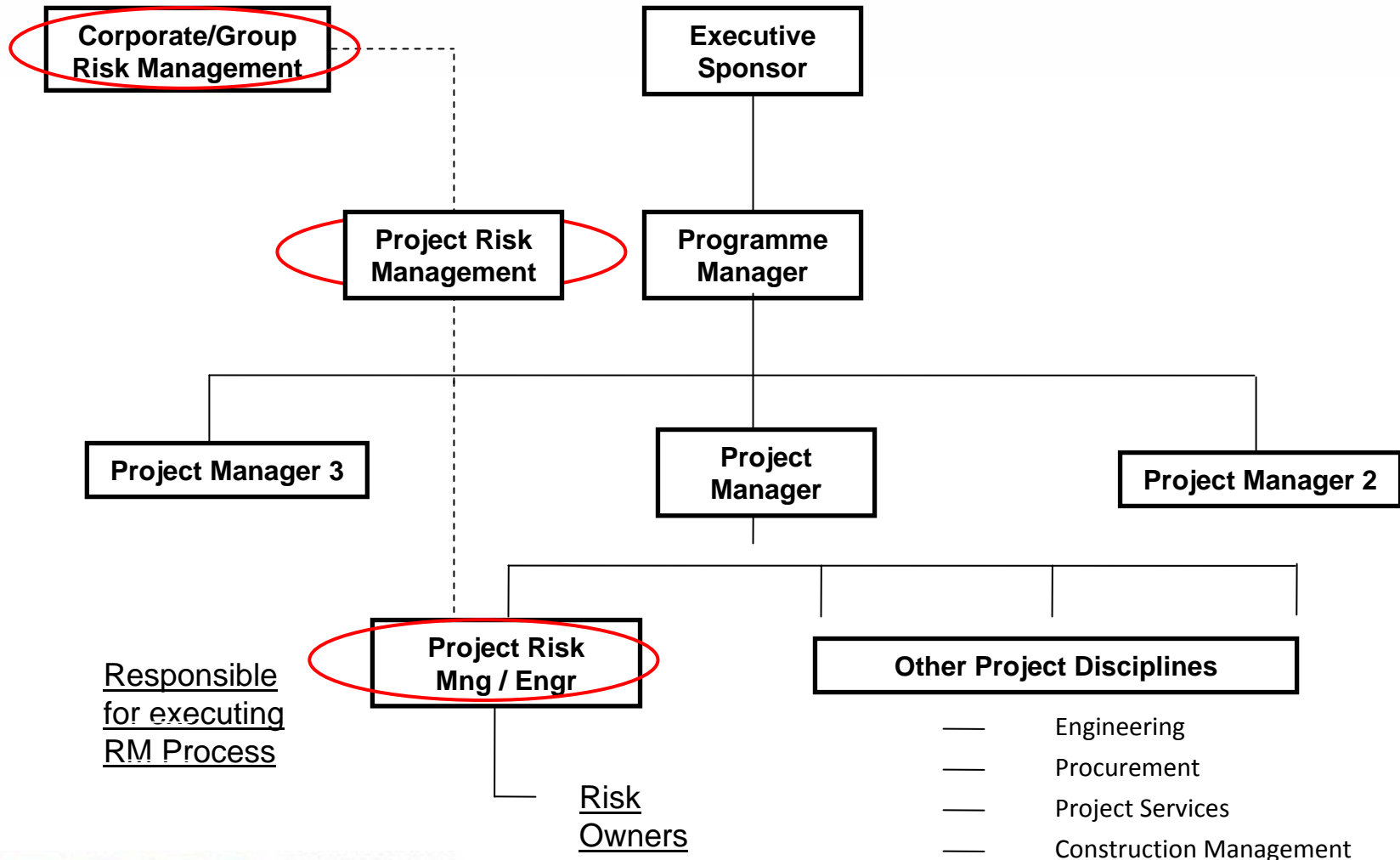
**Topic A – Risk Management Organisation**

**Topic B – Integration of Risk Management Processes with other Business Processes**

# E&C Company Group / Corporate Risk Organisation



# Project Risk Management Organisation



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## OPEN FORUM TOPIC A

--- ALL ---

**See Minutes of Meeting for Discussion**

# Agenda Item 10 – Open Forum Topics 1

## OPEN FORUM TOPIC INTRODUCTIONS

--- ALL ---

**Topic B – Integration of Risk Management Processes with other Business Processes**

# Agenda Item 10 – Open Forum 1

## Topic B – Integration of RM / Other Bus. Processes

- **Co-ordinating, integrating and aligning assurance processes to maximise Risk Governance e.g.**
  - Risk / QA, QM Integration
  - Legal / Minimum Contracting Requirements
  - Financial Control and Reporting
  - Tax, Treasury, Insurance
  - HSE, IT, HR
  - Fraud

**IS THERE AN OPTIMUM CONCEPT OR STRUCTURE FOR OVERALL ASSURANCE ?**

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## OPEN FORUM TOPIC B

--- ALL ---

**See Minutes of Meeting for Discussion**

# Agenda Item 11 – Open Forum Topics 2

**Topic C - E&C Industry Risk / Issues Survey**

**Topic D – Contracting Conditions in the Middle East**

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# Agenda Item 11 - Open Forum 2

