

THE BEST WAY TO IMPROVE YOUR BUSINESS MARGINS - AN IMMEDIATE APPROACH



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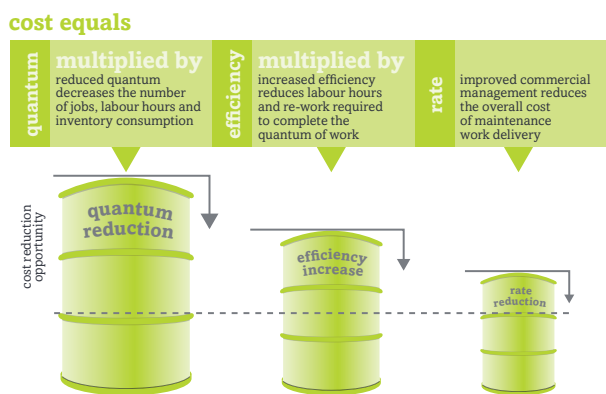
Mark Howard - Partner, Head of Oil, Gas & Chemicals

With oil barrel prices fluctuating and profits down, oil, gas and chemical companies need their assets to be as efficient and productive as they can be. But it's not always the big, business changes that make the most immediate difference. In fact, more and more companies are finding that the best opportunities to rapidly improve their business margins lie within identifying and 'cashing in' the low hanging opportunities found within their operational and business processes at the work place.

The aim: Getting operational costs down

If you think about the levels of your business, things like asset management and equipment maintenance - it's easy to find a huge number of places where inefficient processes could have developed. And if you leave one inefficient

system in place, the knock-on effect can lead to slower production, more labour hours for staff, and huge amounts of money being wasted on unnecessary activities.



Although these areas might seem too far down the system to make much of a difference, they can be crucial in helping you achieve the 'optimum OPEX cost': the combination of lower quantum, higher efficiency and a reduction in rates. When assets are large and complicated, this balance can be difficult to achieve. But get it right, and you could cut your OPEX costs by up to 30%. EC Harris has the experience and capability to assist clients in identifying and addressing these opportunities.



A good start

A short diagnostic review using a qualitative and quantitative '3 cost pillar' study is where most companies begin. It tells you where you could make easy, practical improvements to your site processes - and how much money you're likely to save.

And in order to visualize the areas of potential improvement a gap analysis is utilised (see page 3) showing where you are in terms of your asset, business and peer group and improvement opportunity.

Do you know where you stand?

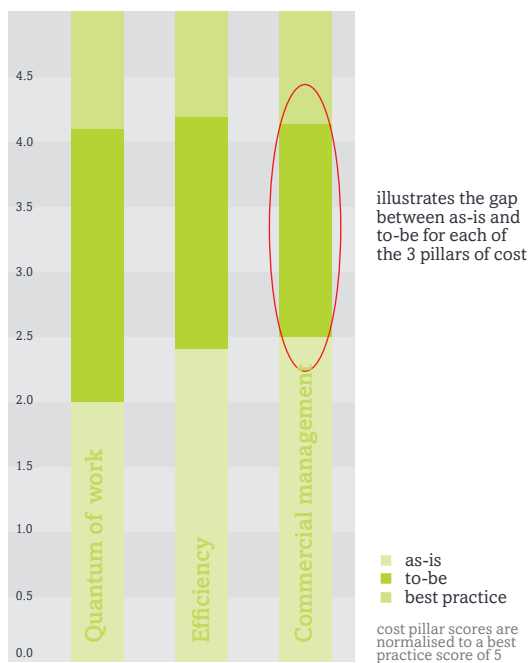
Of course, to make the most of these opportunities, you need to put long-term changes in place. But by summarising and implementing these 'quick-fix' solutions companies have made immediate substantial savings - some of over \$50million on OPEX costs.

Most of these savings have been achieved by improving site maintenance approaches - from planning and scheduling all the way through to execution.

'Time on Tool' - the smart method

There are a number of techniques which can be implemented but a simple way to identify inefficiency is with a 'waste walk' - literally walking the site, noting anything that doesn't seem as efficient as it could be.

cost pillar overview



But a more advanced technique is a system developed to assess productivity - the 'Time on Tool' method. It measures achieved work against planned work, to see where efficiency is falling short. By using this technique, companies can identify where work processes aren't running smoothly - particularly in between the planning and implementation stages.

Putting the theory into practice

Once you've seen where systems and processes are inefficient, the next stage is to re-engineer them to increase productivity. It's also often a good chance to see where a lack of communication between departments is causing inefficiency - and to put new systems in place to encourage your planners to talk to the people on the ground.

Some companies take the Time on Tool method one step further, setting productivity targets for individual areas, like mechanical pipework, scaffolding, insulation, electrical, instrumentation, static and rotating equipment. With Time on Tool you can see what should be possible, then it's up to managers to set incentives for suppliers and contractors to make sure they reach those levels of efficiency.

Help's at hand

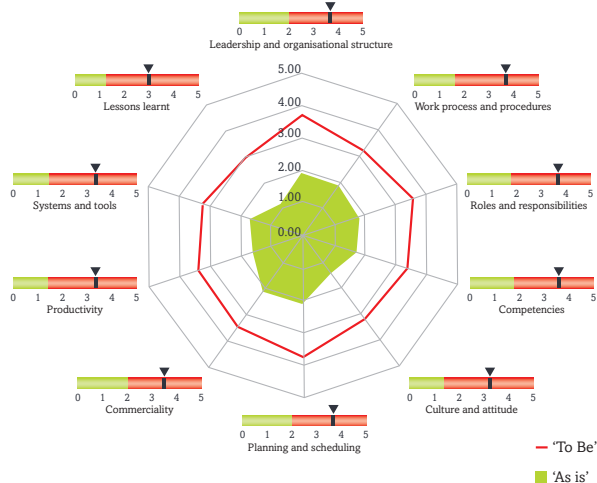
Most businesses which ask for our help in these areas are running cost efficiency rates of 30-40%. And they're not unusual. We can help your business identify where it's losing money, then find real, practical solutions to improve your margins.

Depending on the size of the asset a 1% increase in the productivity level could represent a saving of over \$1million/year.

In the past, we've helped with assets of all sizes, and in all areas - from oil and gas to manufacturing, utilities to the aviation sector. And we've set 'best in class' productivity levels for Europe, the Far East, USA and the Middle East.

In these challenging times can you really afford to ignore low hanging opportunities?

Qualitative assessment - gap analysis



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