



## Putting the “P” in Consulting, Engineering, Procurement, Construction

In recent years, CH2M HILL has made significant inroads in evolving from a traditional consulting services firm to being an established full-service CEPC project-delivery enterprise: Consulting, Engineering, Procurement and Construction.

Like the other disciplines, acquiring equipment, materials, construction and professional services is a key component in bringing clients the total project package. A comprehensive procurement capability enhances efficiency, boosts client satisfaction and strengthens profitability. To that end, there is more to do firmwide.

“We’re on our way but we have a lot to accomplish,” said John Mika, who joined CH2M HILL in November as senior vice president of Procurement. “We’re taking a disciplined approach and are getting to where we need to be by incremental change.”

Mika said there are three guiding principles for having a strong procurement capability:

- providing the best value for clients
- reducing project risk
- maximizing profit margins

“Giving away the ‘P’ invites vulnerability,” Mika said about subcontracting procurement. “We need to keep as much of it in-house as possible so we can have direct influence and control. It’s ideal for our clients as well as CH2M HILL.”

Building a strong procurement capability within the firm, however, doesn’t translate into a cookie-cutter approach for all business groups.

“One size doesn’t fit all across the enterprise,” he said. “We are developing a consistent system with centralized support to leverage our efforts, but actual procurement will be decentralized, i.e., business-group and project based.”

The goal is to have an approach that ensures equipment, materials and services are purchased at the best possible price, delivered according to the construction or project schedule, and built to specification the first time.

Procurement professionals will be linked from start to finish on every EPC project:

- partnering at the front end in business development to craft winning procurement strategies
- working with estimators to develop competitive pricing
- buying for the project and administering the agreements
- making sure deliveries are on schedule
- ensuring quality
- maintaining materials onsite

Managing the supply chain and driving down cost results in client satisfaction and strengthens the firm’s reputation.

“It’s about spending money wisely, regardless of whether it’s for at-risk or billing passed directly through to the client,” said Gregg Macaluso, who heads up Procurement’s strategic initiatives.

Macaluso’s role is to help analyze spending and then propose and implement strategies that leverage the firm’s purchasing power—an enterprisewide solution to meet the needs of individual projects. These efforts are also aimed at providing clients with the information they need to plan projects and establish budgets, and that’s particularly important when markets are volatile, such as the current fluctuations in copper and stainless steel prices.

“We want to give our clients a picture of the market today and, as best as possible, forecast price escalation,” Macaluso said.

The development of enhanced procurement tools and processes are underway and many will be available in early 2008. For more information on CEPC and Procurement, including the discipline’s leadership by business group, go the Virtual Office and access the Web site under Client Groups. [CH2M HILL](#)

### Innovative procurement yields big savings on Twin Oaks project

CH2M HILL is designing and building the \$160 million Twin Oaks Water Treatment Plant in San Diego, California, and also has a 20-year agreement with the city to operate the plant once it’s completed.

The original pricing for granulated carbon used in water purification didn’t include high government-issued tariffs that were imposed after initial project pricing was already in place.

“The good news: Leveraging the market for granulated carbon yielded a savings of \$283,500, which offset the tariffs,” said Water Business Group procurement manager Frank Arabia.

“Competition among subcontractors and suppliers creates the best possible conditions,” he said.

The Twin Oaks project is scheduled for completion in April 2008.

