



Good Practice Sharing Assessment

BP South Houston

Final Report
August, 2002

Executive Summary

Introduction

1. Introduction

Following on from the Veba integration work, the Veba Integration Directorate sponsored an assessment of South Houston with terms of reference which included defining how good practices identified at Veba could benefit South Houston. This document summarizes the conclusions from an assessment of the operations conducted at South Houston.

The assessment followed a similar process to that which had been successfully used at Veba. The terms of reference for the assessment also included identifying good practices at South Houston that can be transferred to other parts of BP and testing the applicability of the Veba assessment process for use elsewhere in BP.

Where possible the recommendations are supported by hard data, making full use of "best-practice" information obtained from the wider BP network (including Veba) and external benchmarking sources.

The assessments were conducted over an eight week time period in June-July, 2002, using a core team consisting of BP personnel supported by A.T. Kearney.

The presentation slides shown were used by Jim Hay and Donald Austin to facilitate a discussion with the South Houston Board on July 17th.



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As well as describing a range of potential opportunities to improve the operations at South Houston, this document also raises the issue of implementation and proposes an approach which the assessment team recommends for consideration.

Summary

2. Summary

In summary, the findings from this assessment can be described as urgent and far-reaching with important implications for the site, including the integrity of the ongoing site operations and the continuing ability to successfully compete in global markets.

The majority of the recommendations can be described as "getting the basics right", which were found to be significantly below expectations when compared with high performing operations like Veba

The assessment team recommends that the South Houston leadership team review the assessment findings and incorporates the recommendations into a major site transformation programme.

It is recognized that there are already pockets of good practice as well as much activity in place at South Houston (e.g. project Phoenix, close to \$1.5 billion of capital investment at the refinery over the next five years etc.) and the recommendations from this study need to be carefully integrated with ongoing initiatives.

The findings are complex by their very nature and heavily interdependent on each other and need to be tackled as part of a holistic program. A cherry picking approach will lead to sub-optimal implementation and could damage operational integrity.

The improvement opportunities are detailed in templates, which describe the nature of the opportunity, the financial

■ WORK IN PROGRESS

- Fortune 300
- High activity / complexity
- "Nest of Curate's Eggs"

Holistic Program

impact, investment requirements, high-level implementation considerations and interdependencies.

The assessment team recognizes that the South Houston "can do" culture is a great asset and needs to leverage this energy to move forward and implement the improvement opportunities.

It is also recognized that South Houston, acting together as an integrated team, has already achieved success in a number of areas (e.g. personal safety) and there is an opportunity to "export" these to the wider BP community. It is stressed that the site needs to continue to act as a unified team with a holistic approach to program management in order to realise the benefits identified by this assessment.

Summary (continued)

2. Summary (continued)

The key findings are summarized as follows:

- The projected run rate of the improvement benefits is at least \$100 million per annum.
- To achieve this benefit, an incremental investment of approximately \$230 million (appraise level estimate – requires further definition to confirm) is required over five years with the majority being for infrastructure remediation.
- The recommended program can be cash positive by no later than 2005 and has the potential to be cash neutral in the early years, if properly managed, through prioritizing both new and existing initiatives and accelerating benefit delivery.
- The resulting improvements in reliability, integrity and technical competence will enable total headcount (BP and contractor) to be reduced by 475 by the end of 2007.
- Close to 85% of the identified benefits will require cooperation from the unions; therefore a robust, holistic site-wide plan to address labor relations will be required.

In addition, the site leadership will need to address a number of common themes and issues to realize the potential benefits.

Process / Approach

3. Process / Approach

The South Houston assessment was conducted over a 6 week period using a 4-stage process. The core team consisted of:

BP

Donald Austin, David Pierpoline, Ken Panozzo, Steve Kerkofs, Bernhard Rosengarten, Linda White, Russ Wilson, Jeff Brewer, John Harvey, Olivier Colle

A.T. Kearney

Neal Walters, Akin Adamson, Matt Gulland

Stage 1: Preparation

- Detailed quantitative assessment of current site performance

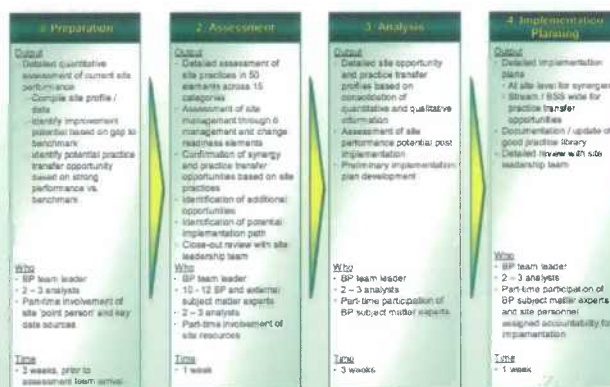
Stage 2: Assessment

- Detailed assessment of site practices in 50 elements across 15 categories
- Assessment of site management through 6 management and change readiness elements
- Confirmation of synergy and practice transfer opportunities based on site practices
- Identification of additional opportunities
- Identification of potential implementation path
- Close-out review with site leadership team

Stage 3: Analysis

- Detailed site opportunity and practice transfer profiles based on consolidation of quantitative and qualitative information

The assessment was carried out over 8 weeks using a four stage process



- Assessment of site performance potential post implementation
- Preliminary implementation plan development

Stage 4: Implementation Planning and Hand-Over

- Detailed implementation plans
 - At site level for local improvement opportunities
 - Stream / BSS wide for practice transfer opportunities
 - Documentation / update of good practice library
 - Detailed review with site leadership team

Getting the basics right

4. Getting The Basics Right

As is the case for safety, operational performance can be described using a pyramid structure. Performance in higher levels of the pyramid is dependent on acquiring a solid foundation in the basics. Hence, for operations, without a strong grounding in the basics (e.g., HSE, reliability, etc.), much of the value created through strong higher level processes (e.g., optimization) can leak away due to underperformance in key fundamental areas.

The assessment concluded that the main areas of opportunity across South Houston sites related to improving the delivery of the operational basics (which are seen as "fractured" at this time) including:

- Operational reliability and integrity;
- Maintenance management;
- Yield and energy management; and
- People management

By comparison it was noted that Veba has greater focus on the basics, which manifests itself in higher levels of performance in many key areas, including reliability and integrity.

The assessment team also observed that South Houston performs well at higher levels of the pyramid (e.g. site optimization), however the potential benefits realizable from these initiatives are heavily constrained by a weaker performance in the basics.

Focus on the basics



