

Focus on: major projects

Major projects to drive business future

Traditional, small-scale projects continue to flourish

Over the past six years, CH2M HILL Companies have delivered more than 20,000 projects for more than 4,000 clients on every continent around the globe. Of those 20,000 projects, more than 90 percent generated revenues of less than \$500,000 annually, and nearly 75 percent generated revenues of less than \$100,000 annually.

Based on that data, an unwitting analysis might lead to the false conclusion that CH2M HILL seeks to capture as many small projects as possible as a hedge against more risk-prone, major projects. Needless to say, such a conclusion would be wholly mistaken.

Looking at the firm's past six-year revenue statistics from an opposite vantage point reveals the following: over the past six years, approximately 10 percent of the projects delivered by CH2M HILL generated more than two-thirds of the company's total revenues. Even more revealing, the top one percent of the largest revenue-generating projects accounted for more than one quarter of the firm's total revenues.

Looking ahead, the long-term growth prospects for CH2M HILL businesses becomes even more contingent on major projects and programs. It's fairly easy to see that increasing annual gross revenues of the firm can be achieved far more effectively by increasing the number of major projects versus the prospects of landing hundreds of small projects. When you consider that it would take more than 85 new projects of approximately \$175,000 in annual revenues to achieve the revenues delivered by just one of the top one percent of the largest projects, the strategic value of landing major projects becomes clearer.

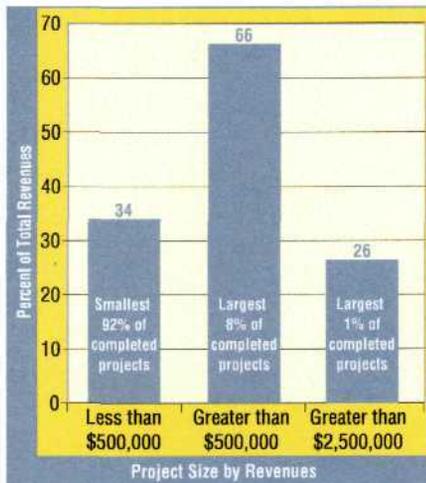
Put another way, prospects for increasing shareholder (employee-owner) value in the company improve greatly by capturing more major projects, which result in greater growth in top- and bottom-line revenues to the firm.

This is not to say that CH2M HILL plans to turn its back on small projects. The fact of the matter is that continued growth of the business will require continued growth of both the company's small and major project portfolios. In fact, CH2M HILL's ability to effectively deliver both large and small projects is a differentiator in the marketplace. However, considering the firm's growth objectives and current portfolio mix of large and small projects, increasing CH2M HILL's proportion of major projects appears to offer greater rewards.

Trends and opportunities to watch

What might a business strategy of capturing more major programs and projects look like? Here are six key trends and opportunities employee-owners might expect to see:

- Continued growth in full-service design, build, operations and management project delivery
- More multi-business-group collaboration on winning and delivering major projects
- Opportunities for personal career building through major project assignments
- Greater emphasis on project performance incentives
- More standardized project delivery tools and systems for application on major projects
- Heightened focus on meeting contracted safety and project performance criteria



While fewer than 10 percent of current CH2M HILL projects generate annual revenues of more than \$500,000, those same projects deliver more than two-thirds of the company's annual gross revenues.

CH2M HILL's history of major projects

Upper Occoquan Water Reclamation



1970s

CH2M HILL expands its major project-delivery portfolio and geographic reach in the design and construction management of the \$83 million **Upper Occoquan Regional Water Reclamation Project** in northern Virginia. The project leads to more than three decades and \$400 million of subsequent programs and projects for the Upper Occoquan Sewage Authority, as well as a permanent CH2M HILL office in Reston, Va., now home to more than 300 employees.

1960s

CH2M partners with Clair A. Hill and Associates to deliver the **South Lake Tahoe Advanced Wastewater Treatment Plant**, the world's first practical application of tertiary wastewater treatment.

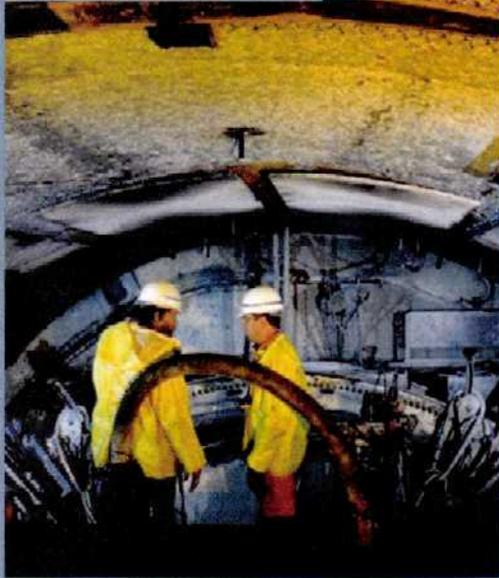
Where we're headed as a firm

CH2M HILL pursues a long-term business strategy aimed at achieving industry leadership by relying on skilled and knowledgeable people, durable financial strength, a full-service portfolio, global reach, and by delivering industry-leading value to clients.

