



2005 CODE OF PRACTICE COMPLIANCE SURVEY

The Supply Chain Code of Practice is endorsed by PILOT and the Industry Leadership Team, the Supply Chain Steering Group and Supply Chain Managers Network, DTI, EIC, FPAL, IMCA, OCA, UKOOA and WSCA.





2005 Code Compliance Survey

The Supply Chain in the UKCS is experiencing record levels of work, with order books being reported as full across all sectors. However, this does not mean that the industry should lose the momentum gathered over the past four years in improving commercial behaviours and practices - indeed this opportunity should be grasped to further the implementation of the Supply Chain Code of Practice (the Code) which is our primary tool for the development of forward looking practices and positive behaviours.

The past year has seen the Code re-badged and re-launched to build on the success of the original which, along with the supplier version, has been combined into one streamlined document.

Over 100 companies, accounting for over 80% of UKCS expenditure in the basin (on an operated reserve basis), have re-committed to the revised Code. We would urge you to do the same or indeed sign-up for the first time. Details of how to do so are at the end of this report.

2005 Survey Method

A different methodology was employed for the 2005 survey. A much shorter, user-friendly questionnaire was designed and sent to all signatories of the Code (both new and original). As the survey was constructed differently to previous years, it is difficult to provide direct comparisons between these results and those of past surveys. However, compared to the last survey, where 57,500 contracts and £6.5 billion spend was covered, the 2005 survey does have a significant correlation to previous surveys. It is hoped that these figures will become the benchmark for the future.

Total number of contracts	58, 443
Total contracts spend	£7.84 billion
• Purchaser Group	£6.46 billion
• Supplier Group	£1.38 billion

Support for the Code:

- 75% of Purchasers and 55% of Suppliers questioned have supported the Code since its inception in 2002

2005 Code Compliance Survey

Contract Awards

Contract awards: £25,000 - £300,000*

Total awards made using FPAL registered sellers – 75%

When asked about the incidence of best practices exhibited in ITT's, awards and contract management for lower value contracts, Purchasers and Suppliers exhibited different beliefs in the frequency and volume of these practices ...

	Incidence (Purchasers)	Incidence (Suppliers)
ITTs awarded for contracts had an opportunity to add value	60%	27%
ITTs gave an opportunity to provide feedback	71%	21%
LOGIC standard contracts were utilised	44%	30%
KPIs were included	37%	31%
Regular performance reviews were included	47%	25%

Contract awards: £300,000 +

Total awards made using FPAL registered sellers – 81%

When asked about the incidence of best practices exhibited in ITT's, awards and contract management for major contracts, Purchasers and Suppliers exhibited different beliefs in the frequency and volume of these practices ...

	Incidence (Purchasers)	Incidence (Suppliers)
ITTs awarded for contracts had an opportunity to add value	74%	42%
ITTs gave an opportunity to provide feedback	81%	40%
LOGIC standard contracts were utilised	48%	42%
KPIs were included	53%	42%
Regular performance reviews were included	61%	42%

Conclusions

There has been an increase in contracts awarded to FPAL registered sellers – an increase from 63% in the previous year's survey.

Purchasers believe that a high proportion of those contracts gave an opportunity to add value and receive feedback in the original ITT. However, work will need to be carried out to understand why Suppliers believe this is not the case.

Efforts should be made to increase the level of standard contract usage and awards which include the application of KPI's and regular performance reviews.

Invoicing

Purchasers reported that 72% of their payments to suppliers and contractors were achieved within 30 days – up from 69% in the previous survey.

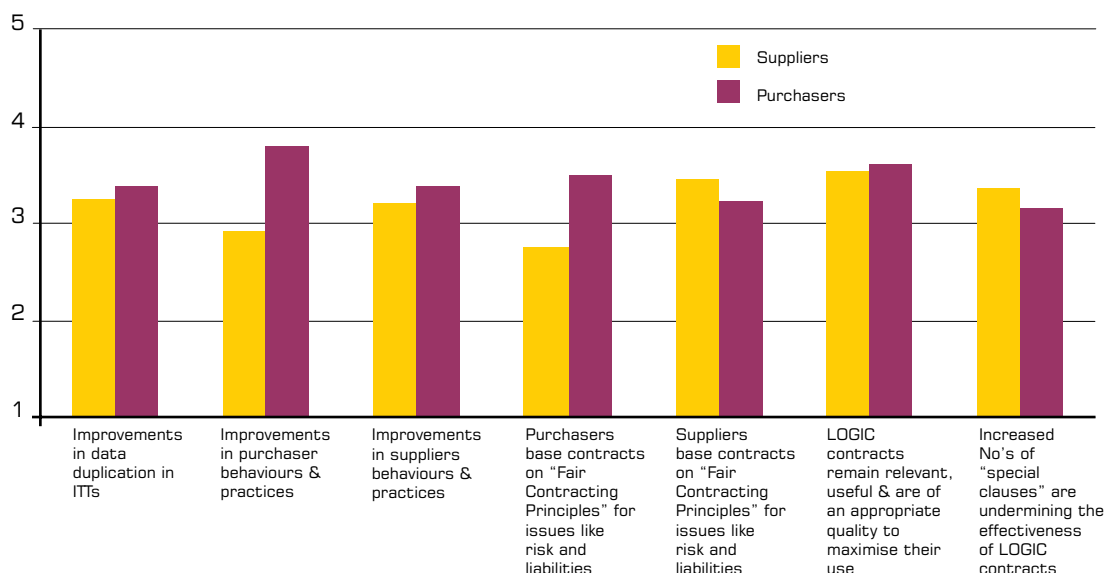
Suppliers reporting that 34% of payments made to them were within 30 days – double that (16%) reported in the last survey. Suppliers also reported that 43% of their payments to their own supply chain were made within 30 days.

A big difference therefore remains in perception between Purchasers and Suppliers about the proportion of invoice payments being made in 30 days.

Regarding the quality of invoices, on a scale of 1 (poor) – 5 (excellent), Purchasers responded with an average of 3.4 and Suppliers reported an average of 3.7 demonstrating a similar view that invoice quality is positively shifted.

Behaviours & Attitudes

Overall, respondents reported that commercial behaviours had generally improved over the past year and that sentiment about positive change remains broadly consistent between Purchasers and Suppliers alike. The table below shows the range of responses to general behaviours on a scale of 1 (Strongly disagree) - 5 (Strongly agree).



2007 will see work continuing on strengthening the progress made over the past year. Opportunities are open to host Supplier Code lunches in 2007. This ensures there is a good feedback session and encourages Suppliers to sign up. A "Code Club" is to be set up during the course of 2007 in order to share best practice and further industry compliance. The PILOT Supply Chain Steering Group would very much like to hear your comments on these results. Please feel free to contact our colleagues below who will then pass your views onto the Group.

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For further information on the Supply Chain Code of Practice including a downloadable commitment form, visit the PILOT website at:
www.pilottaskforce.co.uk