## Topic C - E&C Industry Risks / Issues Survey

### ➤ **HIGHLY COMPETITIVE MARKET**

- Scramble for work / low price entrants**
- Large bid lists with some “unbalance”**
- Margin pressure and contraction**
- Is risk being priced and managed adequately ?**
- Continued aggressive emergence of Asian Contractors.**

# **Agenda Item 11 – Open Forum 2**

## **Topic C – E&C Industry Risks / Issues Survey**

- **GENERAL ECONOMIC RECESSION ISSUES**
  - Client / Partner Stability and Solvency**
  - Availability / High Cost of Financing and suitable Guarantees and Bonding / Increasing Complexity**
  - Getting paid on time / cash flow issues**
  - Forex Stability and Euro issue**
  - LSTK Pricing Risk on long term Projects**
  - Ditto for Trending and Forecasting Risk and Contingency**

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## **Topic C – E&C Industry Risks / Issues Survey**

- **AVAILABILITY OF PROJECT FUNDING / FINANCING**
  - Slow Roll / Limited release**
  - Project Delays, Deferrals, Phasing, Suspensions, Cancellations**
  - Adequate ( & Equitable ) Suspension and Termination provisions**
  - Increased Local content with Quality, Traceability, Delivery and Know-How protection issues**
  - Shortened Bid and Execution Schedules**
  - Staff Retention and Turnover issues**

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## Topic C – E&C Industry Risks / Issues Survey

### ➤ **TOUGHER CONTRACT CONDITIONS**

- **Clients driving harder bargains**
- **More onerous Contract conditions (esp. Govt. work)**
- **More Fixed Price / LSTK**
- **Transfer of more Risk and Responsibility to Contrs.**
- **Absence of Escalation formulae in the Middle East**
- **Attempting to have PMC stand in front of EPC Contractors for Performance obligations**
- **Carve Outs from Contract Caps ( wilful misconduct and gross negligence )**
- **Revisiting previously Agreed Terms**

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## Topic C – E&C Industry Risks / Issues Survey

### ➤ **SUPPLY CHAIN ISSUES**

- Vendor and S/C Stability and Solvency**
- Local Content / Emerging Market Supplier Quality, Traceability, Delivery and Know – How**
- Significant Commodity Price Escalation and Volatility**
- Aggressive S/C Claims**
- Shipping – Return to Tighter Market ?**

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## Topic C – E&C Industry Risks / Issues Survey

### ➤ TECHNOLOGICAL / ENVIRONMENTAL ISSUES

- Pushing “Technological” Boundaries to obtain Cost and Schedule benefits
- Brand, Stock Price and Reputation consequences of Failure
- IT Dependency and Risks of System Collapse
- Greater Govt. and Legislative Involvement – a Benefit or Hindrance ?

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## Topic C – E&C Industry Risks / Issues Survey

### ➤ TALENT RECRUITMENT AND RETENTION

- Dealing with Project Uncertainties
- Recruiting and Retaining Personnel especially younger people in E&C Industry
- Loss of Key Personnel

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## Topic C – E&C Industry Risks / Issues Survey

### ➤ OTHER ISSUES

- Ethical Breach with Wide-Ranging Impact
- Clients wanting Involvement in Contrs. Work
- Exposure to Large Single Clients or Country ( Mexico, RSA, Venezuela, Colombia )
- Non-Alignment of Project Goals between Client and Contr.
- Glaring lack of Capacity / PM Capability in some Client orgs, especially Parastatals
- Quality / Responsibility for Design Work by Others / Rely on ?
- Joint Venture Issues of Alignment, Client forced Marriages etc.
- State of Commercial Building / Civil Sector and over reliance on Govt. Sector Work

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## Topic C – E&C Industry Risks Survey

### ➤ Opportunities :

- India's Growth particularly Power and Infrastructure
- Growth in South America, particularly Brazil
- Australia and Pacific Rim Countries
- US Desire for Energy Independence / Canadian Shale oil
- Deep Water Finds in the Gulf of Mexico !
- Small Virtual Execution opportunities in Lower Cost Centres around the World
- Strong Balance Sht. Companies – Aquisitions
- Contract Variations

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## OPEN FORUM TOPIC A

--- ALL ---

**See Minutes of Meeting for Discussion**

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## Topic D – Contracting Conditions in the Middle East

-- ALL --

## **Agenda item 11 – Open Forum Topics 2**

- Are conditions becoming more difficult e.g.**
  - Unlimited Liability for Consequential Loss ?**
  - Unlimited Liability for Make Good under Contract ?**
  - Unlimited Liability for Wilful Misconduct ?**
  - Unlimited Liability for Gross Negligence ?**
- Are they really the Four Horsemen of the Apocalypse?**
- Is there any evidence of enforcement of claims against Contractors in respect of the above ?**

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## OPEN FORUM TOPIC B

--- ALL ---

**See Minutes of Meeting for Discussion**