To carry out that strategy, company leaders have identified five key tactical initiatives the firm is putting into practice. Beginning with this issue, *Unlimited* will focus individual attention on each of these initiatives.

This feature looks at the role major projects and programs plays in the firm's long-term business strategy.

Milwaukee Deep Tunnel Project



1980s

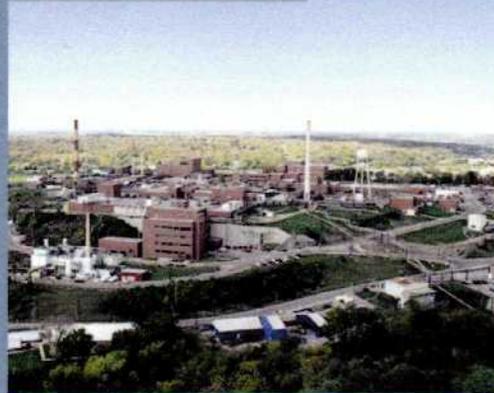
The **Milwaukee Metropolitan Sewerage District** contracts CH2M HILL to manage its 18-year, \$2.3 billion Water Pollution Abatement Program. With its 17-mile deep tunnel system and upgraded wastewater treatment facilities, the completed program becomes a national leader in collection and treatment of combined stormwater and sewer overflows.

Selection of CH2M HILL to manage the **Superfund REM/FIT and REM IV**, both \$200 million programs, for the western United States begins a decades-long working relationship with the U.S. Environmental Protection Agency.

Operations Management International expands CH2M HILL's service portfolio by establishing a leadership foothold in contract operations services of public and private water and wastewater utilities.

Industrial Design and Construction breaks through cost-competitive pricing barriers to become a preeminent market leader in full-service, research, siting, design, construction and facilities operations for emerging high technology industries. Within a decade, IDC becomes the world's foremost provider of clean-room and semiconductor wafer fabrication facilities, delivering projects that exceed \$20 billion in constructed value.

Mound Plant Closure Project



1990s

The \$765 million **Eastern Toll Road** launches CH2M HILL into the major projects category for transportation services with this 27-mile design/build highway project in Orange County, California.

At its peak, CH2M HILL's work for **Cableuropa** in Spain represents the largest single fixed network telecommunications "build" program in the world, representing a capital investment of more than \$2 billion. The six-year project involves program management, design, construction management, and activation services for hybrid fiber coaxial networks to deliver telephone, cable television, data services, and high-speed internet access to nearly 3 million homes throughout Spain.

The Kaiser-Hill joint venture closure project at the U.S. Department of Energy's **Rocky Flats Environmental Technology Site** establishes CH2M HILL as a world-class leader in nuclear site remediation, deconstruction, decommissioning and integrated program management. By consistently meeting innovative project performance milestones, Kaiser-Hill stands to save the DOE more than \$30 billion and 60 years from original project cost and schedule estimates.

As part of the Manukau Wastewater Services Ltd. Consortium, CH2M HILL contributes to design, construction and operations of **Project Manukau**. At \$180 million, the Manukau project is one of the largest environmental restoration and wastewater treatment plant construction projects in the Southern Hemisphere and the largest infrastructure project in New Zealand.

Tomorrow

For nearly 60 years, CH2M HILL has built a reputation for innovation and impeccably competent project delivery. In the years ahead, continued quality performance on world-class projects and programs stands to rank the firm among an elite class of full-service infrastructure firms.

2000s

CH2M HILL Hanford Group's \$2.2 billion contract with the U.S. Department of Energy to manage its 53-million-gallon nuclear waste tank farm in Washington includes performance-based incentives that commit the firm to achieve specific milestones through September 2006.

Construction begins on the Singapore **Changi Water Reclamation Plant**, which is part of a \$7 billion program to overhaul the island's entire sewerage system. CH2M HILL and its local partners are now providing construction management services for the project. Scheduled to be completed in 2007, the program is often cited as the largest current water project in the world.

CH2M HILL's \$314 million performance-based contract to accelerate the safe closure of the nuclear facilities at the former U.S. DOE **Mound Plant** in Miamisburg, Ohio, is scheduled for completion in 2006.

Overseeing the \$450 million **Owens Lake** dust mitigation program represents both a major project and an integrated effort with the City of Los Angeles Department of Water and Power. The multi-year program is scheduled for completion in 2006.

Saving an estimated \$50 million in total design and construction costs, CH2M HILL's design and construction of Seattle's new 180 million-gallon-per-day **Cedar Water Treatment Facility**, due for completion in 2004, represents a benchmark design/build approach to water utilities in the U.S.

When the U.S. Army contracted with CH2M HILL to manage and operate its water and wastewater utility services in **Fort Campbell**, it sets a precedent both in privatizing utility services on the base and in establishing a \$500 million, 50-year program contract period.